Negotiating and Programming Food Aid:

A Review of Success

PL 480 Pilot Case Studies

Tunisia Title I and Mali Title II, Section 206

Bureau for Food for Peace and Voluntary Assistance
Agency for International Development
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PL 480 PILOT CASE STUDIES: TUNISIA TITLE I

AND

MALI TITLE II, SECTION 206

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EXECUTIVE SUMMARY

This report presents findings of two brief case studies of the use of PL 480 resources as a development tool--the Tunisia Title I program, and the Mali Title II, Section 206 program. The studies stress identification, negotiation and implementation of self-help provisions and programming and monitoring of local currency sales proceeds. Analysis and lessons learned from each case are presented separately, followed by the primary comparative conclusions or lessons learned. A proposal for further case studies is made. Additional information on the respective country situations is presented in Annexes.

The main comparative lessons learned are as follows:

Focus. In both cases, objectives or self-help provisions were initially sharply focused, and later amplified or varied to include related issues and variables.

Multiyear Approach. Both programs were based on a multiyear approach. In Tunisia, a multiyear strategy was prepared and used as the basis for subsequent agreements and evaluations, although the USG did not approve a multiyear commitment. In Mali, a multiyear commitment was formally made, consonant with a similar multiyear commitment made by a multi-donor group.

Terms of Assistance. The terms of assistance varied considerably between the two programs. However, in both cases, the terms were clear, and did not differ significantly from one year to the next. Further, they depended on the results of annual evaluations which reinforced host government performance on the self-help provisions.

Other Donors. In the Tunisia example, the USG was the only donor to focus on a fertilizer-fueled development strategy. Other donor support has only recently been generated for this approach. In Mali, the USG became the last member of a multi-donor group supporting a cereals market liberalization policy, and benefited significantly from the efforts made by the other donors in advance of its own participation through the Section 206 Project.

Private Enterprise. In both cases, the PL 480 program supported an increased role for private enterprise. This was done, however, in the context of addressing other policy issues. Private enterprise was thus stressed where there was seen to be clear economic benefit to be derived from additional private sector activity.

Coordination with other USAID Programs. In Tunisia, PL 480 and DA and ESF project support have been closely coordinated since the beginning of the PL 480 multiyear strategy. In Mali, some of the effects of the cereals market restructuring project which is supported through PL 480 are likely to run counter to the objectives of some projects being funded with DA resources. As time goes by, this lack of complementarity in the Mali case may diminish as old DA projects wind down.

Use of Local Currency. In Mali, local currency proceeds of all members of the donor group are primarily used to meet deficits of the state cereals marketing parastatal to encourage the GRM to raise producer prices and raise consumer prices. In Tunisia, they are used to support a general self-help program in agriculture, with specific allocations only starting in the third year of the multiyear strategy period. In context, both approaches seem to be effective.

Problem Analysis and Program Design. In both cases, good technical analysis has preceeded commitment of funds, although the source of the technical expertise has differed. The sense that there were mutually-agreed and sound technical underpinnings to the programs eased negotiations in both instances, although other, more broadly "political" concerns also played a role.

Timing of USG Commitment. In Tunisia, despite the multiyear strategy development, the USG was willing only to make commitments year by year. In Mali, a multiyear commitment up to a specific level of commodities was made at the outset, once the USG decided to participate in the restructuring project. In Tunisia, a multiyear commitment from Washington would probably have been helpful. In Mali, USG willingness to adhere to the multiyear approach of the other donors seems to increase leverage, not decrease it.

Understanding Host Government Constraints. In both instances, negotiations and monitoring have taken into consideration real HG constraints, both economics and political. This flexibility in approach seems to have increased positive policy impact rather than the reverse. It has also allowed for mid-course correction where necessary, based on a sort of early-warning system regarding targets and bench marks. This, in turn, improves the chances of negotiating policy changes over time, and increases USG credibility when a particular policy change is at issue which it will be hard for the HG to make.

U.S. Representatives and Host Country Receptivity. Good personal and professional relationships have been crucial in both countries for ease and effectiveness of program negotiations. Continuity has also been very important for success. In Tunisia, continuity was provided by the iterative use of an outside consultant. In Mali, the same effect was provided by the long-term involvement of several key donor representatives including one particularly committed U.S. Ambassador.

The PL 480 Resource as Leverage. In both instances, considerable positive policy change has been encouraged by skillful use of the PL 480 resource. In neither case has a heavy-handed use been made of the terms "policy dialogue" and "self-help provisions", both of which are often taken as offensive by host government officials. In the Tunisia example, other donors are now coming around to support the policy changes first advocated and supported by the USG in the PL 480 program context. In the Mali example, the USG has come around to providing concrete support for policy changes first sponsored by other donors. These examples both provide support for the assumption that skillfully managed non-project assistance can yield positive policy results over a relatively short period of time where projectized assistance may not be able to achieve the same breadth of impact.

INTRODUCTION

This report presents the findings and conclusions of two brief case studies of PL 480 food aid, one of the Tunisia Title I program, the other of the Mali Title II, Section 206 program. These case studies were carried out as a pilot effort, to see what kinds of lessons might be learned from this kind of an approach to PL 480 evaluation.

The objectives which oriented data collection and analysis for the studies were as follows:

- To understand better how PL 480 is being programmed, including the identification, negotiation and monitoring of self-help provisions and the mechanisms developed to program and manage local currency sales proceeds.

- To provide information useful for other USAID Missions to replicate successful experience in the use of Title I as a development tool, to improve on past performance, and to identify likely pitfalls in the process that should be guarded against.

- To establish a methodology and approach for similar case studies to be carried out in additional countries with significant PL 480 programs. This methodology, if applied in a second study phase, would then yield a series of lessons learned and recommendations for design of new programs and/or redesign of existing ones.

Tunisia and Mali were selected for the first, pilot-phase case studies on the following basis:

- The countries are sufficiently small that the case studies could be achieved in a short period of time;

- A modest PL 480 program has been in[1] operation long enough for some results to have been achieved;

- Program emphases in the two countries are different, but each has fairly broad developing-country applications;

- The programs are reasonably well documented, and have included periodic self-help reporting and evaluations; and

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[1] In Mali, although the AID Title II, 206 Transfer Authorization was signed only in July, 1984, the USG had been involved with the activities of a multi-donor food aid group for four years prior.

- Professional personnel with first-hand experience of the countries are available for interview, permitting maximum results with a minimum expenditure of resources.

STUDY APPROACH

A three-person team was provided by RONCO Consulting Corporation, the Contractor, to undertake the two country case studies. Originally, it was anticipated that all three team members would work together in Tunisia, and that one of them, together with a fourth person, would do the work in Mali. Due to scheduling problems, only two of the team members--the agricultural economist and the financial management specialist--visited Tunisia, and the third team member (the organization specialist) carried out all the work in Mali. Before the country visits, however, all the team members had worked together to establish the research approach and to assemble a relevant set of materials on PL 480 in general, and on the specific country programs.

Due to the fact that the agricultural economist had already worked on the design and evaluation of the Tunisia program for several years, it was possible to condense Tunisia study efforts considerably. In fact, the Mission was already contracting with him to carry out an evaluation of the program prior and the development of a new program paper. While in Tunisia, he and the financial management specialist reviewed documentation, and met with key officials in the AID Mission and in the Embassy, as well as in the GOT--primarily in the Ministry of Agriculture, which is the implementing agency for the program--but also those on other relevant GOT entities.

In Mali, the organization specialist, who had been contracted for by the Mission to serve as a member of the evaluation team for another project, reviewed documentation, met with key Mission and Embassy personnel, with the Project Coordinator for the multi-donor Cereals Market Restructuring Project (PRMC) of which the new 206 program is part, with other donor representatives, and with a variety of GRM officials, including personnel of the parastatal which receives significant technical assistance and budgetary support from the proceeds of the sales of the donors' food aid. Although time was short, it proved possible to interact with a number of key individuals in Mali, and to gather a considerable amount of information.[2]

On return to Washington, the team met together several times to discuss its findings, and to develop an outline for the Phase I

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[2] The team wishes to express its thanks to the staff of both Missions and to the officials of the cooperating agencies in both countries.

report. In addition, they met with the FVA/PPE evaluation officer to discuss report preparation, and carried out a series of interviews with former and present AID officers who had been involved in the generation of the two country programs, as well as with other donor representatives.

The findings and conclusions which follow are, then, based on brief but intensive reviews of the two programs. They are presented in such a way that illustrative lessons learned are drawn out of the cases themselves, and comparative generalizations are also put forward on the basis of lessons the team was able to draw from the two case examples combined. These generalizations are presented after the comparison between the two cases has been made, in order to discern those lessons that apply to both of them, as well as areas in which there appear to be contradictory conclusions to be drawn from each.

Since the pilot studies were designed to emphasize the process of identification and negotiation of self-help measures and appropriate bench-marks for evaluation of success in meeting the self-help provisions, some of the materials presented in the case studies themselves may appear to be somewhat anecdotal. This is also a factor in the sense that a good deal of information included is gleaned from individuals who were interviewed about the process some years after it had originally taken place. In order to provide sufficient information about each country situation to give the reader interested in self-help provisions or local currency attributions a context, additional background material is given in the Annexes.

A final part of the scope of work for the Phase I studies was the identification of issues and questions that would be appropriate for investigation in a second phase, as well as a review of alternative methodologies for such a phase which would have varying implications for level of effort and cost. The issues and questions, as well as the discussion of future approaches, are presented at the end of this report.

CHAPTER ONE

TUNISIA PL 480 TITLE I

I. ORIGIN AND DEVELOPMENT OF THE MULTIYEAR STRATEGY

Context

By the end of the 1970's, Tunisia's rapid growth in GDP had led to significant increases in per capita income levels. As a new "middle income" country, Tunisia was seen by many in the U.S. Congress and the executive branch as an excellent candidate for "graduation" from the AID program. Yet, there were important political reasons for continuing to provide at least some symbolic support in order to maintain historically friendly Tunisia-U.S. relations. Due to the strategic position occupied by Tunisia in the North Africa/Near East geopolitical configuration, continuation of some military aid and military cooperation was planned. From a development standpoint, there was also good reason to continue some economic assistance.

Despite high per capita income levels, poverty continued to be widespread in most of rural Tunisia, and was particularly concentrated in the Central region. This impoverished area had not been touched by over two decades of U.S. assistance or by Tunisia's high overall growth rate. Within the U.S. country team, the idea of a "moral commitment" to Central Tunisia began to evolve in 1978-79. This commitment was eventually transformed into a proposal for a $37 million multi-sector package for the region. Meanwhile, a proposal was also being developed for $19 million in U.S. aid to fund development of a supervised credit system for small- and medium-scale farmers. Ultimately, as part of the phase-out package, these two proposals were developed into projects which are still in implementation.

Within the U.S. country team, consensus was not complete on these directions. However, a competing idea was funding a substantial ESF commodity import program (CIP). Those who backed this approach were thinking in terms of a multiyear strategy for phase-out. When the ESF CIP proposal was ultimately disapproved in AID/Washington, these same actors switched their attention to other possible modes through which to carry out a multiyear strategy.

Again, to provide a database for the proposed phase-out, a review of U.S. assistance was carried out, including an agriculture sector assessment. This assessment, completed in January 1981, stressed the finding that despite long and substantial donor support to agriculture, the agricultural growth rate was lagging far behind GDP growth rates of 8%. The timing of this review coincided with the development of the GOT Sixth Plan, and conclusions of each were similar. The AID-funded team enumerated a series of key constraints [3] to agricultural growth, many of which were substantially the same as those which were to be addressed by the GOT during the Sixth Plan period.

Supporting the Sixth Development Plan

Observers in the U.S. country team began to register concern that the Sixth Plan would attempt to address too many constraints to agricultural growth all at once, and that it would establish targets so ambitious that they would be extremely difficult to achieve with existing resources. For example, ambitious fertilizer consumption targets were established, including an expecially high rate of increase in use of Nitrogen. Nine additional publicly-operated warehouses and sales points for inputs were to be established, as well as additional central storage facilities for cereals. Research and extension were to be substantially expanded, as was credit available to small- and medium-scale farmers.

Competing Approaches

Once the ESF CIP had been disapproved, the U.S. country team sought other potential funding mechanisms for a multiyear strategy. It was at this point that PL 480 Title I began to seem a viable option. Taking up their concerns about the magnitude of the Sixth Plan targets, they sought to propose a very sharp focus for a potential PL 480 program, in order to ensure that effort and resources would not be dissipated. What that focus should be, however, was again a subject on which there were differing views within the team.

The consultant who had prepared the agriculture sector assessment, who had been brought back to help develop the strategy and the related PL 480 program, argued strongly that fertilizer distribution and use was a key constraint that could be made the focus of the program. Some members of the Mission staff, including the agriculture officer, had some concerns about the appropriateness of a fertilizer-fueled agricultural growth strategy for Tunisia, especially given the broad variety of micro-ecological zones within the country and the absence of research results on the the basis of which to be sure that fertilizer would really be appropriate for widespread use in most of them.

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3 See Annex I for the list of constraints

TABLE I-1

KEY DATES IN TUNISIA PL 480 TITLE I CHRONOLOGY

January 1981	Agriculture Sector Review Completed
March 1981	PL 480 Title I Multiyear Proposal Program Paper Completed
August 1981	Transitional Agreement Signed
March 1982	PL 480 Title I Review Completed
June 1982	First "Multiyear Strategy" Agreement Signed
November 1982	Annual Joint Review
April 1983	Consultant Review
June 1983	Second "Multiyear Strategy" Agreement Signed
July 1983	Supplemental Agreement Signed (For the first time, specific local currency proceeds attributions made)
November 1983	Annual Joint Review
June 1984	Third "Multiyear Strategy" Agreement Signed
August 1984	Annual Joint Review
November 1984	Preparation of New Multiyear Stategy Program Paper

On the other hand, there was no clear competing focus which was being backed by any significant group or individual within the country team, and the Sixth Plan was clearly emphasizing fertilizer use. In addition, the consultant was essentially following on with an approach that had been used successfully in other countries, and which was known to the program officer and the AID director to have succeeded there. In other words, there was a continuity in the prior experiences in other country situations shared by a number of the key actors in the U.S. country team.

In addition to the fertilizer focus, it was decided among the Americans that there should be a number of complementary actions included in order to implement the fertilizer-fueled growth strategy. It was decided that these would be included in the program, but that in the proposed annual evaluation process, the emphasis would remain on fertilizer supply, distribution and consumption. The other activities would be assessed in terms of their contribution to this key area.

Implementing the Consensus

Once these decisions had been made, the idea of a multiyear strategy was maintained. This idea of a multiyear approach to the critical constraints, complemented by a multiyear commitment by the USG for the requisite PL 480 commodites, was intended in good faith to encourage the Tunisian counterparts to remain serious about the targets they themselves had set. The idea of a multiyear commitment from the U.S. made it easier for those in the GOT who were backing these ideas to lobby for them with others who were less enthusiastic.

Unfortunately for the process, the multiyear strategy and program was never formally approved as such by the requisite authorities in Washington. Yet, the GOT accepted the fact that the U.S. country team in Tunisia had been acting in good faith, and decided to continue to view the suggested changes and related targets as a multiyear strategy. The U.S. team, in order to maintain their good faith position, promised to do their best to ensure that the USG would make its "best effort" to continue PL 480 support over the strategy period of three to four years.

According to the recollection of several of the key U.S. officials involved with the negotiation process in Tunisia, a sort of "conspiracy" developed within their own group, and between them and the Tunisians. That is, everyone agreed that if they all called the approach a "multiyear strategy" often and long enough, this would in itself exert sufficient leverage on those in the GOT who were not already convinced that the objective would be achieved. They noted that in Tunisia, even a powerful minister must engage in bureaucratic and political gamesmanship--"he must exert pressure for people to do something". In this instance, the multiyear concept provided a way for key GOT actors to implement reforms, claiming U.S. pressure as one of the reasons for doing so.

Negotiating Self-Help Provisions

Given this in-country acceptance of the multiyear strategy idea, it remained to negotiate annual PL 480 Title I Agreements. The Program Paper which had been prepared with the assistance of the key consultant, was submitted in the third quarter of FY 1981, with plans for a 1981 "Transitional Agreement" to bridge the transition from the prior PL 480 program. At the time this Agreement was signed, a study of private-dealer fertilizer sales margin requirements was initiated by the Tunisian parastatal fertilizer consortium. The study was paid for by the Tunisians themselves. As a result of the study findings, in November of 1982, margins were quadrupled and supplies made available to cooperatives and other private dealers. The Agreement also called for technical information to be channelled through these new dealers, and this was initiated in January 1984.

The first of the "multiyear strategy" agreements of June 1982 contained almost all the measures proposed in the Program Paper. These had been negotiated with the Ministry of Agriculture during the preparation of the PP itself in 1981. This was an iterative process, during which technicians from the USG side and those from the planning unit in the MOA discussed options, self-help provisions and proposed targets over a period of weeks. Since most of these had subsequently been included in the Transitional Agreement, the negotiation of the 1982 agreement was relatively straightforward.

Here it is important to note that this repetition was a purposive approach. The targets were ambitious, and while some were being met, it was thought appropriate to continue to stress the same focus and targets over the whole strategy period, with little addition of other activities. Thus, the June 1983 Agreement basically repeated the one for 1982, including some minor additions and statements of progress and of concerns about elements that were lagging behind target schedules.

While there have been some shortfalls in achievement of targets, progress has been significantly improved since the program started. Fertilizer supplies are much less erratic, the distribution system larger, and consumption has been growing steadily. Growth targets have been exceeded for phosphate, but for nitrogen, achievements were 15 to 18% short of targets in 1982-83 and 1983-84. New fertilizer and grain storage facilities are under construction, though behind schedule; major improvements have been made in price policy; credit is being expanded. Research and extension have been expanded, but there are some areas where severe problems exist--the most serious are in capacity to do soil analysis and in soil analysis-fertilizer response research and in the conservative scheduling of nitrogen shipments.

Linking Self-Help and Local Currency Proceeds

The Supplementary Agreement of July 1983 was to some extent a departure from the previous agreements in that it outlined the specific uses to be made of local currency sales proceeds for the first time. The key was financing the AID-assisted APMANE small- and medium-farm credit program, including some specific undertakings directed at improvement of that program's operations. While this was essentially consistent with the broad goals of the strategy, it also constituted something of a departure from the past. This has led to some uncertainty and problems in subsequent evaluations and in self-help reporting. In the end, the credit aspects tended to be dealt with in less detail than the main fertilizer-related provisions and targets.

The 1984 Agreement allocated some resources to service coops, but otherwise returned to the earlier format. This followed the approach of the 1983 Supplementary Agreement in that it specified some LC applications, but did not specify in detail changes in project operations.

The Consultant's Role

Throughout this period, visits by the key PL 480 consultant were scheduled twice a year to coincide with formal reviews. He and one of the USAID staff visited every individual and entity that had been involved in implementation of the program, agreement by agreement, as well as those that might reasonably be expected to be included in implementing subsequent agreements. These visits tended to stimulate all of those involved, both in the GOT and the U.S. country team, to raise and resolve issues that had arisen since the last visit. This system worked well, but may in some ways have been a disincentive for those based in Tunisia to meet and resolve issues together in the interims between such visits. However, given the short staffing of the USAID, and corresponding fluctuations of coordination responsibility for PL 480 in the GOT, it is unlikely that there would have been more contact on an on-going basis without the consultant visits, but rather the reverse.

During some yearly visits, the consultant assisted in drafting both the content and language of the annual agreement. In others, he was more involved in specifying--with the GOT entities concerned--the content of the agreement rather than its formal wording. In all years, negotiations of regular annual agreements were handled by the USAID and Embassy staff, not by the consultant.

II. DEVELOPMENT AND NEGOTIATION OF A NEW PL 480 MULTIYEAR STRATEGY AND PROGRAM 1985-1987

Designing a New Strategy

Continuing with the process outlined above, in November 1984 the senior PL 480 consultant was asked by USAID/Tunis to return to Tunisia to assist in the development and negotiation of a new multiyear strategy and program for PL 480 Title I. This time, two additional consultants were also requested, one to help design improvements to a soil testing service for farmers, and one to work on organizational aspects of the program and on preparing the program paper.

The consultant team met with the agriculture staff in the AID Mission, and made site visits to existing labs, to Regional Agricultural Development Commissions (CRDAs) in key agricultural production regions, and visited with all of the directorates in the MOA that had been involved in the past PL 480 program or seemed likely candidates for involvement in the new program. These meetings included heads of directorates as well as members of their technical staffs. In addition, a number of meetings were held with the Planning Directorate, and with representatives of the International Cooperation Directorate, to establish what had been accomplished since the summer, 1984 evaluation, to convey to them the results of initial meetings with technical directorates and parastatal organizations. Later, additional meetings were held to discuss with them the preliminary outlines of the proposed new self-help provisions and local currency sales proceeds applications.

After these first meetings, the team prepared a draft of a summary of the key self-help provisions and LC applications for discussion with the Ministry, and then met with the Planning Directorate to discuss them point by point, with special attention being given to the specific language used in each case, as well as to the substance of each suggestion and its implementation implications. Based on results of that meeting, further discussions were held with the USAID Director, so that there would be appropriate input from both sides for improvements and changes to the draft summary.

At the same time that the team was meeting with key GOT actors and the AID Mission Director to refine the summary document, meetings continued at the technical level to specify and design the sub-projects that would be funded with the local currency sales proceeds, as well as the administrative arrangements required to make implementation of these sub-projects feasible.

Sub-project activities eventually fell into two broad categories. The first category was those activities which were within the manageable interest of individual agencies within the MOA administration. Here, examples were service cooperatives and small farmer credit under DAPME, the agency which assists small- and medium-scale farmers. In these cases, funding from PL 480 proceeds could essentially follow the normal GOT budget allocation process, although these funds would be additional to what the GOT would otherwise be able to provide.

The second category included activities which cross-cut normal MOA bureaucratic lines. Here, examples were adaptive research on plant/nutrient correlations, soil testing services for farmers, on-farm trials on weed control measures, and applied varietal research. Each of these areas involved at least two agencies within the MOA itself, and/or within other entities involved in the agriculture sector.

A key constraint that had been identified in past evaluations was that efforts of these kinds required a mechanism for substantive coordination and for improved financial management. It was in this context that the idea of placing substantial LC proceeds in a special operating account in the financially autonomous Office of Cereals emerged. A former AID-sponsored project, known as Project Ble (Project Wheat), was used as a model since it had been seen as extremely successful by the GOT. Plans were outlined for an informal technical committee to be formed, as well as for formation of a formal management committee to approve technical proposals from diverse entities involved. Within the Office of Cereals, a project manager was to be appointed who would act on the recommendations of these committees to provide funds for operating expenses required for these sub-project activities.

This approach to creating an operating funds account was developed at the suggestion of key MOA officials. It was adopted by the team and the Mission instead of a "Special Account" for all of the LC proceeds for several reasons. First, it has been clear for some time that the GOT would not accept a special account for all LC proceeds from PL 480. In an informal discussion with the Minister of Plan, one team member raised this question, to which the reply was that the main appeal of PL 480 Title I was the flexibility of the LC programming possibilities, which would be vitiated by setting up a formal special account. Second, in the view of the team, given GOT contributions toward meeting the policy goals established in the successive PL 480 Agreements, as well as progress toward achieving targets, the supposed leverage which would be provided by creation of a special account is not needed. Third, the directors MOA entities that have been involved in PL 480-funded activities since 1983 agree that it is only the operating funds that are slow in coming; investment budget funds are not a problem, and can continue to be handled using the normal GOT budget approach (see Section III).

Working out these funding arrangements, as well as the related administrative structure, was nearly as time-consuming as developing the substance of these sub-project proposals. This was because it became clear to all of those involved in the design process that without this kind of funding flexibility, it was unlikely that the substantive targets would be achieved. At the same time, it had become clear that getting agreement within the GOT on this kind of an a-typical funding approach would likely be quite difficult, especially because it would depart from the budget approach of the Ministry of Plan, and from the GOT budget cycle. However, as the design process continued, there was overall agreement that this was the way to go, and that the strongest representations possible would have to be made to the MOP that these administrative and funding arrangements were key to approval of the next tranche of PL 480 Title I support.

A related departure from the past concerns provision of U.S. dollar support for key expatriate technical assistance efforts. These will primarily be in the areas of soil testing and plant/nutrient correlation research, varietal improvement and weed management in cereals, as well as small farmer credit. In the former case, the TA will be additional to any foreseen under the AID Mission's DA and ESF-funded projects. In the latter case, TA will be drawn from the anticipated second phase project in support of the existing APMANE credit program. Total U.S. TA is estimated at $3.5 million over five years. Some additional dollar funds will be allocated for purchase of laboratory equipment and vehicles.

At one point, AID officials expressed the view that these funds should come from the $20 million earmarked for ESF for Tunisia in FY 1985. The GOT, however, had already expressed strong preferences for the application of these funds before the new PL 480 strategy was being designed. At another point, it was thought that the GOT should pay these costs itself, from the foreign exchange freed up by the concessional sales of PL 480 Title I commodities. Although this might remain a possibility, at the time the design team left, the Mission seemed likely to agree to provide these funds from existing and planned projects in its own portfolio, given the build-up of the USAID/Tunisia program.

Reinforcing the Consensus

In a departure from previous visits, the AID Food And Agriculture Officer suggested that in this case, the team meet finally with key actors in the Ministry of Agriculture, and then that the Minister of Agriculture be asked to convey the results of the discussion in the form of the summary proposal to the Minister of Plan. This was an attempt to ensure that within the MOP, the proposal got a hearing at the highest level, and that the point be made and taken that the MOA was strongly supporting the team's proposals. It was also stressed by the USAID that the proposal had essentially been jointly developed with the appropriate GOT representatives, so that it should not be seen or treated as a USG proposal.

During meetings with the Planning Directorate and the International Cooperation Directorate, there was overall acceptance of the summary proposal, although in some instances, there was a request for reworking of some of the language, so as to make it palatable to other entities in the GOT. From the beginning, somewhat in a spirit of humor, the Directorate staff had suggested that the new strategy and program proposal not yet again put fertilizer as the first priority. This was not apparently meant to be taken as a withdrawal on the part of the GOT from past undertakings from prior years' agreements, but rather to make the point that something that seemed to be merely "more of the same" would be anti-climatic at best, and self-defeating at worst.

A key negotiating point made by the GOT was that they would not be willing, absent a multiyear commitment of funds, to make a multiyear commitment in terms of the self-help provisions. That is, they would seek to have self-help targets in each annual agreement phased so that they corresponded with the level of support from the USG reflected in that agreement. This was something of a departure from the initial understanding under the first multiyear strategy described above. It seemed to have been intended as a way of encouraging the U.S. country team to make as strong representations as possible to the appropriate authorities in Washington about increasing the proposed PL 480 levels for Tunisia for FY 1985 and beyond.

This was seen to be necessary to the extent that, due to the drought in Africa, and especially to stepped-up commitments for food aid to Ethiopia, the likelihood that Tunisia would get $10 million in PL 480 for FY 1985 had significantly decreased. Thus, $5 million looked to be the limit unless there were a supplemental appropriation. Even if there were a supplemental appropriation, there was no certainty when the proposal was being negotiated with the GOT in December 1984, that Tunisia would have a high place on the priority list for supplemental PL 480 levels, although the Ambassador had specifically made such a request during his trip to Washington at the end of November.

Self Help Provisions and Targets

Despite the humorous request that the new strategy not simply repeat the same self-help provisions (policy objectives) and targets relating to fertilizer, a concerted effort was made to maintain the impetus already achieved in these areas. The summary strategy document that was eventually agreed upon between the USAID and the MOA contained nine self-help provisions, each of which was presented with a related target or set of targets. These are included here as Figure I-1.

Essentially, the first provision includes the three program innovations that were worked out by the team and the MOA during the November-December team visit. Provisions 5, 6, 8 and 9 also reflect new concerns or departures from past self-help provisions and agreed policy measures. The others, as may be seen from the phrasing, deal primarily with reinforcing past GOT actions relating to fertilizer supply and distribution, small farmer credit, and service cooperatives, as well as central storage capacity for the GOT.

In part, the ordering of the self-help provisions and related targets reflects the MOA's concern that the new strategy not simply appear to be "more of the same". In part, however, it reflects consensus on new departures which--in association with the old fertilizer-fueled growth strategy--are now seen as critical to real and continued agricultural growth for Tunisia. In line with the MOA's concern that targets reflect annual PL 480 commitments, the targets are largely broken down by year of the strategy period, based on current assumptions of the time it will actually take to achieve them. It is also agreed in the summary and the Draft Program Paper that a special joint evaluation to take place after two years will address progress in meeting these targets, and determine whether they are still realistic.

The content of the proposal for self-help provisions and LC applications closely reflected the team's perceptions of GOT priorities as put forward in individual and group meetings with the MOA Directorates. At the same time, it reflected USG policy dialogue concerns and priorities. Here, particular emphasis was placed on reducing input subsidies and increasing interest rates for agricultural credit. A decision was taken to propose, based on a MOA suggestion, that LC operating funds be brokered by the National Cereals Office, which is a financially autonomous organization, so that they would be clearly additional and more likely than in the past to reach their intended recipient entities in a timely manner. This approach was taken in preference to trying to establish a Special Account for the whole of the LC proceeds, since it seemed more likely to be approved by the MOP, and to serve essentially the same purpose without raising the negotiating "ante" to unacceptable levels.

Figure I-1

<u>TUNISIAN POLICY AND PROGRAM MEASURES LINKED TO PL 480 SUPPORT</u>

(SELF-HELP PROVISIONS)

1. Increase efficiency of Tunisian agriculture

   a. Carry out large-scale nutrient application correlation research and demonstrations and make soil test services widely available to farmers. Provide foliar and water analyses to farmers to guide production season decisions on fertilizer and water application and other practices.

   b. Increase effectiveness and reduce cost of weed control, especially in cereals, by developing and applying an integrated approach to weed management.

   c. Introduce, test and disseminate higher-yielding grain and legume varieties for different regions; develop suitable grain and legume rotations for different regions.

2. Continue policy of annual review of output prices and provision of adequate incentives for increased rates of adoption of agriculture production-increasing technology. This will be particularly important as the Government implements its announced policy of lowering subsidies on inputs.

3. Continue program and policies to increase use of production-increasing inputs:

   a. Expand the fertilizer supply and improve the distribution network to achieve plan target, e.g., 130,000 MT of AN in 1984-5 (in order to avoid possible interruptions in flow).

   b. Where appropriate, substitute lower-cost forms of fertilizer--DAP and MAP.

   c. Complete construction of 17 OC and 9 STEC input warehouses.

   d. Continue to provide incentives for greater private enterprise involvement in input distribution.

e. Modify fertilizer prices and price relationships and subsidies to more accurately reflect true prices of Nitrogen relative to Phosphate and soil needs. When adjustments are made to reduce subsidy costs, prices of TSP should be raised more rapidly than AN prices to provide a parity between costs of a kg of N and a kg of P_2O_5. Additional steps should be taken to advance shipment and increase supplies of Nitrogen-containing fertilizers.

f. Conduct quarterly reviews of prices paid for fertilizer to ensure that they reflect world FOB price levels.

4. Develop and finance farm service cooperatives to handle inputs, market outputs and "retail" production credit to small and medium size farmers. Study the possibilities of mobilizing rural savings and provide additional resources to service cooperatives to be used for credit to small and medium farmers.

5. Commission special studies to evaluate progress in increasing agricultural production, identify problems and design programs to increase production on small and medium-size farms.

6. Evaluate the potential for supplemental irrigation for cereal crops. This study will include evaluation of the potential for privately-owned and operated supplemental irrigation systems.

7. Complete construction/rehabilitation of 154,000 MT of Office of Cereals grain storage capacity.

8. Improve the financial viability of APMANE.

9. Assign responsibility to an individual in the Ministry of Agriculture for overall PL 480 program direction and coordination, with similar individual assignments in the Ministries of Planning, Finance and Foreign Affairs.

SPECIFIC PLANS AND TARGETS FOR GOT POLICY AND PROGRAM MEASURES LINKED TO PL 480 SUPPORT (SELF-HELP TARGETS)

Some of the principal actions planned, and targets for self-help provisions, keyed to the GOT Program and Policy Measures enumerated earlier in this section follow.

Policy Measure	Target
	1985/86 agricultural year:
1 a Soil analysis and related field correlation trials	7,800 soil samples 100 on-farm trials 50 demonstrations On-station trials at 10 sites
1 b Weed management program	100 on-farm trials 50 demonstrations
1 c On-farm varietal evaluations and rotations	100 on-farm cereals trials 50 legume trials 50 demonstrations On-station trials at 10 sites
2 Price incentives	Annual Review and any price changes announced by November
3 a Expand fertilizer supply	1984/85 agricultural year: AN 130,000 MT TSP 95,000 MT 1985/86 agricultural year: AN 135,000 MT TSP 100,000 MT 1986/87 agricultural year: AN 140,000 MT TSP 105,000 MT (targets are in N and P equivalent in AN and TSP)

A final meeting was held prior to the team's departure with the concerned Directorate heads in the MOA and the Minister's chef de cabinet. This was based on their prior review of the English and French versions of the revised summary paper.

Interestingly, the results of this meeting as conveyed to the team were extremely positive. Apparently, there were no objections raised to any of the self-help provisions and related targets except for the wording of one which related to raising interest rates on agricultural credit. Here, the objection was not necessarily to the idea of reviewing these rates and attempting to see what possibilities might be for raising them slowly, but rather to the wording which made this an essentially U.S.-authored exhortation to the GOT. The feeling in the MOA seemed to be that to leave the wording as it was originally written would be counter-productive within other GOT entities, including the MOP, and thus might prejudice their acceptance of the terms of the program summary overall.

Despite the earlier plan that the Minister of Agriculture should present the summary of the proposal to the Minister of Plan directly, at the last moment, the team was asked to have a meeting with the head of Cooperation at the MOP. This meeting was attended by the team, the staff of the AID Food and Agriculture Office, the Deputy Director of the Planning unit in MOA, and the Director of International Cooperation in the MOA. The meeting was essentially to transmit the program summary to the MOP, while the team was still available to discuss it, and to attempt to get a provisional reaction from MOP concerning the possibility of placing LC proceeds in an operating funds account with the Office of Cereals. While the MOP representative was unwilling to make any commitment to this effect, without recommendations from his Budget Division, he noted that any proposals for LC programming that fell within rubrics of the MOA budget for the year could be approved, while those that did not would have to be reviewed on a case-by-case basis.

A key point made at this meeting was that the MOA felt that this should be regarded by MOP as a joint proposal, not as a U.S. proposal as originally stated by the MOP representative. This overt support of the proposal by the MOA was essentially a new departure from past years, as was the fact that it was the Minister of Agriculture himself who asked the team to be available for the presentation meeting with MOP.

Another key point had to do with the matter of multiyear commitments from the USG, and the overall funding levels that might reasonably be anticipated. Here, the U.S. representatives at the meeting explained the background, including the problems for total Title I commodity commitments posed by the African drought, and the fact that Title I did not allow for multiyear commitments by the USG. Reference was made, as in prior years, to the local U.S. country team's good faith in attempting to get

Washington to accord the highest levels to Tunisia possible, and to ensure that there would be funding available on an annual basis throughout the proposed new multiyear strategy period, based on the results of annual evaluations.

The next step in the process, namely the contractor forwarding to the USAID the final version of the Program Paper, which would then be translated into French and forwarded to the GOT was outlined. The MOP representative indicated that he would undertake to have this paper reviewed within the Ministry as quickly as possible, so that the background decisions for the negotiation of the 1985 PL 480 Agreement could take place in April, as usual, including the detailed proposals for applications of the LC sales proceeds.

As the team departed, there was an overall feeling that the joint development of the new multiyear strategy and the accompanying multiyear proposal for self-help provisions and related targets, supported by detailed programming of the LC sales proceeds, had been extremely successful. Particularly, it was felt by all concerned that a true consensus had been developed between the MOA and the USAID, through the activities of the design team and the staff of the Food and Agriculture Office. The efforts of the AID Mission Director in meeting with the Cooperation Directorate of the MOP earlier in the week were seen as yet another indication that the USAID--and through it the U.S. country team--was trying to support MOA initiatives and interests on which there was considerable internal agreement in the MOA, as well as potential sympathy in other concerned GOT entities and agencies. What remained to be seen was whether, together, the MOA and the U.S. country team could exert sufficient leverage on the MOP and the Ministry of Finance to ensure that the content of the self-help provisions--and especially the programming for the LC proceeds--would be accepted and delivered on in the coming months and years.

III. LOCAL CURRENCY PROGRAMMING - THE PROCESS

Evolution of the LC Programming Process

The initial concept set forth by the Mission-drafted program documents was that the provision of PL 480 financing would free up foreign exchange which the Tunisian Government would then apply to expansion of fertilizer imports, particularly imports of ammonium nitrate. The Government was also to undertake complementary actions which were spelled out in the Program Paper and further elaborated and clarified in the annual agreements. Costs of increased fertilizer and complementary actions were estimated to be at least three to four times the PL 480 commitment. It was the intent of the program designers, including the GOT participants, that as long as needed resources for these purposes were provided as and when necessary, and supporting actions taken, no further accounting for use of U.S.-provided resources would be required.

In the implementation of the program, however, this approach was either forgotten or overruled; as a result, specific attribution of resources came to be required. The first specific agreement on uses was contained in a letter from the Ministry of Foreign Affairs to the USAID of March 28, 1983 which reported allocation of resources from the 1981 and 1982 Agreements ($10 million each less 15% down payment) and proposed allocations for the anticipated 1983 Agreement.

There is no clear evidence that this shift in the U.S. position weakened the position of implementing agencies in obtaining support for their budgets in the principal self-help areas. The earlier refusal of the USG to explicitly support a multiyear proposal was reported by Ministry of Agriculture officials to have been a blow to their prospects for obtaining comprehensive support of the program defined in the multiyear strategy paper and incorporated in the subsequent agreements. Again, whether this has been a significant factor is difficult at this time to determine.

Clearly, even if it initially created a diminution of support for the program outside the Ministry of Agriculture, this appears no longer to be the case. In fact, the program now appears to be accorded nearly as strong support in other broadly involved ministries (Planning, Foreign Affairs) as it does at senior policy-making levels in the Ministry of Agriculture. At this point the consequences of U.S. official refusal to agree to multiyear support and of U.S. insistence on programming of "local currency proceeds" for program operations are not negative. Programming of LC proceeds is broadly accepted. However, the lack of a multiyear USG commitment somewhat weakens the USG's negotiating position for self-help targets. U.S. personnel involved in program discussions still find themselves substituting personal assurances of best efforts to obtain year-by-year U.S. support for a specific U.S. three-year commitment if the GOT would explicitly support this jointly-developed program.

Recently, explicit support of the undertakings contained in the Agreements, which has been provided by high-level U.S. officials in meetings with senior GOT officials, has been an important factor in gaining and reinforcing GOT support for the program. Of particular importance were expressions of clear understanding of the program and full support of its directions provided in the meetings of the three U.S. Ambassadors with principal GOT ministers, of U.S. Secretary of Agriculture Block in his visit to Tunisia and on signing of the 1983 Supplement in Washington in 1983, and of AID Near East Assistant Administrator Ford on two visits to Tunisia. These indications of high-level U.S. familiarity with, and support of, PL 480 program details clearly reinforced GOT support.

Not until the 1983 Agreement did the Mission start specific programming of the Title I LC before the signature of agreements. For example, the 1983 Supplemental Agreement stated specifically that the LC generated under this supplemental agreement would be used for expanding small farmer credit. Prior to the 1983 agreement, agreements between the GOT and the U.S. did not specify how the local currency generated would be spent. Rather, they specified self-help provisions principally in the area of fertilizer supply, distribution and consumption. The 1984 Agreement specifically programs $5 million of the LC for development of service cooperatives. Prior to the 1983 agreement, programming was done "ex post" in the sense that after the generation and spending of LC in the self-help areas, the GOT reported to the Mission (except for the years 1977-1980 when it did not report) the amounts spent in each self-help area.

When it became clear that programming of local currency would be required, the GOT and USAID agreed that those resources be programmed primarily in support of the self-help provisions included in the Agreement. Thus, the allocations up to now, as shown in Table I-2, are devoted to the self-help provisions identified in the Agreement. The allocations for 1981 and 1982 shown in the Table have been reviewed and approved by the U.S. Auditors. This is taken to mean that the use is related to the self-help provisions. It is doubtful however, that all these specific allocations from 1981 and 1982 would have been arrived at had this process been initiated when the multiyear Program Paper was being prepared.

The 1983 allocations as established by the December 12, 1983 USAID letter, conformed closely to the original program priorities. One possible exception is the FOSDA allocation for which the specific use being made was not clear at the time of the evaluation. FOSDA is a combined credit and investment subsidy program with generally low recovery rates and a substantially subsidized interest rate. In the 1983 PL 480 Supplement and the 1984 Agreement, specific allocations have been agreed upon. These are being treated as "no-year" line items[4] in the GOT budget, to be released for their specific purposes and to be audited and accounted for as such. This method of allocating, auditing and reporting has appeared quite adequate for U.S. monitoring purposes.

Further, it appears that funds so handled will be additional to resources provided for these purposes in absence of the PL 480 program. The uses contained in these agreements more closely reflect the emphasis and priorities of the PL 480 strategy than do prior allocations. That is, they reinforce the orientations fostered by the self-help provisions. The local currency allocations for APMANE Credit, Central Tunisia Development, Family Planning, and DERV Research provide funding for activities supported with other USAID assistance resources. The resources provided to IFAD and WFP credit support other (multilateral) donor efforts. $8.5 million remains to be allocated from the 1984 Agreements.

The future of LC programming appears to be one of clear definition of LC applications, applications specified in future agreements, priorities established for the use of LC, and sufficiently analyzed and prepared projects/programs which will be the recipients of LC and which directly support the specific self-help provisions of Tunisia. This has now been borne out in preparation of the new Program Paper.

In a 1984 meeting, the director for international programs of the Ministry of Planning stated that for FY 85, the GOT (MOA) will specify in its budget exactly how PL 480-generated LC will be spent. He further stated that the allocation of funds across self-help activities is now established in the U.S.-GOT PL 480 agreements whereas before, allocations were made "<u>a posteriori</u>".

Self-help activities are to be well specified by the Ministry of Agriculture in advance of any U.S.-GOT agreements if the Ministry of Planning is to approve them. The director further stated that if MOA would specify its activities, MOP would help them refine the activities consonant with Tunisia's overall economic development plans and funding limitations.

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[4] A no-year line item is a budget allocation for a specific purpose with no requirement that the budgeted funds be spent in a given year.

TABLE I-2

1981-84 PL 480 Local Currency Allocations
(Thousand Dinars)

	1981 (1)	1982 (2)	1983	1984
Financial Operations				
"FOSDA" (Supervised Credit)	1,300	2,600	912 (2)	
- "APMANE" Project	~~(1,300)~~	~~(600)~~	1,760 (3)	
- "IFAD" Project	-	(1,000)	-	
- "WFP 2518" Project		(1,000)		
Credit for Service Cooperatives				3,750 (4)
Cereals Office				
- Cereal Crop Production	1,517	1,180		
- Weed Control	(757)	(584)	1,500 (2)	
- Commercial Seed Production	(760)	(596)		
- Storage	(168)	(298)	2,000 (2)	

	1981	1982	1983
Central Tunisia Office			
- Farm Equipment, land and site improvement for the PPI of Sbiba, for tree crop and forage production, etc.	941	421	1,000 (2)
Family Planning and Population Office	-	1,000	
DERV - Research			
1983-4			300 (2)
1984-5			150 (2)

(1) March 28, 1983 letter from GOT to AID

(2) Letter of December 12, 1983 from AID

(3) 1983 Supplemental Agreement (1/7/83)

(4) 1984 Agreement ($8.5 M remain to be allocated for 1984)

Selection of Local Currency Applications

With the increased pressure for careful allocation of and accounting for funds generated through the PL 480 mechanism, as to the use of funds, the selection process was initiated by the GOT (with the close collaboration of the relevant operating ministries). USAID made counter-proposals, following which both sides discussed and settled on the areas/activities in which LC would be used. The USAID has played an increasingly important role in the selection of areas for LC applications as witnessed by the 1983 (supervised credit) and 1984 (service cooperatives) Agreements, in which specific allocations have been agreed upon in advance of signature.

As of summer, 1984, in the opinion of the Mission, the effectiveness of the programmed activities could have been enhanced by the following:

- **One to three months technical assistance on fertilizer marketing and distribution would have helped the Tunisians progress much further and faster toward their fertilizer** distribution goals, at a minimum increase in funding.
- The presence and support of a resident advisor for soils research would have placed this activity among those being supported by LC generated from PL 480.
- Had technical assistance been provided for, a constraints study of the small farmer, at the level the Tunisians wanted, this study could have been more effectively done.

As of the strategy team's visit in November-December, some of these technical assistance needs were programmed into the new multiyear strategy, as has been mentioned above. As to the programming of local currency against specific activities, this was handled through joint meetings with all concerned MOA entities, and a consensus generated which is reflected in the summary paper discussed in Section II.

Management of Local Currency Proceeds

Review of local currency allocations indicates that they cover the full U.S. export value of the commodities financed under PL 480 (excluding the down payment). This amount differs from the local currency "generated" by the internal sales of the commodities since subsidies are paid on most grain products.

The following procedures are followed in making local currency generated available for program purposes. Commodity shipments are received by the relevant parastatal (Office of Cereals for grain, Office of Oils for soybean oil, etc.) Shipment and arrival documents, cost information, etc. are also supplied to the Central Bank upon discharge of the cargo. Upon receipt of appropriate parastatal (Office) and credits the account of the Treasury. Some minor delays (a few days) occur between this crediting and routine notification of the concerned ministries (mainly Planning and Finance) of the credit. These ministries then initiate the resource transfer process to the recipient agency.

Pursuant to the last Agreement, which specifically allocated $5 million equivalent for service cooperatives, this process appears to have been accelerated. These agreement-defined allocations have been treated like budget line items in the current fiscal year. As a consequence, steps apparently were taken to release these resources on signature of the agreement. We thought in mid-July that resources from the June Agreement were already available to DAPME, the implementing agency for service cooperatives. However, later it became clear that the GOT had provided an advance from its resources and the PL 480 LC will be released in April 1985.

Management Of Local Currency Proceeds By USAID And Tunisian Government Staff

At first, the PL 480 agreement laid out the general areas in which LC would be used. This arrangement was tightened up by an exchange of letters between USAID and the GOT specifying ex post allocations (May 1983 GOT letter proposing allocations followed by a USAID reply in December 1983 stating how they felt the funds should be used).

The most recent arrangement is to specify applications in the Agreement--treating applications as line items in the MOA budget. The applications of the LC generated from the Supplementary Agreements (1983-$3 million, 1984-$5 million) were treated as "no-year" line items in the budget. The principal concern has been to decide on enough sound, adequately-defined projects in the priority areas prior to the agreements being signed.

To date, there has been no special account for PL 480 Title I LC generations established. However, the no-year line item budgetary approach has been adopted for the entire amount set forth in the Supplemental Agreement and is being applied (see Pg. 18).

Currently, the Mission and the Ministry of Planning each have an officer responsible for monitoring the budgeting and the use of LC proceeds. The new Program Paper for the 1985-89 period includes as a self-help provision, creation of an LC operating funds account in the Office of Cereals. Another provision is appointment of a PL 480 Program Manager in the MOA, with counter-parts in MOP, MFA and MOP.

Monitoring and Reporting

In the late 1970s, the USAID Mission reportedly did little in the way of monitoring the use of LC generated from the sale of Title I commodities. The earlier PL 480 agreements did call for reporting; however during the period 1977-80, the GOT did not report uses made of LC proceeds.. Apparently, this caused the Mission little concern. This lack of concern arose from turnover of Mission personnel, and the fact that the Mission was more interested in the substance of the specific Tunisian self-help activities. In addition, there was the feeling that the "end-product" of the PL 480 program was much more important than creating an audit trail would be.

Starting with the audit report of June 23, 1982, however, pressure was put on both parties for more and better reporting and monitoring of progress. The audit report stated that the GOT self-help reports lacked content and specificity. It further said that the GOT self-help reports should state the receipts and expenditures of the proceeds, and be certified by the Ministry of Finance.

In the opinion of the Mission, had the GOT initially appointed an officer to monitor PL 480 for the Ministry of Agriculture in liaison with USAID, the Mission and the GOT would have had better and more timely control of the program's progress. At present, the GOT has an officer from the Ministry of Agriculture monitoring the program from the Tunisian side, but on a part-time basis, while the Mission has the FAO, who is the PL 480 Project Officer of record, monitoring for the U.S. side.

From the beginning of the current agreement, the bulk of the monitoring was carried out by the outside consultant to the Mission (R. Newberg), with interim monitoring done by USAID staff. Monitoring took the form of joint annual program reviews (1982, 1983), consultant visits, GOT annual self-help reports (1982, 1983), Mission comments on self-help activities, quarterly Agricultural Attache reports (Title I Agreement Compliance Reports), annual reviews of APMANE (small farmer supervised credit), and the December 15, 1983 joint evaluation of the APMANE project. The annual joint evaluation done in March/April identifies possible lags or lapses and provides the basis for the implementation plans for the ensuing 12 months. In November of each year, another joint review is done which provides the basis for the annual GOT self-help report and the Mission's comments on that report.

Interim reviews are scheduled when necessary to insure that necessary actions are taken to achieve targets, e.g., the GOT assembles monthly data and conducts a quarterly review of the fertilizer situation as called for in Annex A of the 1982 PL 480 Agreement.

USAID/Tunisia was, is and will likely continue to be, short-staffed. Because of staff shrinkages in the Program Office and the Food for Peace Offices (1982), the workload of the Agriculture Office expanded rapidly. This office currently has two U.S. direct-hire officers and one senior FSN direct-hire officer. Thus, the $10 million annual PL 480 Title I Program[5] is just one component of a total portfolio of projects and programs of one man. The result of this overload is that it has been impossible to develop a comprehensive monitoring system for the Title I program on the USAID side.

The small farmer credit component of the program is the exception. A full-time contract technician is assigned to the overall credit activity. He is currently centralizing the management of the various credit programs and installing a management information system (MIS) which will give both the GOT (MOA) and the USAID the ability to control and evaluate this activity. Part of the MIS is an accounting system parallel to that of the BNT (Banque Nationale de Tunisie, the bank involved in lending funds to the small farmer). The parallel accounting system will allow the USAID to verify the accuracy of information received from BNT and will permit more effective management of the various credit programs. In this case, USAID management extends far beyond monitoring the budgeting and host country application of LC.

Local Currency Programming And The "Political Economy" of The GOT Budget Decision-Making Process

The Mission appears to have and to have had an adequate understanding of the "political economy" of GOT budgetary decisions. Mission personnel are well aware of the major players in this process, the timing of the budgetary cycle, as well as which ministries and which departments within ministries play powerful policy and budgetary-approval roles.

As noted earlier, however, there initially was no plan to directly program local currency. Thus the first allocations were out of synchronization with the budgetary process. It is only in 1984 that the program has become more fully synchronized with the budgeting processes and schedules, and involves explicit review by principal decision-makers in the Ministries of Plan, Finance and Foreign Affairs as well as implementing entities. By explicit incorporation of local currency applications into agreements, and treatment as "no-year" budget line items, disbursement and accounting should improve. As observed by the evaluators and pointed out by the Ministry of Plan, however, this approach creates a new set of requirements, namely that project

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[5] Normally, a $10 million annual development assistance project would get a full-time project manager.

analysis and planning be completed to the satisfaction of the Ministry of Plan before a project is approved.

Illustratively, in making the 1984 allocation to service cooperatives, it was agreed that service cooperatives justify high priority. At the time of allocation, however, basic analysis and planning were weak compared with usual GOT and AID project standards. The priority was allowed to take precedence over the strict standards with the understanding that fund drawdowns would be somewhat slow, reflecting the need to gain more experience with, and acceptance of, cooperatives in Tunisia and the need to develop implementation details.

The Budgetary and Expenditure Process and Key Players

As part of the "political economy" of the budget decision-making process, it is important to understand how the MOA investment budget is arrived at and which outside ministries/agencies play important roles in its formulation. The Ministry of Foreign Affairs represents the GOT for bilateral agreements, and makes certain that there is agreement within the GOT--in this case it makes certain there is agreement between MOA and MOP.

Other non-central but nonetheless important ministries/agencies insofar as policy is concerned are:

- Ministry of Economy (MOE) - plays a major role in reference to agricultural input prices, fertilizer imports and manufacturing. In terms of overall economic policy setting, it has the key role in Tunisia. This ministry through its parastatals controls the bulk of the country's natural resources including petroleum and natural gas.

- Office of Cereals - has considerable influence with the Minister of Agriculture in reference to cereals policy.

- STEC - has prime operational responsibility for scheduling and distributing fertilizer, and also has some influence in reference to fertilizer policy.

- The National Assembly - plays an increasingly active role in the final budget approval process.

Table I-3 (page 28) depicts the key players in the Ministry of Agriculture's (MOA) budget decision-making process. The MOA budget has two parts, the investment budget and the operating budget. Within MOA, the Director of Planning is key with respect to the investment budget and to the overall budget operation. The Ministry of Planning (MOP) and the Ministry of Finance have direct influence over MOA's budgetary and expenditure processes. The MOP (the more powerful of the two outside ministries) is concerned with national priorities (could be likened to OMB), and thus has a strong voice in investment budgets, while the MOF allocates funds to approved budgets and then controls expenditures - both investment and operating MOA controllers are seconded from MOF. It also sets global operating budgets for the government.[6] It does not, however, make decisions regarding investment budgets--which concern PL 480 activities.

The investment budget process itself starts early in the calendar year (also GOT's fiscal year). With respect to MOA, in January-February, its operating agencies/departments review their proposals and budget. By the end of March, the MOA budget is prepared and ready for review internally. The internal review takes place during April-June, so that by July, formal budget requests are prepared for negotiation between MOA and MOP. Based on adequately prepared proposals (by MOA) and analysis by MOP, MOP approves or disapproves MOA requests.[7] This process continues through August with small changes permitted up until August 25th. After agreement is reached, the budget then goes to the Council of Ministers. At this point the budget is largely fixed--only a special, major project could be admitted at this stage. The Council of Ministers sends the budget on to the National Assembly in December, where it goes through the final approval process. Thus, the budget is always approved before the GOT fiscal year, the calendar year, begins.

Inter-Ministerial Coordination During Discussions and Negotiations of PL 480 Agreements

The need for closer coordination between involved ministries is raised here because in prior years' negotiations, the Ministry of Foreign Affairs and the Ministry of Planning were not always kept informed at key points in the process. The MOFA proposed the following discussion/negotiation sequence:

- Technical discussions including self-help measures, should begin with the Ministry of Agriculture. The Ministries of Foreign Affairs, Planning and Finance should be kept informed of these discussions.

- Once the various parties, USAID, MOA, MOP, MOF, are in broad agreement on future activities and handling of the activities, the parties should start the negotiation process under the aegis of MOFA. MOFA's role would be to coordinate the negotiations and help the parties arrive at a consensus.

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6 For example, it will set an upper limit of 17% of the total budget with a range of permissible variation. MOA may only receive 11%, in which case MOA must make the necessary adjustments.

7 MOA does have the right to appeal a negative MOP decision to the Council of Ministers.

Problems arising between the ministries in negotiations would be referred to MOFA for reconciliation.

In addition to facilitating the discussion/negotiation process, it was felt that close cooperation would permit all parties to understand the concept of additionality better, would give the Ministry of Planning timely information on proposed amounts of funds to be allocated to self-help activities, and would allow the Ministry of Agriculture ample time to prepare detailed justification for its proposed expenditures. This is the process which is being adopted for negotiation of the new multiyear strategy.

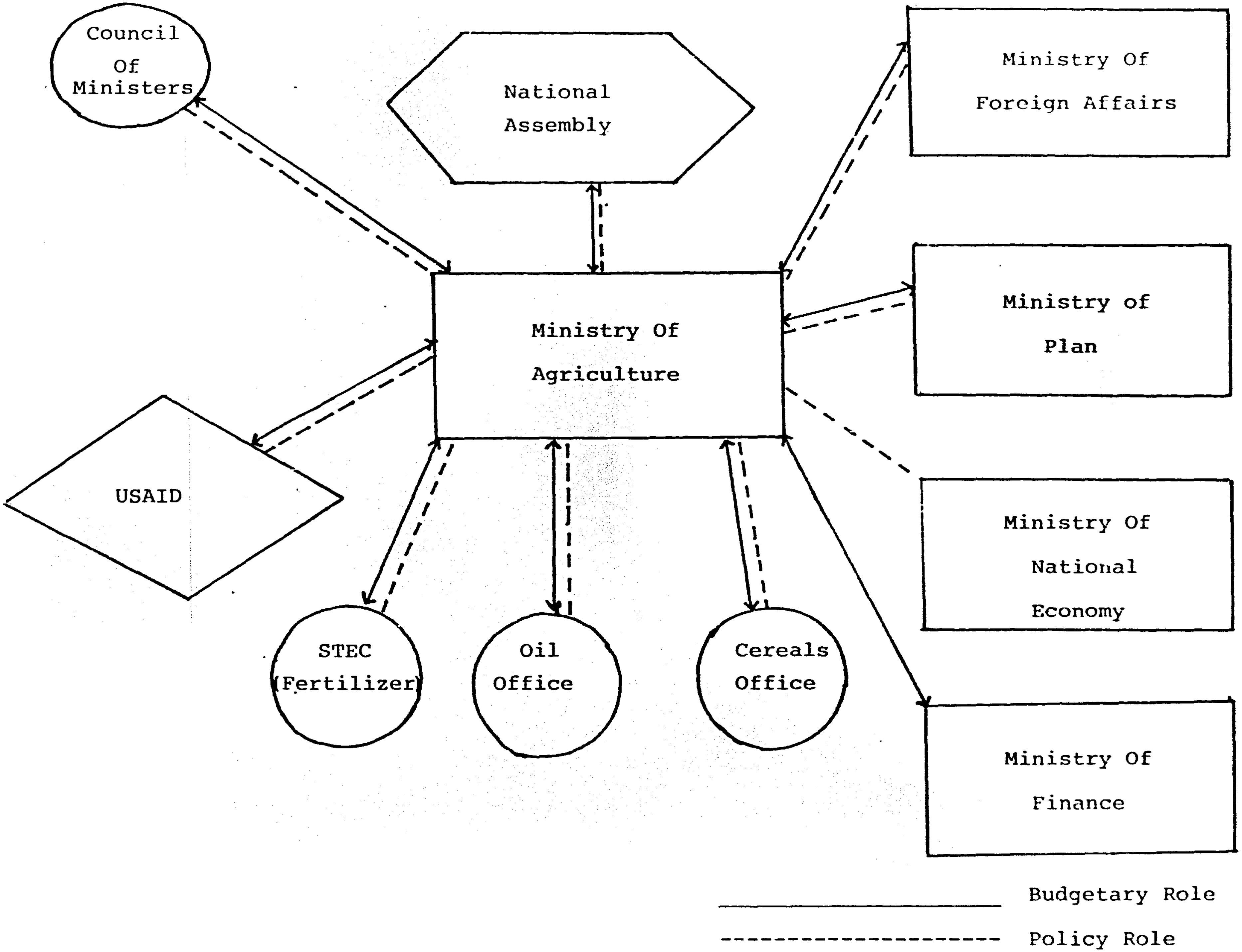
Local Currency Programming and GOT Planning, Control, Budgetary Procedures and Resource Allocations

Early USAID assistance to Tunisia in the 1960s and 1970s helped Tunisia improve its planning capabilities. The consensus of USAID personnel (both American and Tunisian) is that the GOT (MOP) does a very good job of planning, budgeting and auditing. Its ability to diagnose problems and opportunity areas is good. Resource allocations are sometimes distorted by political considerations. However, the most serious problem appears to be one of implementation and monitoring, e.g., fertilizer stock-outs at crucial times in the crop year, and slow progress in fertilizer warehouse construction.

In the future, considerably more attention will need to be given to development of projects or candidates for use of resources before allocations are specified in agreements. Improvement could come in the Ministry of Agriculture's planning department--for suitably well-studied and well-prepared project plans prior to the negotiation and signing of PL 480 agreements. Steps have been included in the new Program Paper to provide a process for project proposal, approved and implementation for candidate activity areas deemed suitable for local currency proceeds support.

TABLE I-3

MINISTRY OF AGRICULTURE: KEY ORGANIZATIONS IN THE BUDGETARY PROCESS



IV. LESSONS FROM TUNISIA

There are several significant aspects of the Tunisia experience which may have relevance in other countries.

1. Agreements have contained specific self-help provisions which, wherever possible, included quantitative targets and implementation schedules. However, in one instance GOT negotiators argued against a target because it was felt that a higher level might be approved if a specific target were not specified. This target on increase in fertilizer dealer margins was omitted and the actual margin approved substantially exceeded the target. In some undertakings, targets were established in more specific terms as more information was generated and, in others, targets presented by implementing agencies were reduced when it became clear that they exceeded needs or exceeded levels of possible achievement, even with best efforts. Illustratively, the target numbers of laboratories and extension offices was reduced when it became clear that the targets were not feasible, and that pushing too fast might result in drastic reductions in the quality of services. Establishment of specific targets and schedules has been invaluable in monitoring progress and management, including reaching agreement on the need to redesign or improve efforts, and, for the U.S., when to elevate discussions, but flexibility and realism are essential.

   Each agreement has also contained as an annex a list and schedule for specific actions during the ensuing year for both the GOT and USG. While actions tended to follow these schedules, the schedules do not appear to have been used as management tools to the extent they might have been. It was important to the GOT negotiators that the USG as well as the GOT have a schedule for action.

2. The U.S. consistently conveyed to Government of Tunisia officials at all levels of USG-GOT interaction that it attaches very high priority to achievement of the self-help provisions contained in the multiyear strategy and agreements. It has frequently been pointed out that these were derived from the Government's own plans. Both the high-level emphasis on importance and GOT Plan origin of commitments have helped produce maximal efforts.

3. To date this program has involved three U.S. Ambassadors, three USAID Directors, two Agriculture Officers and many changes in other U.S. Mission and Washington staff. The U.S. has provided continuity in this professional input and program emphasis by contracting with the same agricultural economics consultant to assist in preparation of the initial sector assessment, and the program paper, to participate in semi-annual reviews and in preparation of drafts of annual PL

480 agreements. Personnel turn-over on the Tunisian side has been substantially lower than in the U.S. Mission, but major official responsibility for program decisions and negotiations has been shifted from time to time. Continuity on program substance and professional input have helped the program.

4. This strategy, partly dictated by the continued short-staffing of USAID/Tunis, also serves to focus attention of key GOT actors just before, during, and after--at least immediately after--the consultants' visits.[8]

5. This experience does not give an indication of how important resource "leverage" may be in achieving desired changes. It does suggest that it is important in "buying a seat" at the discussion table to state and elaborate views and present analytical material and issues papers. It appears to have been important for the U.S. team to establish professional rapport with at least some local professionals, planners, scientists and/or officials who held similar views and who could at some point take leadership in proposing a particular approach. The entire process appears to have proceeded more successfully where it was at least initiated in the context of professional discussions of development needs rather than initiated as a part of formal negotiations. Once moved to the formal negotiation stage, there was a tendency to submerge contradictory views on either side and fall in line with the official position.

6. Having specific commitments or undertakings included as a part of the PL 480 agreements was useful in helping avoid sharp changes and maintaining a stable policy course with a change in officials, administration or the office responsible for the program.[9] In developing countries there otherwise may be a tendency to make changes before the current course has been examined.

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[8] A similarly constructive use of outside resources might be suggested to USAID/Mali, insofar as a new look at the "intellectual" or analytic premises of the multi-donor market liberalization strategy--especially as these are understood by key GRM actors--might be useful periodically. The 206 PP largely validates what the other donors have done under the PRMC to date, rather than blazing new trails. In-house evaluations by AID staff resident in Bamako may be appropriate to provide sufficient understanding of the background, but should probably be supplemented by outside resources over the LOP.

[9] This "leverage" as a means of promoting stability may be more important than the changes initially achieved.

7. It clearly was advantageous for the PL 480 multiyear program that many of the U.S. views on constraints and action priorities were expressed in the GOT Sixth Plan diagnosis and subsequent Plan prescriptions, albeit sometimes stated somewhat differently and sometimes lacking targets or implementation details.

   Terms of agreements remained essentially the same from one agreement to the next, and it was clearly understood that in future agreements they were likely to be little changed, hence availability of future resources would depend heavily on results from current agreements. Thus, stability on the U.S. program side was important in stimulating continuity in Tunisian program emphasis.

8. The focus was always sharp, namely the fertilizer targets and actions directly necessary to achieve these targets. Important complementary actions were included, but the U.S. officials tried to be understanding and flexible about delays and the need to modify targets on complementary activities. U.S. officials have conveyed the notion that, whereas a delay of a year in completing a grain silo was not a serious issue, a period of several days during which farmers could not obtain fertilizer was viewed as being critical, as was a delay of several days in providing feed for animals or meals for people. This sharp and limited primary focus appears to have been helpful in program management.

9. Tunisian, as well as USAID participants in the early discussions and negotiations, were greatly disappointed when Washington failed to agree to a multiyear commitment. In subsequent discussions by USAID representatives, it was emphasized that even if such a commitment were made it would be with caveats on commodity supply and funds availabilities. The U.S. representatives pledged for their part to (a) do their very best to line up resources each year and (b) to ensure that those resources would be applied in support of plans and conditions outlined in the multiyear program. The term "multiyear strategy" has come to be understood to be essentially synonymous with multiyear program. Thus "appearance" and good personal relationships may be almost as important as official approval.

10. The results from Tunisia suggest it is best to involve the Ambassador or Mission Director sparingly and that discussions should be initiated, and carried as far as possible, at the technical level. Senior U.S. officials are kept informed and called on to intercede at a higher level when this is essential. On a couple of occassions, discussions were elevated to higher levels when serious difficulties were encountered at lower levels. This caused difficulties later in lower-level relationships, however. Perhaps this could have been mitigated by an effort to let lower-level officials

know of plans to elevate the discussions so as to permit them to make necessary preparations for the change of venue.

11. Although many donors were providing some concessional financing or barter agreements for fertilizer, none apparently had a long-term interest in, or concern over, the GOT's fertilizer supply and distribution policies and procedures. Some, in fact, may have had an interest in maintaining the status quo, at least insofar as export of DAP (which they bought) and import of AN (which they sold) were concerned. Thus, the U.S. in selecting this important issue, was selecting one which greatly affected all aspects of agriculture, but which apparently had been ignored by the donor community. (This is exactly the opposite of the Mali program where the donor community joined together on the particular issues, and where in fact the U.S. has been one of the last to provide rescurces.)

In retrospect, it would have been advantageous to have had more and earlier multidonor support on one issue (DAP). An FAO team was helpful in increasing awareness of the problem during an early 1984 team visit to Tunisia.

Monitoring of Progress

It is evident that this project has benefited from fairly rigid, annually-updated, implementation schedules and periodic intensive monitoring at the time of the visits of the consultant, plus interim monitoring by the USAID staff. In general, developments over the next year which might prove adverse were identified during these periods of intensive review--e.g., problems on fertilizer procurement delays, fertilizer plant start-up delays, arrangements for dealer supply, new shipping difficulties with the shift to local ammonium nitrate production because of the plant's location far from major consumption areas. This periodic consultant monitoring input provides an opportunity for all parties to focus simultaneously on the program. But, there are also some disadvantages with this periodic consultant monitoring in that sometimes, concerned individuals appear to have postponed discussion of issues until the next "visit". This may be less of a problem now with some of the responsibility for implementation, monitoring and negotiation being planned within the Ministry of Agriculture in the hands of a specific Program Manager.

CHAPTER TWO

MALI PL 480 TITLE II, SECTION 206

I. ORIGINS AND IMPLEMENTATION OF THE CEREALS MARKET RESTRUCTURING PROJECT (PRMC)

Background

Until the Sahelian Drought of 1972-1974, Mali was essentially self-sufficient in food production, primarily cereals. Yet, over the last ten years, it has become a large importer of food and a consistent recipient of food aid. With food production stagnating, and the population increasing by 2.6% per year, the country would seem to be likely to continue to amass food deficits. However, assessments over the past ten years indicate that there is significant potential overall for increased food production in Mali and that the country could once more become self-sufficient in food production except for very poor years, despite environmental constraints.

Until 1981, Mali's cereals marketing and pricing policies were taken as one of the clearest illustrations in Africa of the damage to food production wrought by misguided policies. In the late 1970's, food donors faced a quandary. The need for food aid was clear, but food aid was poorly administered by the GRM, and was seen as merely propping up flawed sector policies and adding to disincentives to farmer production. This assessment of the situation led Mali's food aid donors, including the USG, to adopt a unified approach to cereals marketing reform. After considerable discussion, and on the basis of a number of expert reports, three objectives were identified by the donors:

- Cereals marketing liberalization;
- Improved production incentives; and
- Reducing the public resource requirements of the marketing system.

The resulting PRMC represents a first collaborative effort of a multi-donor group and an African government to attempt to correct cereals marketing policies and provide the basis for increased agricultural production and resulting economic growth. The 1981 GRM-donor project agreement, which adopted the three objectives enumerated above, was part of a reform process that had been going on for some time, and which is still continuing.

TABLE II-1

KEY DATES IN MALI PL 480 TITLE II, SECTION 206 CHRONOLOGY

1978	FAO de Meel Report on Cereals Policy Prepared
January 1980	Donors Form PRMC Donor Management Committee
November 1980	DMC Forwards Proposal on Project Policy Measures and the Use of Counterpart Fund to the GRM
March 1981	Donors Receive Agreement in Principle From the GRM on PRMC
1982	GRM Issues Food Self-Sufficiency Strategy
September 1983	USAID PID Signed for Title II, 206 Project
May 1984	Project Paper Signed for Title II, 206 Project
July 1984	USG/GRM Transfer Authorization Signed

While the multi-donor consensus is crucial to the success of the project to date, it is also important to note that the GRM, in a troubled time, has been able to exert the political will to carry forward the reform process, despite a number of disincentives and political risks involved. In what follows, the key steps in the donor-GRM policy dialogue will be outlined, including the role played by the USG, before turning to the specifics of the new PL 480 Title II, Section 206 Project. This is necessary because it is the three years of the multi-donor effort, and the existence of the PRMC itself, which has allowed the USG to go forward with the new project, and which provides the basis for hopes for further successes with USG material support. It also provides the context for a particularly flexible USG approach, the background and implications of which are discussed further below.

The Need For Reform

It has been argued that the 1972-74 drought merely exacerbated the administrative and policy weaknesses that already plagued Malian agriculture. Certainly, the drought--by increasing food aid considerably, and overwhelming OPAM's ability to carry out its distributional functions--made it clearer to the GRM and to the donors that there were serious problems in cereals production and marketing that would soon have to be addressed. While different donors had differing concerns, these concerns were complementary. The French, who provided a considerable amount of budgetary support to Mali, were concerned with the burgeoning deficits experienced by OPAM. Other donors, such as Canada and the USG, were concerned about poor administration and/or definite mismanagement of food aid resources by the GRM. In fact, it was the GRM's failure to account for the proceeds of prior PL 480 food aid contributions that caused the USG to refrain from providing material assistance to the generation of the PRMC, although it was a partner in the GRM-donor dialogue from the beginning in 1980, and even before.

A first step to address the existing situation was taken by the FRG and the UK, who provided TA to OPAM. The World Bank commissioned a study of cereals marketing structures (IDET-CEGOS study), the French funded an expert from BDPA to review OPAM's financial situation, and AID financed a Sahel-wide study on cereals marketing, price policies and stocks (CRED-CILSS study). The donors realized that Mali's problems in this domain were not unique in the Sahel. An argument often given for the success of the donor-supported reform process embodied in the PRMC, however, is that Mali provided a manageable policy environment, and there were sufficiently few in-country donor representatives to allow a concerted dialogue to take place. This appears to be true despite the fact that ideological constraints to the adoption of such reform measures were probably as strong in Mali as anywhere else in the Sahel. Also, the IMF negotiations for a First Standby Agreement with the GRM provided important impetus, as did the conditions the GRM would have to meet to rejoin the West African Monetary Union.

TABLE II-2

CURRENCY EQUIVALENTS

U.S. $1 = MF 800

MF 100 = $0.125

WEIGHTS AND MEASURES

1 kilogram (kg) = 2.205 pounds

1 metric ton (MT) = 2,205 pounds

1 kilometer (km) = 0.6215 miles

COMMONLY USED ABREVIATIONS

Barême	Price Schedule
BNDA	Banque Nationale pour le Développement Agricole (National Bank for Agricultural Development)
CCCE	Caisse Centrale de Coopération Economique (French Development Bank)
CMDT	Compagnie Malienne pour le Développement des Textiles (Malian Company for Textile Development)
CNAVS	Comite d'Aide aux Victimes de la Sécheresse (National Committee for Assistance to Drought Victims)
FAC	Fonds d'Aide et de Coopération (French Aid Agency)
FED	Fonds Européen de Développement (EEC Aid Agency)
FRG	Federal Republic of Germany
GRM	Government of Republic of Mali
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IER	Institut d'Economie Rurale (Rural Economy Institute)
OACV	Opération Arachides et Cultures Vivrières (Groundnuts and Food Crops Operation)
ODIPAC	Office de Développement Intégré des Productions Arachidières et Céréalières (Office for Integrated Development of Groundnut and Cereal Products)

ODR	Opération de Développement Rural (Rural Development Operation)
OHV	Opération Haute Vallée (Upper Valley Operation)
OMM	Opération Mil Mopti (Mopti Millet Operation)
ON	Office du Niger (Niger Office)
OPAM	Office de Produits Agricoles du Mali (Malian Office of Agricultural Products)
ORM	Opération Riz Mopti (Mopti Rice Operation)
ORS	Opération Riz Ségou (Ségou Rice Operation)
OSRP	Office de Stabilisation et de Régulation des Prix (Office of Price Stabilization and Regulation)
PRMC	Projet de Restructuration du Marché Céréalier (Cereals Market Restructuring Project)
SCAER	Société de Crédit Agricole et d'Equipement Rural (Agricultural Credit and Rural Equipment Company)
WFP	World Food Program

Negotiating the Reform

These original donor-financed initiatives led to a variety of recommendations, some favoring increased state control of the market through OPAM, and others favoring liberalization of the cereals markets, with some OPAM role in stabilization of prices, especially in poor harvest years. Meanwhile, the GRM was divided among those who favored the maintenance of strong state authority and intervention, and those, including the President, who were for some liberalization of the marketing process.

It is important to note that up to the present, it is the technicians in the GRM Ministry of Agriculture who still appear to be most in favor of retaining a strong role for the state in the marketing process, and the role of the Ministry in setting production targets, and in oversight of the ODRs. Innovation and the support for market liberalization have come from elsewhere in the GRM, including the President's Office, and the Ministry of State for Economy and Plan, as will be discussed in more detail below.

Meanwhile, pressures being exerted by the IMF and by the French for the GRM to reduce budget deficits and to reduce credit to state enterprises, including OPAM, continued. Thus, there was basic support for some of the recommendations made in the donor-financed studies of cereals marketing and price policy which militated in favor of liberalization, at least in terms of a reduced role for OPAM. In 1978, the donors collaborated to examine Mali's problems in a report produced by de Meel, of the FAO, entitled La Politique Cerealiere au Mali. The report's recommendations received broad donor agreement, and included (1) ending the theoretical monopoly of OPAM, (2) allowing licensed private traders to enter the cereals market, and 3) establishing minimum producer and maximum consumer prices, with OPAM serving as the agency that would stabilize prices.

Although the GRM reviewed the de Meel report, it took no action on its recommendations. Yet, the GRM too was aware the changes had to be made, and eventually in 1982 issued a Food Self-Sufficiency Strategy [1], which reinforces its ultimate acceptance of the various donor-supported recommendations (see below).

Still, this acceptance did not come immediately. In 1979, the GRM presented the donors with a very high estimate of food aid needs, one which the donors appear to have felt was exaggerated. Already concerned about economic policies that were making it difficult to implement their respective agriculture projects, and concerned about food aid accountability, the donors responded positively to a suggestion by the EEC representative that they

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1 Prepared with USDA and French TA.

tie a common counterpart fund to the GRM's commitment to enact specific reform measures.

Representatives of nine bilateral and multilateral donors, including USAID, agreed to this concept in January 1980, and EEC, USAID and French technical assistance was asked to design a project proposal. Six months later, the key donors had approved the project proposal, and it was presented to key GRM Ministers in June 1980, all of whom responded negatively.

During this initial period of negotiations among the food aid donors, and between them and the GRM, WFP (the World Food Programme) had not made a commitment to the multi-donor project. Yet, it was requested by the other donors to act as coordinator on their behalf. After the GRM and the multidonor group agreed to the basic objectives of the project, the GRM requested WFP assistance to establish a security stock. Meeting this request led WFP to join the other donors, and agreed to participate in the project.[2] In fact, the then-current WFP resident representative was instrumental in moving negotiations along between the donor group and the GRM for the first two years of the project, and has received wide recognition as one of the major proponents of the PRMC effort (see Annex II).

The following October, the EEC representative, Pierzio-Biroli, was able to meet with the Malian President, who apparently liked the project proposal, and called for discussions on its possible implementation. Eight donors sent the GRM a joint letter in November, including the project proposal, which offered a <u>five-year commitment</u> of food aid in exchange for government measures to carry out the three major recommendations of the de Meel report. Counterpart funds generated by the food aid would be used to mitigate the impact of official price changes on the OPAM budget, permitting the GRM to raise producer prices more quickly than consumer prices.

In a tense political atmosphere in 1981, there was an extrordinary congress of the Party, which endorsed broad economic reform policies and at the same time provided for political reorganization that enhanced the power of the President. This provided the opportunity for the GRM to approve the PRMC in March 1981. Subsequent discussions led to the agreement that the reform measures would apply to marketing of coarse grains but not of paddy, and that the donors would contribute 250,000 MT (maize equivalent) over the five-year period of the project. Given the recent acceptance of the donor proposal to extend liberalization to paddy marketing (see below), support has been pledged for a sixth year, extending the project until 1986/87.

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[2] See WFP: Sectoral Evaluation on Food Aid For Price Stabilization and Food Reserve (Emergency Stock) Projects. WFP/CFA: 18/11/Add. 1, October 1984.

Goal and Functions of the PRMC

The goal of the PRMC is to assist Mali to achieve food security on a self-sustaining basis. Its purpose is to achieve cereals marketing policy reform, with the coordinated support of Mali's largest donors. The cereals marketing reform supported by the PRMC involves three distinct but related objectives, which were enumerated above. It is fair to say that while all the donors concerned support all of the objectives, there is some difference among them as to which supports which objective most strongly, just as there is a difference of view among them from time to time about what should be given highest priority among the objectives, how they should best be met, how much delay or deviation by the GRM is acceptable under what extenuating circumstances, and the like.

The most interesting feature of the PRMC from the vantage point of an observer, however, is the extent to which the donors are able to achieve internal consensus among themselves on these kinds of issues, and the fact that for counterpart expenditures to be authorized from the joint counterpart fund, there must be unanimity among the donors as the purposes of the expenditure. As will be seen later, several informants involved in the implementation of the PRMC tend to divide the donor community into the European donors (bilateral and multilateral), whom they consider as the most flexible and the best informed about Malian economic conditions and policy constraints, and the USG and Canada, which they see as being the most concerned with verification, and the most prone to ask for separate evaluative studies and data on which to judge accountablity for their contributions to the project. (An obvious but non-trivial difference between these two "groups" is that the Europeans have received a distinctive kind of training and share a world-view, while the North Americans have a different approach, and similarly different training from the Europeans).

II. THE TITLE II, SECTION 206 PROJECT

Background

In 1981-82, the GRM elaborated a national food strategy to help rationalize the food sector which, according to one report (Dommen, 1983), was characterized by food shortages and high prices for foods which the country itself was capable of producing. As a result, Mali is one of the very few countries in Sub-Saharan Africa to have such a strategy today. The GRM requested TA for the elaboration of the strategy in July 1980. In response to this request, an international team of agricultural economists and agronomists, jointly financed by AID and the Ministry of Cooperatiohn of France, arrived in Mali in June 1981. The team consisted of professionals from USDA/ERS, from AID, and from a French consulting group under contract to the GOF. The team was formally provided under the auspices of the CILSS and the Club du Sahel.

In order to have a useful interlocutor, an *ad hoc* body of responsible GRM technicians was constituted, representing the various ministries. As Dommen notes, "these people were sufficiently knowledgeable so that they could discuss in detail the relevant aspects of the operation of the food system and were also likely, given a minimum of good will...to be able to put aside their regular duties.... Moreover, they were conversant with policy matters within their ministries" (Dommen, 1983, p. 17).

The strategy established seven strategic objectives, namely:

1. Heighten food security.

2. Attain food self-sufficiency.

3. Improve the nutritional status of the population.

4. Reduce consumer food costs.

5. Reduce the Government's budget deficit.

6. Improve the balance of trade.

7. Strengthen rural incomes.

It is probably significant for AID's eventual willingness to design and lobby for the subsequent 206 program, that all but the fifth of these objectives corresponded closely with the U.S. policy orientations for Mali as included in the CDSS, and in AID/W policy documents.

This, together with resolution of outstanding accounting issues for past Title II assistance, and continued involvement of the U.S. Ambassador, seems to explain the timing of the USG shift to active membership in the PRMC through the design and approval of the Section 206 project.

Preparing the Title II Project

The PID for the 206 project was signed on September 14, 1983. It is quite thorough, and seems to reflect the input of the then-current U.S. Ambassador, who had been active in the multi-donor group even though the USG was at that time providing relatively little food aid to the GRM, and had not become a formal member of the PRMC. Some AID/Washington TDY assistance was provided for the PID preparation, and some involvement came from the Agriculture Development Office, although the main coordination and preparation was done by the Mission's Program Office.

The PID gives a fairly candid summary of the pros and cons of the USG becoming formally involved in the PRMC:

> "The Mission has weighed the pluses and minuses of the Project. The main drawbacks are the following:
>
> (a) Individual donors have to relinquish a measure of exclusive bilateral control over the program design and the use of counterpart funds;
>
> (b) The need to seek a detailed consensus among donors before negotiating with the GRM as issues arise, and the comprehensiveness of the Project, do not allow a blueprint-type approach to the Project. Rather than a detailed blueprint, donors contributing food aid simply establish a right to participate actively in a process of policy reform dialogue;
>
> (c) The existence of the Multi-Donor Project severely undermines the ability of any single donor to negotiate with the GRM a normal bilateral food aid program with conditions precedent, covenated agreements, etc., going further than the Project itself.
>
> "The Mission, however, believes that U.S. participation in the project presents significant advantages:
>
> (a) Donors when united can exercise far more powerful leverage than when dispersed;
>
> (b) The (PRMC) addresses the core policy issues standing in the way of Malian food security on a self-sustaining basis;

(c) The (PRMC's) track record over its first two years is impressive;

(d) U.S. risks are minimized. The U.S. can reduce its participation in any year if it considers that the Project is not making satisfactory progress;

(e) The Mission believes that its active participation in donor deliberations will result in joint donor positions closer to the U.S. views than otherwise; and

(f) The success of this donor group to date has had a very beneficial effect on the whole question of donor cooperation in Mali and should be encouraged."

Regarding local currency counterpart funds, the PID is equally candid:

"Donors have tentatively agreed that local currency proceeds from the sale of food aid will be used on the basis of collective donor decision for the following purposes:

(a) To cover OPAM's costs associated with food aid sales;

(b) To cover a part of OPAM's deficit; and

(c) To finance activities undertaken in the framework of the GRM's food strategy and having a specific impact on cereals marketing.

"The Mission's position is that to ensure consistency among donors and preserve donor unity of action, the U.S. should agree (as other donors have) to relinquish exclusive bilateral control over its counterpart funds provided that:

(a) The formula used by donors to determine the (PRMC's) contribution to cover OPAM's deficit be redefined so as to provide an incentive for OPAM to continue to reduce its deficit, and

(b) Specific eligibility criteria satisfactory to the U.S. are agreed among donors for food strategy activities to be financed by counterpart funds."

The PP was signed on May 21, 1984, a quick turnaround time from PID approval. At this point in time, the PL 480 function was apparently being shared within the USAID between the Agriculture Development OFfice and the Program Office, with coordination by the Project Design and Evaluation Office. Subsequent to final preparation of the PP, the role of the ADO appears to have diminished. By the time the Transfer Authorization was signed in July 1984, the ADO had no formal role in the process at all.

This, together with the fact that most monitoring of the local currency proceeds is to be carried out by the WFP-provided Project Coordinator, means that it will be difficult for the ADO to maintain some level of technical input into the project as it comes on-stream. The present chief of the ADO, however, is a Ph.D. agricultural economist who is very much interested in the implications of the 206 project both for his own portfolio and for the agriculture sector more generally. Thus, he is likely to maintain some technical oversight if only on an informal basis.

Initial Response to USG Participation in the PRMC

Shortly after the Transfer Authorization was signed, the U.S. Ambassador who had been closely involved with the generation of the PRMC was reassigned. His DCM, however, had been brought into the process before the Ambassador left, and was thus able to carry on in the interim before a new Ambassador arrived at post. The DCM represented the USG, along with the Mission program economist, at the July meeting of the PRMC donor committee and the GRM.

At this point, it was not yet certain if the commodities for the first tranche of the 206 Agreement would be forthcoming on time. Mission personnel on TDY in Washington in February had already been warned that commodities might not be available on schedule. This warning caused considerable concern within the U.S. country team. Had serious delays occurred, the USG's credibility might have been damaged just when it was finally making a concrete contributon to the Project. On the other hand, the very magnitude of the multi-donor response to the GRM's request for food aid made this a somewhat lower risk. For example, much of the July 21 meeting between the GRM and the donors was taken up with discussions about lack of capacity at the ports, and lack of trucks to move food aid commodities from the ports to Mali. In fact, the volume of food aid grain was so great that the rail and truck facilities left available for imported fertilizer, for example, was virtually nil.

Local Currency Programming

Given the timing of this case study, there had not yet been any local currency sales proceeds generated from U.S. food aid under the 206 project. It was possible, however, to discuss potential monitoring with the WFP Project Coordinator. His response when asked whether the advent of the 206 contributions would significantly add to his management burdens was negative. He already keeps special accounts for each donor, and would be able to add the USG easily. Although he has no support staff, he was hoping to use his micro-computer to adapt the DB II program to his financial management responsibilities.

The first annual evaluation of the 206 project is scheduled for January 1985, at which point any local currency proceeds programming can be assessed. The evaluation team proposed is to consist of the Mission's program economist and the Sahel Team's agricultural economist based in Bamako.

Self-Help Provisions

Although this term is not employed in the context of the PRMC, it is the achievement of the three marketing reform objectives that constitute the "self-help provisions" to which the GRM has agreed in exchange for the multi-year food aid commitment provided by the donors. The first objective is marketing liberalization. As the AID PP states:

> "This implies a drastic shift in the division of labor and responsibilities between the public and the private sector; state marketing monopolies would be systematically abolished and a much greater share of cereals marketing turned over to a legalized private sector. By the end of the project, it is envisioned that OPAM will only retain responsibility for managing national food security stocks, for procuring cereals for public institutions, and for protecting farmers and retail prices against excessive speculation. As for the ON and other rice producing ODRs, they will see their purchasing and processing monopoly abolished and will operate only as a buyer of last resort in a market in which the private sector will have the main role" (p. 33).

The second objective is improvement of cereal production incentives. This involves both the impact of market liberalization, and an evolution of OPAM's price structure toward market-determined prices, in addition to improvements in the relationship between paddy producers and their ODRs, leading to greater security of tenure, decreased levies on paddy and greater devolution of tasks and management to the producers. Figure II.1 below indicates the evolution of producer prices by crop for 1976/77 through 1982/84.

FIGURE II.1

	Sorghum/ millet	% rise over last year	maize	% rise	paddy	% rise over last year
1976/77	32		32		40	
1977/78	36	12.5%	36	12.5%	45	12.5%
1978/79	40	11.0%	40	11.0%	50	11.0%
1979/80	50	25.0%	50	25.0%	62.5	25.0
1980/81	70	40.0%	70	40.0%	75	20.0%
policy change, implementation of PRMC						
1981/82	85	21.5%	90	28.5%	100	33.0%
1982/83	90	6.0%	95	5.5%	110	10.0%
1983/84	100	11.0%	100	5.0%	120	9.0%

Source: PRMC Bilan et Evaluation de la Campagne Céréalière au Mali, 1982/83, Bamako, November, 1983. Prices in MF/kg.

As this 1982/83 PRMC Evaluation Report points out, 1983/84 has marked a return to a unitary price of 100 MF/kg for millet/maize/sorghum, while a bonus of 5 MF/kg was given to maize producers during the two previous campaigns. The project proposal had envisioned a price of 80 MF/kg for 1981/82, 92 for 1982/83 and 105 for 1983/84, for millet/maize/sorghum and 110, 130, and 160 respectively for paddy for the same campaigns. The present prices are thus close to those in the proposal for millet/maize/sorghum, but the gap has increased between the present price and the anticipated price as far as paddy is concerned.

The third PRMC objective is a reduction in subsidies to the official marketing system, so as to free public resources for greater priority uses. As the PP states, "this would require a reduction of OPAM's deficit through cost-cutting, a reduction in OPAM's size, planning and management improvements, a reduction in consumer price subsidies, and a gradual reduction of marketing subsidies provided by the official price schedules." The same PRMC annual evaluation report cited above gives the comparative consumer prices both before and after the PRMC was implemented, as in Figure II.2.

Figure II.2

	Millet/ Maize/ Sorghum	% Rise	ELB Rice		RM 40	% Rise	Broken Rice
1976/77	52				112		
1977/78	57	9.5%			137	22.0%	
1978/79	65	14.0%			150	9.5%	
1979/80	77	18.5%			180	20.0%	
1980/81	85	10.5%			200	11.0%	
-------------policy change, implementation of PRMC------------							
1981/82	116	36.5%	300	290	230	15.0%	210
1982/83	125	8.0	330	300	250	8.5%	230
1983/84	125	nil	330	300	250	nil	230

Source: PRMC _Bilan et Evaluation de la Campagne Céréalière au Mali, 1982/83_, Bamako, November 1983. Prices in MF/kg.

It may be noted that consumer prices were not raised for the 1983/84 year, and that the donors, although somewhat reluctantly, went along with the GRM's concern that to raise consumer prices when salaries of civil servants had been frozen, was to court serious political unrest.

From 1981/82, a ceiling price was established for private traders for retail of millet/maize/sorghum. This ceiling price was set at 125 MF/kg for 1981/82 and at 140 for 1982/83 and 1983/84. As for locally-produced rice, only official marketing channels are used, through the ODRs, OPAM and cooperatives, using the official price schedules. Retail prices for imported rice are, in principle, free market prices. The PRMC proposal had anticipated sale prices of 105 FM/kg, 135 and 162 respectively for millet/maize/sorghum for 1981/82, 1982/83, and 1983/84, and respectively 220 FM/kg, 240, and 27[illegible] for RM 40 rice for the same agricultural years.

In summarizing the achievement of "self-help provisions" to date, the USAID/Mali Section 206 PP makes the following points:

> "The most noteworthy single measure taken so far by the GRM under the ...PRMC is the partial abolition of OPAM's monopoly and the redefinition of its responsibilities.
>
> "Decree 338 of December 24, 1981 provides in outline that:

-licensed traders are authorized to market freely sorghum, millet and maize, as well as to import all cereals (including rice);

-OPAM retains its monopoly over the rice grown in ON, Operation Riz Mopti, Operation Riz Segou and the CMDT zone; and

-cereal exports remain an OPAM monopoly, except in individual cases approved by the Minister of Commerce.

"Law 83-86 of February 8, 1982 provides that OPAM's responsibilities are the following:

-to manage national security stocks and food aid;

-to procure cereals for 'public interest institutions', such as the army, hospitals, prisons, etc.;

-to ensure an adequate supply of cereals to cereal deficit areas; and

-to help protect farmgate and retail prices."

While these measures fell short of the ultimate objectives of the project, by the time the 206 Transfer Authorization was signed in July 1984, it was felt that the GRM had taken a significant step forward, especially as by that point in time, the GRM had agreed to a step-by-step liberalization of the paddy market, beginning with one <u>Operation</u>, and continuing with one a year. Although at an earlier point the GRM had been willing to establish a definite schedule for this paddy market liberalization with the donors, the French, among others, recommended against a finite schedule, and the rest of the donor group went along, including the USG.

<u>The Potential Leadership Role for the USG</u>

A number of informants made the point that PRMC, though it has accomplished a great deal, has recently lost some of its momentum. That is, at least to the extent that OPAM deficits are met, there is less impetus coming from the IMF and the World Bank for the GRM to pursue cereal marketing liberalization quickly. The donors have accepted a phased approach, and the associated delays. The IMF is apparently not stressing the liberalization question in monitoring the present Standby Agreement.

Further, a great deal of emphasis has been placed by almost all informants on the importance of personalities of key individuals in keeping things going. On the GRM side, authority for dealing with the donor group has been delegated to the present Minister of State for Economy and Plan, who apparently has considerable latitude from the President. There is a committee which is supposed to be the interlocutor or counterpart of the donor group, but it does not appear to function very much, or very effectively. Meanwhile, there is still considerable resistance to the liberalization approach on the part of key actors in the GRM, including the Minister of Agriculture. Many technicians in all relevant ministries feel that liberalization is a threat to the State (and the Party), that private sector mechants will of their very nature exploit the consumers if given any chance to do so, and that private sector interventions are generally risky.

On the donor side, a great deal of credit for past and continuing success has been attributed to the former WFP representative. In fact, he was to have been posted full-time to Dakar some months ago, but was seen as so valuable to the PRMC effort, that it was arranged that he commute to Mali from time to time, at least until his replacement arrived in-country in November. This outcome was also sought by the GRM.

With the departure of the U.S. Ambassador who was a leading figure in the PRMC process, and the eventual definitive departure of this WFP representive, there may be something of an intellectual gap in the PRMC process. The TA experts who are provided will remain until 1985, but there will probably be a continuing need for over-arching intellectual and substantive guidance.

This is perhaps a role that the U.S. can try to continue to play, depending on Embassy and Mission staffing during the life of the 206 project. For example, there is a need to come to grips early with the implications of the GRM approach to paddy market liberalization. This is to include resorting to artificially created farmer groups (tons villageois) for marketing cooperatively. The history of government-encouraged cooperatives in Mali as elsewhere in Africa is not notably bright, and the recent experiments with tons in OHV, for example, are not without problems. While in the OHV zone, there are cultural and historical reasons for tons to work, in the Office du Niger (ON) area, where they will be most crucial, such precedents do not exist, and the history of top-down development, which has been extremely heavy-handed in the zone over the years, does not militate in favor of a high rate of success in creating tons and marketing paddy though them unless a good deal of prior research and development effort is forthcoming in the interim.

On a somewhat more abstract level, there appears to be some confusion about the objectives of liberalization, and what it is supposed to yield. Sometimes, as one key observer notes, the donors and the GRM are talking about floor and ceiling prices. At others, they are talking about price incentives to cause farmers to increase cereal production. The general point about liberalization seems to have been gotten across, but now there must be some theoretical review, and intellectual reinvigoration. As the newest donor providing material resources, and thus local currency proceeds, perhaps the U.S. can step in to fill this growing gap.

III. LESSONS FROM MALI

There are a number of aspects of the Mali experience that may have relevance for other countries.

1. It is possible for the USG, through the PL 480 mechanism, to participate with other key donors in generating a series of policy changes on the part of a host country government. In fact, in the Mali case, this happened even without U.S. commitment of commodities for the first few years of the process. In order for this to be the case, however, the HG has to believe that it needs the food aid sufficiently badly that it will agree to make changes that it feels are unpalatable and even politically risky. In the Mali example, additional pressure was brought to bear by the French, who wanted to tighten up on their operational account support, by the IMF, which was negotiating a Standby Agreement, and by the World Bank, which was working closely with the Fund. However, even if these "bigger guns" had not been making special efforts in the direction of policy change, it is possible that in the Malian environment, the food aid donors together might still have exerted sufficient pressure through the leverage provided by food aid itself, to initiate the same kinds of policy changes,

2. The fact that multiyear agreements are possible under Title II, Section 206 may be critical to achieving a policy impact through such programs. It is unlikely, given the volume of much of the USG's Title II assistance, compared with that of other donors, that the U.S. alone, by holding out the possibility of a one-year agreement, would be able to achieve policy shifts such as those which are occuring in Mali (See Annex III on Food Aid Flows). The exception to this generalization might be those few countries where AID, counting its entire portfolio, is the major donor, and where PL 480 resources can be used to support, and are supported by, other parts of the U.S. aid program, so that the multiyear nature of the agreement becomes somewhat less important.

3. The multi-donor stance in Mali is that any disbursement from the common counterpart fund, into which local currency proceeds are deposited by OPAM, must be based on unanimity. This was developed to bolster the overall group approach by the donors to the GRM. That is, it is part of a strategy according to which the GRM should not be able to make individual deals with one or more donors to which the other donors are not privy and with which they would not be in agreement. In fact, all informants indicated that it is this consensus and unanimity on the part of the donors that is the most important aspect of the PRMC strategy.

   It appears to be fairly unusual for AID to pool its local currency proceeds in such a way. In fact, the emphasis of late has been precisely on doing the reverse, by creating a "special account" into which LC proceeds from PL 480 sales are placed, so that they may be monitored more effectively. While the results for the AID

LC are not yet in, given that the 206 project is just beginning, the Project Coordinator system developed by the PRMC donors seems to be able to account for the receipt of local currency proceeds adequately, as well as for their disbursement. Therefore, perhaps a distinction should be made between the negative aspects of pooling LC proceeds without "pooling" decision-making about their attribution, and the possible gains that may be achieved if both the money and the decision-making are pooled, as is the case in Mali.

4. Personalities and continuity are both important when self-help or policy revisions are being negotiated and then implemented. In Mali, an unusual step was taken by the donor group and the GRM in requesting that the WFP representative whose role had been very important in the initial years of the process, be allowed to return to Mali from time to time although posted elsewhere. Similarly, great store is placed by the members of the donor group on the importance of the personality and personal political status of their main GRM counterpart. In fact, some observers indicated that they actually preferred working primarily with his one man rather than with the committee that is officially called for under the terms of the PRMC.

   Others, however, are willing to admit that this is a risky approach, since any one individual's political future may change drastically at any point in time. Thus, there is agreement by some participants that the time may come when the PRMC process should become more clearly institutionalized within the GRM. Others, stressing the importance of flexibility, feel that if a trade-off is to be made, flexibility is more important than institutionalization.

   The assessment of this kind of a trade-off will probably vary from one country situation to another. In Mali, flexibility has been complemented by a considerable amount of continuity of representation on the donor side. In fact, the PRMC does not have an official project document or agreement. In a country situation where there is the usual amount of staff turnover on the AID, other-donor, and host-government sides, this kind of flexibility might pose considerable risks. However, it would appear that confidence in past performance under the PRMC has been sufficient for the U.S. country team in Mali, and AID/W, the USDA and the OMB, to accept this innovative approach.

5. Although it may seem trivial to count this as a lesson in a report of this kind, it is worth noting that the fact that the current contract Mission Program Economist is a native French-speaker, and under normal circumstances, a World Bank economist, may have gone a long way to making his input acceptable to, and consonant with, the other donors. A number of those interviewed in carrying out the case study indicated that this, together with the input and style--as well as language ability--of the U.S. Ambassador, was of

considerable importance in the success of negotiations leading to the Mali 206 project.

Generally, despite the efforts of FSI, there is too often reluctance on the part of AID technicians, and even senior AID Mission staff, to engage in multi-donor activities or policy-related discussions with the host government because they neither understand the language well nor are well understood when they speak it. This becomes an even greater problem when they are involved in group meetings, where others are fluent, and the pace of discussion is swift. To the extent that the language skills of Embassy and AID staff in-country are equivalent, no extra advantage in negotiation situations is necessarily held by either group. Where, however, the Embassy staff have better language skills and are also perceived to have more "clout" generally, then the AID technicians are likely to lose out in terms of the negotiation process and its content.

6. Where possible, the best arrangement within a Mission is for the Agriculture Office to maintain input into the PL 480 negotiation and monitoring process, even if the lead on negotiations is taken by the Program Office, the Mission Director or the Embassy. In terms of monitoring, it may be that a combination of agricultural, program and food for peace officers will be required, depending on the content and complexity of the agreement. What is <u>not</u> desirable is for agriculture to be essentially left out of the process, or to be dropped from it as soon as the initial technical analysis has been completed. Yet, some former ADOs interviewed indicated that with their offices' other responsibilities, they would have been unable to carry out much monitoring. In Tunisia and in Mali, the Missions have been chronically understaffed. In order for PL 480 programs to have the kind of policy impact they are intended to accomplish, it is important that appropriate staff be available to monitor and evaluate them.

7. It is desirable for the PL 480 program to bear some relationship to the rest of U.S.-sponsored development activities in the sector or sectors in which it is meant to have an impact. The extent to which this will be the case in Mali is not yet clear. There are, however, contradictions. As has been noted, one of the impacts of the PRMC to date has been to liberalize commodity marketing such that the ODRs are experiencing increasing deficits. This applies to those ODRs which are the counterpart agencies through which the AID DA projects are trying to increase agricultural production. The World Bank and other donors are trying to encourage the GRM to reduce the number of ODRs, and to reduce the number and variety of their activities as part of a move toward a more rational allocation of scarce resources. But at the same time, AID (and other donors) are working through the ODRs to carry out projects, often without providing inputs or approaches that would foster the purposes being addressed at the higher level. Thus, AID is in a sense taking away with one hand what it appears to be giving with

the other. Hopefully, as the 206 project progresses, and as the older ODR-based DA projects wind down, this apparent contradiction will be eliminated.

8. As in the Tunisia example, the Mali case study indicates that some TA in association with PL 480 and other food aid activities designed to have an impact on policy may be desirable. Some PRMC donors have also provided long-term TA to OPAM separately under a food security project. As has been noted, the PRMC Project Coordinator is provided by WFP. While the quality of all of the TA specialists is generally agreed to be above average, two problems appear likely to arise.

First, all the contracts of the TA specialists provided specifically under the PRMC will expire at the same time in 1985. Thus, there may be a problem of lack of overlap and continuity, just at the point when paddy market liberalization is scheduled to come on-stream in a significant way. Second, there is a cost associated with the TA presently in terms of institutionalization, which in turn makes the possibility that all the specialists will leave at once more threatening than would otherwise be the case. The financial management specialist at OPAM, for example, has only recently developed a counterpart relationship with an OPAM accountant. This is only quasi-official even now, according to some informants because the specialist, after testing a number of candidates, maintains that there is no one available on the local market qualified to be hired to serve as his counterpart and eventually, to replace him.

Accounts differ as to how much training of Malian government officials has been provided under the PRMC to date. Given the multiyear nature of the program, it would seem that a key opportunity for participant-style training has perhaps been missed. Had it been programmed in, along with the existing in-country and short-term training, the chances of institutionalizing the kinds of changes embodied in the program would have been significantly better. Short-term TA to carry out, or at least to design, key economic and sociological studies would also have been desirable, as has been discussed above.

CHAPTER THREE

LESSONS LEARNED: THE MALI-TUNISIA COMPARISON

A number of tentative conclusions from the individual country reviews are reinforced by examination of experience from the second country, while others are cast in greater doubt. In the section that follows, the experiences of Mali and Tunisia are compared to identify such covergence and divergence.

Focus

In both countries the program had a sharp and narrowly-defined focus--in Tunisia, fertilizer; in Mali, the improvement in OPAM, the public grain marketing parastatal. However, in implementation, the actual set of program activities was expanded to cover a broader field. In Tunisia this included the range of direct fertilizer supply and distribution issues, but also included specific measures to increase fertilizer use efficiency (lower-cost forms of fertilizer, lower distribution costs, soil testing, etc.), research, credit, cooperatives, and improved marketing of farm produce. In Mali it included change in definition of OPAM's role and GOM price management approaches, improved OPAM efficiency, a larger private role in marketing, higher farmer prices, and reduced subsidies. On balance, this approach seems desirable.

Multiyear Approach

In both countries the multiyear approach was emphasized by AID and was largely accepted in the host country as being a multiyear program. This strengthened local support for the program, albeit with quite different levels of official U.S. commitment. In Mali, the U.S. made an unequivocal multiyear commitment, coming after other donors were already making such commitments. In Tunisia, Washington refused to make any such commitment, which caused severe difficulties at the outset, but the U.S. Mission (Embassy, AID), largely by continuing emphasis on the multiyear concept and by persistence and continuity of self-help conditions, apparently created this reality without official sanction. It clearly would have facilitated program development, negotiation and early implementation if the multiyear concept could have been sanctioned early, even with stronger caveats than usual on resource availability and the like.

Terms of Assistance

The terms of U.S. assistance differed greatly: with the Mali program, Title II (206) provided a grant of both commodities and freight costs; in Tunisia it was a 20 year loan with 10-15% down payment for the U.S. value of the commodities, with Tunisia bearing the cost of freight.

(These are the same terms under which Title I was previously financed in Tunisia.) The results would appear to suggest that terms are not crucial as long as they are not significantly different from, i.e, harsher than, past practices.

Other Donors

The two programs differ most sharply in participation of other donors in analysis, negotiation, monitoring and financial support. In Mali the program's initial conception, design, planning and support were dominated by other donors. The U.S. participated in discussions with other donors and lent its support (through the Ambassador and AID Director) during the time the U.S. was programming resources. U.S. moral support, participation in donor discussions, and expression of intent to provide resources undoubtedly were important in mobilizing other-donor support for the program, but the U.S. only provided the first resources in 1984--six years after the start of multi-donor approaches to the GRM.

In contrast, in Tunisia there was no other direct donor participation in analysis, design, negotiations, or financing, and liaison with other donors has been limited largely to keeping each other informed. The program, including "complementary activities", is so broad that many other-donor programs complement the PL 480-supported goals, and some of the local currency is allocated to IFAD and WFP credit programs. Based on the Mali experience, it would appear helpful in Tunisia, in the future, to attempt to obtain more support from other donors for the programmatic approach being followed. Whether this would in some ways adversely affect program operation is not clear.

Private Enterprise

Private enterprise received strong support in both programs, but in neither was support of private enterprises an explicit initial objective of the program. Rather, it was supported because it was ultimately accepted in both countries as the only way to provide more adequate economic access by the larger number of farmers--in Tunisia it is drawn upon increasingly to distribute fertilizer and information (possibly with credit and marketing in the future); and in Mali, to provide access for farmers to markets and to a system capable of linking food producers and consumers without the intervention of a state-owned monopoly at each stage of the process. In both cases, costs of providing greater access was an important condition. The lesson, if there is one, probably is that private enterprise--including real cooperatives--should be promoted to meet an identified need at low cost, not as an end in itself.

Coordination With Other USAID Programs

In Tunisia, PL 480 and other AID assistance have been fairly closely coordinated from the outset, and more so as the program has developed. Illustratively, Local Currency has been allocated primarily to support the AID-funded activities and DA resources now are beginning to be allocated to support activities which received initial U.S. support from PL 480 LC. In Mali the relationship is not yet so clear. A key outcome of cereals market liberalization will be greater deficits experienced by the ODRs, (Operations), several of which are the focus of USAID's DA projects. As one of the multi-donor group, USAID will of necessity attribute LC proceeds to absorbing the continuing OPAM annual deficits as an incentive to the GRM to improve OPAM's efficiency and raise producer prices. What the USG will be able to do to persuade the other donors about additional uses for the LC proceeds pool, e.g., to carry out thorough policy-related studies, remains to be seen as well. In the Mali case, the kind of broader approach to agriculture sector issues in the PL 480 analysis should feed back to the design and implementation of the DA portfolio.

Use of Local Currency

In Mali, the justification of the program was the need for the local currency to support specific improvements in OPAM, including absorbing its deficit, which has declined each year to date. The local currency is largely programmed specifically for that purpose. In Tunisia, the resources were provided to support a general self-help program focusing on increasing fertilizer supplies, a wider distribution system and complementary actions to be undertaken by the GOT. There were no plans originally to allocate or otherwise program LC. This only came later. In Tunisia, local currency goes directly to the Treasury by debit of the importing parastatal's account and credit of the Tresury account. Until now, most of the local currency has been allocated to specific projects by exchange of letters after arrival of the commodities, but in 1983 and 1984, increasing amounts have been specifically programmed in agreements where they are treated as "no-year" line items.

Resources are released from the Treasury as needed (in 1984 some before the commodity arrived) with accounting for them and auditing following GOT procedures, which are considered acceptable by AID. This practice will be followed increasingly in the future. The principal problem now is availability of sufficient well-defined, analyzed and adequately-designed priority projects and activities ready by the time the next agreement is signed. Some DA is to be used to assist with design of activities for PL 480 support.

In each case, the approach seems suitable to the situation. Requiring conformance to one mode would appear to create unnecessary programmatic difficulties with little gain.

Problem Analysis and Program Design

The two programs are so different in focus that it is difficult to compare the quality of the analysis that went into original problem identification and subsequent program design. In both cases, the work appears to have been undertaken by qualified professionals and satisfactorily carried out. In neither case were the USAID personnel the sole analysts. Clearly, in Tunisia USAID officials were closely involved at all stages and were major conceptualizers and architects of the program. In Mali, that was much less the case insofar as formal analysis, design and management are concerned. Clearly, sound analysis and the appearance that it is sound, are both important. Who does it probably is not important, as long as the U.S. Mission is kept informed and becomes fully committed to the directions taken.

Timing of U.S. Commitment

There is an interesting parallel in the two countries in terms of U.S. official commitment. In Mali, commitment of resources did not come until about three years after the start of the formal program. In Tunisia, there was no official Washington commitment to more than single years, so in effect the commitment to a multiyear approach did not come until the last of the three year planned tranches was committed in the third year. In both cases, U.S. personnel have improvised to reduce the adverse impacts of these delays.

Understanding of Host Government Constraints

In both cases, the U.S. country team has been able to introduce a considerable amount of flexibility into the negotiation and implementation processes. For Tunisia, early warning through monitoring and evaluation has permitted revision of targets and bench marks such that momentum is maintained from both sides. In Mali, the various donors that are party to the PRMC have managed to maintain a flexible consensus, and to allow for the very real constraints under which the GRM has operated during the LOP. Thus, consumer prices for cereals have not been raised, and paddy market liberalization has been delayed and will now be regionally phased, but nevertheless, momentum continues. USG flexibility so far has been demonstrated by willingness to approve a multiyear commitment and to agree to follow the results of consensus among the project donors as to the programming of LC proceeds. Monitoring of PL 480-generated proceeds will be carried out by the WFP-funded project coordinator, not directly by USAID staff.

U.S. Representatives and Host Country Receptivity

In fact, in both of these examples, there was dissension within the host country government about some of the key changes of orientation or targets of the programs. Thus, the USG was able to have an influence by providing technical justification as well as offering considerable resource transfers, by supporting one proponent of particular positions, but with sufficient discretion and flexibility that no one on the other side seriously lost credibility.

In the Mali case, a good deal of the background discussion and motive force was generated by the IMF and the World Bank, and by the French, who have a particular pride of place among the GRM's donors. In the views of some key donor representatives, this was important, but perhaps less significant in the long run than the personal relationships that existed between a few key donor representatives and key GRM officials, including the President.

For Tunisia, where the role of other donors was less crucial, good relationships between at least one U.S. Ambassador and key GOT officials, and between USAID staff and US-trained Tunisians in key ministries, seem to have been equally crucial to success of program negotiations.

In Mali, continuity for the U.S. country team is being provided by a contract project manager who is a World Bank economist when he is not posted in Bamako. A non-U.S. national, he has fluent French, and broad personal and professional contacts in the donor community and in the GRM. He has provided significant technical input, along with AID direct-hire staff in the Mission, to support higher-visibility participation of the most recent U.S. Ambassador.

In the Tunisian example, continuity has been provided for the U.S. country team by a consultant whose credentials in agricultural economics give him a good deal of credibility--added to by his wide-ranging developing country experience. While his French is negligible, some GOT officials involved in negotiations speak English, and expert translation is offered as needed by the FSN Program Assistant in the AID mission.

Curiously, it may be that the fact that neither of these two experts is seen primarily as an "official" U.S. representative enables them to deal more directly and with greater ease when developing the substance of PL 480 negotiations. Both are then supplemented as appropriate by the AID Director, U.S. Ambassador, and other members of the U.S. Country Team as well, in Tunisia at least, as by Washington-based U.S. dignitaries as required.

The PL 480 Resource as Leverage

In the case of Tunisia, annually available PL 480 Title I resources have often been quite high. However, in the multiyear program time period, the GOT has contributed significantly more of its own dinars to the fertilizer-led growth strategy than have been made available through PL 480 sales proceeds.

For Mali, the multidonor commitment of 150,000 tons of grain during a year of extreme drought is a significant advantage to the GRM, which could face serious problems if there were grain shortages in key areas, or if subsidized grain provided through OPAM and the cooperatives were suddenly unavailable to the civil servants. However, the local currency proceeds in the multi-donor counterpart pool go almost exclusively to meet OPAM's reduced but continuing annual deficits.

At least one well-informed observer indicates that the joint contribution of the donors participating in the PRMC has had an unintended negative side effect. To the extent that they cover the OPAM deficits, the donors have essentially taken the pressure off the GRM to speed up the market liberalization process. Meanwhile, because the donors cover the deficits, the IMF (and the French) are applying reduced pressure on the liberalization aspect, e.g., in monitoring the Standby Agreement, since their concern is primarily one of public finance efficiency rather than resource allocation. Thus, while OPAM is, indeed, becoming more efficient, this observor argues that the donor group's leverage on the GRM for paddy market liberalization may actually be decreasing as the PRMC goes on.

The lesson to be learned here may be that PL 480 resources, including programmed local currency sales proceeds, may be used as leverage at the outset of a policy change process. Over time, however, unanticipated side effects of these changes may develop. What donors can then do to mitigate such side effects without appearing to change the rules of the game, or to reduce the pressure for positive policy developments, will probably depend on the particular country situation and on other external forces that are being brought to bear. At a minimum, the monitoring and evaluation process should include analysis of potential and/or actual side effects on an early-warning basis, as has been the case in Tunisia.

General Observations

There are many references to policy dialogue in AID guidance and USAID submissions, but there may not be a common understanding of what is included by "agricultural policy" or what constitutes a dialogue. Both terms have several dictionary meanings, some involving more sensitivity than others. There is also the question of what policy agenda may be appropriate or acceptable under different circumstances. In conversations with AID personnel, some appear to view policy, in agriculture at least, as largely confined to the issue of farm and consumer-level prices and subsidies, or even just prices of inputs and outputs at the farm level.

Many developing country leaders consider policy strictly a matter of domestic concern and any foreign involvement, particularly bilateral pressure, is strongly resented. Yet, discussion of development alternatives or issues covering a wide variety of situations causes hardly a ripple when not labelled "policy". Appearance and substance are both important. Perhaps it would be better to encourage professional discussion on key development issues rather than a "policy dialogue".

The term "self-help" also appears to offend some national sensitivities. Although the Chrysler and Continental Illinois bailouts were full of such self-help conditions, and the amounts of funds involved dwarf most U.S. bilateral aid programs, U.S. Government and creditor representatives wouldn't generally use that condescending term. Neither would the federal government generally use that term in its relationship with the states, where federal assistance is involved. It might be better in many situations to speak of "related development" measures rather than "self-help", even though for U.S. consumption it doesn't convey quite the same notions of insisting that countries make meaningful efforts to help themselves. The IMF imposes some extremely tough structural and other reform conditions, but it does not complicate matters by references to "policy dialogue", or necessarily label the changes "policy changes" or "self-help measures". Clearly, some countries are more sensitive to these nuances than others.

The most appropriate definition of policy for AID's dialogue appears to be a general framework of guidelines or understandings governing decisions made on specific issues. It may be useful to separate agricultural policy into several classifications such as the following:

1. Policy governing management of prices affecting farmers directly, i.e., input prices (including water), output prices, service charges, interest rates, wages, etc. Management may range from basic "laissez-faire" to rigid controls.

2. Policy governing management of consumer-level prices and subsidies on products of agricultural origin, which may have a similar range.

3. Policies governing allocation of resources--especially public resources--to the agricultural sector for public or private investment, for support of public institutions serving agriculture, etc.

4. Policies governing economic and social institutional arrangements, particularly relative importance of public and private sector roles in agricultural production, marketing, and supply of inputs.

5. Policies governing the organization of public institutions serving agriculture.

Obviously, there is some overlap and probably some omission in such a classification. There is also a wide range of macro policies as well as policies in other sectors which impinge on agriculture, but this classification may be helpful initially in clarifying what is meant by "policy".

In many ways the examination of the approach, the roles and the processes involved in program design, negotiations and management reveal more dissimilarities than similarities. Major differences were expected in self-help measures, since presumably these arise from analysis of priorities for each country and since there has been no effort to date to concentrate PL 480 Title I or II programs on particular self-help measures.

However, differences found between the two countries in approaches taken and in roles in program design, negotiation and project management probably reflect more differences in the personal styles of operation of senior personnel involved than differences in programs or country situations. These differences in style and operation include the approach to Washington-based USG entities as well as to host government counterparts.

PHASE II PROPOSAL

PROPOSAL FOR A PHASE II EFFORT

Introduction

The Phase I Tunisia-Mali Report presented herewith demonstrates that it is possible to carry out these kinds of country case studies of PL 480 programs in a relatively brief period of time per country, and at relatively low cost. The kinds of lessons learned that we have been able to present for these initial country cases have, we believe, some value for program design and implementation in other country situations. However, we believe that it is clear that taking only these two countries as the basis on which to make broad generalizations for other-country situations is methodologically unsound, and might lead to the development of inappropriate guidance to the field.

It is also important to note, we feel, that in the Tunisia case, we were able to accomplish more in a short time than would have been possible if one of the team members had not already been so very familiar with the program. As it was, the time spent in-country was rather minimal for the financial management specialist, who had to come up to speed quite quickly before the country visit.

In the Mali case, it proved possible to gather quite a bit of data in a very short time. This was partly because the relevant Mission and Embassy staff were extremely cooperative, as were the staff of other donor agencies involved in the PRMC who were available in Bamako, but also because there was a considerable amount of written evaluative material available, which was provided to the organization specialist. Given the fact that the AID 206 program itself had not yet really started, there was both more and less that had to be done in understanding how it would operate and fit into the multi-donor effort. In this instance, interviews in Washington with the Country Economist at the World Bank were particularly helpful, as were the notes for a presentation made by the Mission Ag Officer at the recent Africa Bureau Ag Officer's Conference in Harare.

Alternative Approaches

At the beginning of discussions of the Phase I activity, it was proposed that the case study approach to be tested probably represented too high a level of effort in terms of what would be learned that would be generalizable. An alternative approach was being considered which would involve a much quicker and more superficial investigation of a larger number of PL 480 Title I programs, although it was not clear whether this would involve country visits or not.

Certainly, it is possible to envisage the elaboration of a detailed questionnaire that could be sent to all Missions that currently have Title I programs in implementation. However, even if it were very well formulated, and cleverly introduced, it is likely that it would be seen as a burden by Mission staffs, and that it would be understood poorly, if at all, by host country officials. The response rate would likely be low, and delays in response significant. Further, the quality of the responses would be questionable, since Missions are usually unwilling to admit to anything that might look like a mistake or a failure in a written communication to AID/W.

The next possibility in terms of level of effort and of cost would be an approach in which an individual, or perhaps a team of two, went out from FVA/FFP, or FVA/PPE (or both), with an open-ended interview schedule in hand, to a selection of, say, 20 Missions. Here, they would meet together and separately with the key actors on the U.S. and on the HG sides, to get the answers to their key questions about self-help measures, local currency programming, program monitoring and evaluation, and the like. In this process, they might be able to serve an additional positive purpose in helping Missions to solve problems they are encountering in program design or implementation, clarifying AID/W guidance, and perhaps serving to raise the visibility of the PL 480 program with appropriate HG officials.

Aside from this TA function, however, it seems unlikely that this sort of a survey approach would be appropriate for getting at the kinds of processual issues FVA is interested in. Again, there is the view that telling the truth to AID/W officials is potentially risky, and the tendency is likely to be to stick to generalities as much as possible. Further, in this sort of a situation, where the team of one or two would probably only be able to spend two or three days in each country, a less superficial exchange of information would probably be impossible even without taking possible defensiveness into account. In order to get at answers to the kinds of organizational, financial management, and policy-related questions FVA/PPE wants answered, where the emphasis is on establishing what factors contribute to success in (1) negotiation of self-help provisions, (2) the establishment of realistic bench-marks or targets for implementation, (3) generation and maintenance of a policy dialogue using PL 480 resources as leverage for development change, and (4) issues relating to the programming of local currency proceeds to bolster such change, a case study approach appears genuinely to be the most likely one to adopt.

Proposed Case Study Approach

In Phase II, we propose case studies for a further six to eight countries. Based on documentation review, and discussions with FVA, we would propose to select six countries where the Title I (and/or 206) program appears to have been successful in recent years, and an additional two where there is good reason to believe that the program is facing serious problems.

If possible, an additional selection criterion would be countries where there has been a Title I program in existence for a number of years, so that a diachronic comparison would be possible. In a sense, if this were possible, there would really be almost two case studies per country. Another way of looking at this question of program longevity is to consider the influence that changes in AID's policies regarding PL 480 have had on design and implementation of programs in the present. If this is the main goal with regard to longevity, then it would be better to select some countries where Title I has been around for a long time, and some where the program is relatively new (no more than five years, for example).

While a number of the AID officers we have interviewed in Phase I have insisted that it is virtually impossible to generalize about the Title I process, we believe that this is not the case. However, one benefit of the case study approach is that it provides sufficient opportunity for in-depth description and reporting such that the subtleties of a particular situation can be understood and taken into account. This is something which is not true for a survey or questionnaire approach to the matter.

Team Composition

If the case study approach is accepted, and the above criteria for country selection appear to be sound, the next question relates to team composition. In earlier discussions with the Evaluation Officer, it was posited that it was important that there be overlaps in membership among teams. This would help ensure that findings of each of the studies would be comparable, that insights gained in earlier case studies would be transferred to later ones, and that the final report and recommendations synthesizing all findings would be more coherent. Further, start-up time might be shortened in each case if there were such overlap, as well as the time necessary to prepare each country study report.

While we still agree with these anticipated benefits of team overlap, it should be noted that there is a cost in terms of the duration of a Phase II, since it would not be possible, for example, to have more than three or four case studies carried out at one point in time if each team were to have as leader a member of the original three-person team plus Mr. Enger. Whether or not this poses a problem for FVA/PPE in terms of its sense of the optimal timing of results from a Phase II study, remains to be determined.

It is our feeling, based on the pilot phase, that at least two, and possibly three or four persons should be on each team. While we did well with two in Tunisia and one in Mali, this is not optimal, and was probably only possible for the reasons indicated above. Our suggestion is that for countries with modest programs, two team members may suffice, one who will look at organizational and technical questions, and one who will concentrate on LC programming questions, which may also have a technical aspect. The ideal, however, even for modest programs, would be to have a team of three, perhaps including an AID/W Officer so that none of the major aspects of the study is slighted. For countries with substantially larger programs, and where LC proceeds may be attributed across a number of sectors, a team of three or four may be required to do the job right.

A further question relates to language capacity and prior experience with Title I programs. Of the original team, one member has had years of experience with Title I and PL 480 generally, one has had some experience with Title I before, and the third has had little or no experience with Title I, but is an experienced financial analyst and has worked on Title II, Section 206 design. Two of the three speak fluent French, which was very important for understanding but also for credibility in carrying out these two case studies. Ideally, for Phase II, all team members would have appropriate language skills, but in some exceptional cases, one team member may be able to function well with only minimal language skills if the others are fluent.

In our view, while prior experience specifically with Title I programs is highly desirable, it may not be essential for all members of a particular team to have it. The rules and the guidance for Title I programs are not particularly abstruse, and can be readily understood by someone who has sufficient experience with other kinds of AID programs. What would seem to us to be most important is substantive knowledge, and cultural sensitivity. Without these, even with good prior knowledge of the rules and regs of Title I, and good language skills, it is unlikely that a consultant will be able to get at the kinds of answers we are seeking in this effort.

It is also worth noting that there is a potential benefit to using consultants who are familiar with AID and with food aid, but who are not "old hands" at Title I, since more objectivity and creativity may result. Sometimes, individuals who have had long-term experience in the design and implementation of a certain kind of program begin to be unable to look at programs of that type from a fresh perspective. Ideally, a mix of those experienced with Title I activities and those with somewhat less experience is probably the optimum. On the basis of Phase I, we feel that results have been good using a team representing this kind of a mix.

Issues To Be Addressed, With Illustrative Questions

The issues and associated questions which follow are derived from the experiences of the team in carrying out the two pilot case studies. They are grouped essentially according to broad issues about program definition, identification of self-help measures, negotiation techniques, participants and outcomes, and then implementation issues, including local currency programming, monitoring, and then evaluation. This list is meant to be illustrative, and would be adjusted in advance of each country visit in accordance with the information gathered and analyzed before departure about the specific case to be studied.

Issues And Questions For Further Studies

Identification of self-help provisions:

1. On the basis of what kind of analysis within the AID Mission, or the broader U.S. country team, were key self-help provisions identified? What analysis from the host government?

2. If this analysis was cursory, and based on generalized feelings about what the host government should be doing generally about developments priorities, was there consensus within the country team that these generalizations were correct and relevant?

   If not, what kinds of steps was the AID Mission able to take to see that its view of the situation prevailed? Was it successful in this?

3. Within the U.S. country team, what role did personalities play in the identification of proposed self-help provisions? E.g., had the Ambassador already identified some agenda items that he/she felt should receive leverage through the PL 480 program process? Was the relationship between the Ambassador and the AID Director such that there was a clear division of labor between them that was maintained when it came to PL 480 matters?

4. For the purposes of developing a country-team stance on self-help provisions to be proposed to the host country government, who was asked to do the technical analysis? Within the AID mission specifically, did this analysis come from the agriculture office, from the program office, or from a combination of both? If the latter, and where there was disagreement, which analysis prevailed, and who made the decision?

5. To what extent was the identification of proposed self-help provisions part of a broader attempt at addressing

development policy within the host country government? That is, was there an on-going policy dialogue of any kind of which this became a part, or from which it was drawn, or were the PL 480 negotiations ad hoc, or perhaps the only venue for such a dialogue?

6. On the host government side, which entities were approached, and at what level during the identification process? Was the process a joint one from the beginning, or did the U.S. team develop its own proposals first "in-house" and then seek a HG interlocutor?

7. Who was allowed to speak for the HG about possible self-help provisions at the technical level, at the policy level, and overall? How many HG entities were involved in the initial stages of discussions?

8. How well did these HG entities understand the concept of self-help provisions, and how seriously did they take them once they were understood? Also, how well did they understand the internal structure of the U.S. country team and the power relationships within it? Did they, for example, try to restrict discussions to the AID technicians they were used to or, alternatively, did they seek to involve others in the hope that broader political concerns could be brought to bear in order to reduce the onus on them to take the process seriously?

9. What had been the history of requirements for self-help measures in prior PL 480 negotiations, and how did this affect subsequent negotiations?

10. Did the HG officials involved tend to stick to the analysis underlying or set forth in the contemporary five-year plan in addressing self-help issues?

11. Was there reference from either of the parties to the actions and expectations of other donors in identifying appropriate self-help provisions?

Negotiation of self-help provisions:

1. At what point in the negotiations did local currency sales proceeds and their attribution become an item of discussion, and did this pose problems in terms of generating an agreement of self-help provisions?

2. During negotiations, were new actors from each side brought into the process depending on how the negotiations were faring? Where appeals made to higher authority on one side, or on both sides? Did this depend on the funding level of the PL 480 program being negotiated, and on its visibility, or

did it rather depend on general power and authority relations on both sides?

3. Did the members of the U.S. country team who were involved have a good understanding of the decision-making process on the HG side, and of the HG budgeting process as this related to the PL 480 agreement under discussion? Were there any surprises in this area? Did there appear to be good communication about the basic premises underlying discussions of policy issues and related financing questions?

4. What appeared to be the role of other donors, and/or TA advisors to the HG entities involved, and their impact on the negotiation process?

5. How much did AID/W guidance, and/or State Department concerns enter in both in terms of the content and the style of the negotiations? Did this have a particular kind of impact? E.g., if AID/W was saying that self-help provisions and verifiable bench-marks were important, was there a different, more political message coming from the Embassy? Alternatively, was AID trying to get State to focus on the implications of the PL 480 program for broader political concerns?

6. How important a role did the HG Ministry of Plan and/or Ministry of Finance play in the negotiation process, vis-a-vis that of the Ministry of Agriculture or other line ministries? What about the central bank?

7. How much did the U.S. wind up giving in regarding verifiable self-help provisions in order to get an agreement signed? How much did the HG representatives wind up giving in?

8. To what extent, when agreement was reached, was there anything substantive and verifiable left in the self-help provisions? If there was little left, was it the joint intention to try again next year or merely to give a sigh of relief, and go about business as usual?

9. In the view of those who were involved, what would have improved the quality and the outcome of the negotiation process?

10. What would have improved it in the view of the evaluation team?

<u>Implementation, Monitoring, and Evaluation</u>:

1. Were there serious delays in signing the Agreement? Were there serious delays in the arrival and/or sale of the

commodities? If so, why? If so, what were the implications of these delays for implementation in general?

2. Given arrangements made in the negotiation process for monitoring and evaluation during implementation, was the appropriate level of interest and effort maintained during the initial stages of implementation?

3. If problems arose in implementation, was there a mechanism in place for their timely discussion and resolution, or did this have to await the arrival of scheduled evaluations/reports?

4. Did implementation and monitoring of the PL 480 program assist the AID Mission in carrying out its other activities in the same sector or sectors, or was there little feed-through from one ot the other? Were the same people involved in monitoring both aspects of the AID program or were they operated separately the majority of the time?

5. Was there any kind of monitoring other than that connected with the programming of local currency proceeds? If so, what kind; if not why?

6. Was monitoring and evaluation seen as a concern primarily or exclusively of the U.S., or was it taken seriously by the HG as well?

7. Were outsiders brought in to facilitate monitoring and evaluation, and if so, was this helpful in leading to success in problem resolution and redesign where necessary? Was it harmful to continuity or helpful to provide an institutional memory when AID and HG staff changed?

8. Were the self-help provisions' bench marks sufficiently verifiable such that monitoring and evaluation were facilitated?

9. What happened when monitoring or evaluation showed that the bench-marks or targets were not being met in a timely manner? Were they revised, were they ignored, on what basis and how?

10. Were these bench-marks conceived of as success measures, or were there other mutually-agreed measures of success? How were these established, and how much consensus was there about them? Were they technically defined, or were they framed in terms of broader policy considerations?

Redesign

1. Was there provison made for a formal redesign process, with which the HG was in agreement? What were the criteria

established on the basis of which redesign would be called for? Who had the right or authority to call for it?

2. Who was involved in carrying out the redesign? AID Mission staff? Consultants? Host government implementing agency? Others?

3. What latitude did the Mission have in deciding whether or not to prepare a completely new program paper rather than an amendment? What was the nature of the negotiation process in each case?

4. Where there was redesign, were relationships with the HG fostered or harmed? On what does the answer depend? How much was local currency programming an issue here?

Issues Raised/Questions To Be Asked - Local Currency Proceeds

Programming:

1. Did the agreement specify the applications of the LC, and how LC allocations would be treated in both the host country budget and the accounting and auditing systems? Did the agreement specify how and when LC would be disbursed?

2. Are USAID personnel included in programming activities at the ministry level? Co-programming allows the USAID to follow and influence projects more often and better than during the annual reporting period.

3. Has the HG established tough, but attainable self-help targets?

4. Are there specific, sufficiently detailed plans of projects/programs on which LC will be spent prepared before agreements are signed?

5. Do both the host country government and the USAID have "planning action schedule" specifying what each will do when? Is there a coordinating group (government-USAID) with a coordinator named by the implementing ministry - who monitors, convenes the parties, reviews, resolves problems, and who assembles reports of various action agencies and integrates them into interim and final reports?

6. Do host country implementing agencies have sufficient manpower/expertise to do detailed project planning, project economic/financial analysis, and to establish and carry out implementation plans? Can they establish a management information and control system to provide planning, control and evaluation? Should AID devote a part of LC to strengthen implementing agency expertise in these areas?

7. What kind and amount of assistance and guidelines do "staff" (as opposed to "line") ministries/agencies (e.g., Ministry of Planning, Ministry of Finance, Ministry of Foreign Affairs) offer implementing ministries/agencies in the preparation of budget proposals so that proposed uses of funds (including PL 480 Title I) fit into the overall economic development plan of the country and have the best chances of approval?

8. The large and fragmented conglomeration of government agencies and parastatals reporting to different ministries involved in agricultural development has substantially complicated the process of reaching agreement on program objectives and implementation assignment. What kind of coordinating mechanism have USAID and the HG established?

9. Do the USAID and the host country government come to an early understanding as to priorities in the use of LC which directly support specific self-help measures of the host country, and are there sufficiently well-analyzed and prepared high-potential projects/programs ready to be funded, i.e., is there "agreement programming" rather than "ex-post programming"?

10. Is there written understanding between the two parties as to when LC is released to implementing agencies, what documentation is required, and what budgeting, accounting and auditing procedures are necessary to satisfy AID? Is there a mechanism whereby the two parties can hold LC "in escrow" until decisions regarding specific allocations can be made? For example, in Tunisia, the Ministry of Planning stated the Ministry of Agriculture had <u>not</u> sufficiently analyzed the question of establishing service cooperatives for small farmers (the subject of the 1984 supplementary PL 480 Title I agreement) nor had it identified and developed adequate implementation plans. Thus, the LC generated has not yet "reached" the Ministry of Agriculture. It is in escrow.

11. Is the host country resistant to specific programming of LC? Is there host country resistance to the concept of additionality? Does the host country understand the concept?

12. Does the PL 480 program have quantified measurable targets which are <u>additional</u>? Does it ensure that the poor people in the recipient country will be the major beneficiaries?

13. Does the message of additionality, specific programming of LC and monitoring get across to all concerned ministries? Seemingly, it did not in Tunisia because MOA did not convey the message to MOP.

In the case of Cape Verde's PL 480 Title II, Section 206 program, the lack of initial <u>understanding</u> caused some confusion, and seemingly some resentment in that the Cape Verdeions felt they were being "dictated to".

Management:

1. Is the host country accounting and auditing system adequate for AID purposes?

2. Does the Mission do regular on-site inspections of a representative sample of self-help activities financed from Title I LC sales proceeds?

3. Is there a procedure established to record the progress made toward project goals and uses made of the local currency? When a self-help project is tied-in with one of USAID's regular projects, does it receive adequate overview as a result of being attached to the regular project?

4. How soon after receipt of U.S. commodities do implementing agencies receive authorization to spend?

5. Does the Mission receive timely, frequent reports from each implementing host country agency on how monies have been used? Does the Mission receive an end-use accounting for each PL 480 activity?

6. To what degree does the USAID manage PL 480 generated LC? Is management limited to monitoring the budgeting and host country application of LC, or does it extend so far as offering technical assistance, training and/or other forms of support to LC financed activities so as to enhance their chances of success?

7. What provision has been made by the USAID to insure continuity in dealing with the host country government, in programming and in managing the PL 480 program? This question is asked because USAID experience turnover in personnel, often rapid and frequent.

8. What is the accounting transactions procedure by which LC is made available to the implementing ministry/agency? Is it available almost immediately to the Ministry of Agriculture [1] as in Tunisia, or does availability of LC depend on the ability of, and time for, the commodity-selling agency to see the products and get paid for its sales - as in Cape Verde?

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[1] With the responsibility of recovering its monies left with the parastatal (e.g., Office des Cereales) responsible for marketing the PL 480 commodities.

8. Has the Mission examined the pros and cons of a special account or special mechanism which gives the Mission a greater degree of control and monitoring, and makes the host country strictly accountable to the Mission for PL 480 funds? Did the Mission do this prior to the institution of a PL 480 program? Is it considering asking/requiring the host country to establish a special account for an on-going PL 480 program?

Pros

- If established at the beginning of a PL 480 program as an integral part of the program, the chance of host country "resentment" is greatly diminished - as opposed to the cases where the requirement for a special account is "imposed" (in the view of the host country) during the life of a PL 480 program.

- Offers both parties the opportunity to plan and program clearly, to monitor, to evaluate, to act rapidly when problems arise, even to serve as an "early warning system" - permitting both parties to anticipate problems before they occur.

- Provides the minister of the implementing ministry and the top official(s) of the implementing agency/parastatal with power vis-a-vis the resource allocators in the government. If the portfolio of projects/programs funded under this special account goes well, it is to the minister's credit. If it goes poorly, he can always say that the special account was imposed upon him, he had no say in its imposition, and it impeded the flow of funds to the project portfolio.

Cons

- If proposed to the host country government during the life of an active PL 480 program, it tends to cause resentment - that the host country is not to be trusted, is not capable of managing its own affairs, and that it is in the position of being dictated to. Often times, the consideration of requiring a special account is accompanied by a voiced or intimated feeling that it will give the Mission a certain amount of leverage with the host country - unfortunately this "feeling" gets transmitted to the host country and exacerbates the resentment on their part.

- Through delays in project implementation, excess LC can build up in the account which is not being put to work in the development of the country generally.

- From the HG perspective, the special account may still be treated as a paper exercise, therefore not really contributing to leverage or meeting self-help provisions.

- Does the Mission have a means of determining how much of the generated LC is actually disbursed to the activities funded?

"Political Economy"

1. How closely attuned is the AID Mission to the "political economy" of the host country's economic development strategy[2] as well as its financial/budgetary decision-making process (Who makes the decisions, how do the decisions come about, what is the process, calendar and sequence of budget preparation, review, change and approval (disapproval)? What are the priorities as to projects/programs likely to be funded?, e.g. Tunisia uses an A,B,C method, i.e.

   A - 1st Priority - Those projects/activities already underway are reviewed individually for future funding.

   B - 2nd Priority - Those projects which are new, have been approved by the Ministry of Planning, but which have not yet been started. If sufficient funds are available, they will be undertaken.

   C - 3rd Priority - Those projects which are new, have been through the planning and approval process at the Ministry of Agriculture, but which have not yet been approved by the Ministry of Planning.

2. What Ministry/department acts as allocator of resources for an implementing ministry's investment budget, and its operating budget? In Tunisia, for example, the Ministry of Finance only has say-so over another ministry's operations budget and acts largely as a controller and auditor. The Ministry of Plan controls the allocations to implementing ministry's investment budget. By contrast, in Morocco, the Ministry of Finance has a great deal more authority, with the Ministry of Plan playing a largely analytical and "staff" role.

3. What are the roles of the Minister of Finance, Plan, Industry

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[2] Often a country has its official "five year plan" as well as an unofficial, unwritten plan. The unwritten plan usually is the operative one.

or Economy, Interior [3] and Foreign Affairs? What are the roles of key parastatals as operating entities? Do they have a policy voice?

4. Does the resource allocating ministry provide guidance for the implementing ministry regarding budget preparation and changes during the budget process? What degree of negotiation is possible at various points in the budget process, between whom, at what levels, and does the implementing ministry have recourse to higher authorities should it feel very strongly that an initially disapproved project/program should be carried out?

5. Are donor funds (including U.S.) fungible, i.e., are they, for example, commingled in one development account such that they lose their identify and such that, effectively, U.S. funds may be used to support other donor(s) program(s) with "repayment" to the U.S. funded project(s) to come at a future date?

   In the Mali Title II, Section 206 example, funds are accounted for separately, but all donors which are parties to the PRMC must reach consensus about how "counterpart" funds are spent.

   In the case of Cape Verde, almost all development activity is completely donor-funded, and because of different funding modalities among donors, there are lags in the flow of funds to projects - some of which make frequent, regular demands on the overall funds flow, i.e., projects with heavy labor components.

   In Morocco, at least up to the 1983 PL 480 Title I Agreement, funds generated from sales of PL 480 grain could be and were attributed to counterpart funding of other donor activities. The 1983 agreement saw concerted effort on the part of the USAID to program proceeds toward HG counterpart contributions to USAID-funded projects.

Other

1. Is the objective of a PL 480 program largely political, market development, or agricultural development? If the objective is principally political, then USAID would be

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[3] In Morocco for example, the Ministry of Interior is very important in terms of domestic politics and can determine the acceptance (or refusal) of a project as well as its geographic location. Apparently, this is not the case in Tunisia.

unlikely to insist on strict programming, monitoring and accountability.

2. Is the financial size of the host country self-help measures relative to the LC generation from sale of PL 480 commodities so much larger that the Mission feels constrained to insist on planning, programming and monitoring the LC proceeds?

Success Criteria

Success criteria for PL 480 Title I and Title II, Section 206 programs are not obvious, especially given the multiple agendas which PL 480 is generally designed to serve, and the variety of uses to which such programs have been put in differing country and assistance program contexts. Additionally, establishing success criteria must be done carefully in order to avoid prejudicing the validity of investigations of preconditions or requirements for success. Tautology in this kind of investigation is always a risk.

Illustratively, if success is defined as progress, approximately as scheduled in program documentation, toward specific targets or objectives, this would eliminate considering as successful any program which did not have such clearly and quantitively-defined measures and schedules. This might indeed prove to be a key conclusion of the final study report, but it would be desirable to include in the sample selected programs which could point to notable achievements even though these were not clearly specified in advance. In fact, the results of the pilot case studies tend to support both kinds of criteria--specificity and clear targets and schedules and significant flexibility in implementation, allowing for reassessment and mid-course correction both appear to be characteristics which have led to success in Tunisia and Mali.

If a Phase II effort is agreed upon, the team will, through discussions with key actors in Washington, attempt to specify the success criteria more clearly in order to facilitate both country selection and the subsequent evaluative approach. Once specified, the success criteria will be applied in each country case study to identify specific indicators or measures of success and, to the extent possible, to quantify success in meaningful economic and/or social terms.

Task Breakdown for the Phase II Effort

The following breakdown of tasks is essentially self-explanatory, and is based both on the experience of the pilot Phase I studies, and on our anticipation of what will be required in a successful Phase II.

TASK BREAKDOWN FOR PHASE II EFFORT

Phase IIA

Task 1 - Country Selection and Preliminary Study.

1.1 Review results of Phase I.

1.2 Assemble and review other relevant studies, interview AID, USDA, and possibly Treasury and State officials with multi-country experience to identify other candidate countries which appear to exemplify successful PL 480 operations.

1.3 Assemble and review program documents and other data available in Washington to confirm or reject preliminary country selections.

1.4 Obtain necessary Mission clearances for country visits.

1.5 Identify U.S. officials involved at key points in country programs selected, and their current locations and availability.

Task 2 - Detailed Study Design.

2.1 Based on results of Task 1, prepare preliminary country statements. AID and USDA officials with relevant country experience available in Washington should be drawn upon to help to prepare these outlines.

2.2 Define key gaps in country information available in Washington and documentation which needs to be assembled on site in advance of team arrival.

2.3 Prepare plans for country visits, including data to be reviewed, analysis to be conducted, likely sources of secondary data, individuals to be interviewed, and information to be solicited during interviews, with suggested timing and schedule for review by the USAID.

Phase IIB Field Visits to 6-8 Countries to Prepare Case Studies

Task 3 - Preparation for Visits.

3.1 Finalize team selection based on established requirements for additional information. Prepare schedule of visits to permit each team member to be involved in more than one country study.

3.2 Transmit requests to USAIDs to assemble data to establish a firm schedule for on-site interviews.

Task 4 - In-Country Studies of the PL 480 Process

4.1 Assemble and review program documents and other relevant reports.

4.2 Assemble and review studies bearing on agricultural development problems and opportunities.

4.3 To the extent possible, reconstruct the history of PL 480 programming over and above that done before departure from AID/W; including the origin of alternative proposals, and the analytical basis for alternatives selected (AID/W, USAID, other parts of the U.S. country team, various host country entities and offices.

4.4 Appraise the adequacy and interpretation of basic analyses used by AID for decisions on self-help and local currency use provisions of agreements.

4.5 Conduct interviews with host government and U.S. government officials in country who were involved in the planning, design, and negotiation of the PL 480 agreement and amendments, to gain an understanding of the interplay of forces in design and negotiation of agreements and their implementation.

Task 5 - Appraisal of Program Effects

5.1 To the extent feasible, identify the specific policy or program measures taken or reinforced through PL 480 discussions and terms. If feasible, assign some quantitative indicator of the degree of influence.

5.2 To the extent possible, evaluate the likely impacts of the particular policies or programs influenced by the PL 480 discussions and/or agreement.

5.3 Review the local currency application terms of the agreement.

5.4 Assemble available data on actual applications as reported by the recipient government. USAIDs should request updated reports in advance of team arrival.

5.5 If possible, identify any discrepancies between actual and reported applications.

5.6 Review the budgetary process and budgetary experience to assess the extent to which allocations represented a real increase above what otherwise would have been provided. Identify and if possible, quantify instances where resource applications were less than or more than the PL 480 financing provided.

5.7 To the extent feasible, assess the effects of the additional resources actually provided or called for in the agreement.

<u>Task 6</u> - Assess Program Management Capacity and Work Load.

6.1 In cooperation with responsible recipient government officials, estimate work load imposed by particular PL 480 requirements, including reporting requirements.

6.2 Estimate portion of total available staff time occupied with PL 480; compare this with other program requirements and resources.

6.3 In cooperation with country team, estimate total professional staff time (<u>FS</u> and <u>FSN</u>) occupied by PL 480 activities.

6.4 Assess the appropriateness of this compared with other responsibilities.

<u>Task 7</u> - Prepare Country Study Reports.

7.1 Review information assembled and analyses from foregoing tasks; prepare preliminary draft reports on the country programs.

7.2 Review draft with country team and selected host country officials before team departure.

7.3 Draft and review memoranda of discussions with USAIDs before departure.

<u>Phase IIC Final Report Preparation</u>

<u>Task 8</u> - Preparation of Draft Study Report

8.1 Prepare draft country reports.

8.2 Prepare consolidated report summarizing conclusions of country studies and implications for future PL 480 operations.

8.3 Review reports from 8.1 and 8.2 with the working group and other appropriate Washington officials.

8.4 Prepare the final draft of the report.

Workshops

If AID decides it wishes assistance in workshops to review and discuss study results, this will be included as a third phase of work.

Input Requirements

The following estimate of inputs required to complete the proposed Phase II effort is subject to modification, depending especially on countries selected, and on agreement on optimal, and sub-optimal but feasible team composition. Here, an average team of three persons is used, and the number of countries anticipated is eight, plus a bit of additional effort on Mali. The average length of each country visit is taken as twelve working days for all three team members, or 36 working days per country in the field, plus 6 days travel time per country visit, or a total of 42 days per country.

In addition, for Phase IIa activities, ten working days are proposed for each core team member, the core team numbering four--the Title I/agricultural economist (Newberg), the financial management specialist (Harmon), the Title II/agricultural economist (Enger), and the organization specialist/final report drafter (Morton).

In order that these working days in Washington for the core team members may be used most efficiently, including for interviews in AID, USDA and OMB and/or State, ten days of research support are also proposed, which will be used to assemble documentation and, where necessary, for data analysis.

For case study report preparation on return to Washington, which may include additional interviews, five working days are estimated per country per team member, plus five days for research and data analysis support.

For final report preparation, taking into account one draft of the final, comparative synthesis report, and one final draft, 15 working days are proposed.

No estimate is presented here for Workshop or Conference preparation or presentation, as this is an issue still to be addressed with FVA/PPE in more detail.

ANNEX I

TUNISIA PL 480 TITLE I: BACKGROUND

Economy

Tunisia has achieved an impressive development record in slightly over a quarter of a century since Independence. GDP has grown at an average rate of almost 8 percent per year, with a population growth rate of about 2.3%. This has translated into a per capita growth in real income of nearly 5.5% per year. In 1982, GDP totalled $9 billion, for an average income of about $1,400 per capita. Given the increase in dollars against other currencies, including the Tunisian dinar since then, per capita GDP now probably is slightly below that level in U.S. dollar terms.

Important factors in this income growth rate include substantial phosphate reserves which have been developed into a modern large-scale fertilizer production and export industry, modest oil reserves permitting some export earnings, and a strategic location for trade and tourism and for export of labor services. These have been enhanced by government investment in education and the maintenance of good relationships with trading partners and neighbors. Last but not least, Tunisia has enjoyed a high degree of political stability since Independence.

Development has not by any means been a uniform process nor without major problems. Major imbalances exist among regions and sectors in development progress. The North and East regions adjacent to the Mediterranean Sea have been the focus of development efforts while many regions in the interior have seen little change. Recent data show the following distribution of income among different groups in the population.

TUNISIA - INCOME DISTRIBUTION

Lowest Quintile	6%
Second Quintile	11%
Third Quintile	15%
Fourth Quintile	19%
Top Quintile	50%
Top (10%) Decite	35%

Source: Newberg, R.R., Agricultural Assessment, Tunisia, 1981, Page 2.

The most widespread development progress has occurred in primary education with virtually 100% of the population having access to primary education, about 30% to secondary education and 5% of the relevant age group having access to education beyond the secondary level.

Among the productive sectors, the agriculture, forestry and fisheries sectors have shown a consistent decline in percentage contribution to total GDP and to employment. Agriculture currently contributes about 16% of GDP and provides employment for about 33% of the "economically active" work force.

The high level of investment in the capital-intensive mining and energy sectors compared to the low investments in agriculture explains much of the disparity in employment and income generated by these two sectors. Another factor is the concentration of public agricultural investment in high-cost, poor-producing irrigation development projects with consequently little public investment in rainfed crops and range lands.[1] Further, past policies have tended to provide inadequate encouragement to private investment in agriculture. Particularly serious, during the period up to 1969, the Government pursued a systematic course of transforming private farms into cooperatives and collectives. This policy resulted in a decline in production of most basic commodities during the 1960's. Total value added by agriculture dropped by 30% between 1965 and 1969. After the abandonment of this policy in 1969, production began to recover. Overall, value added increased by 91% between 1969 and 1972, but progress thereafter has been slow. By 1972, grain production was about 2.5 times the average of the late 1960's but in the early 1980's was still at the 1972 level.

During Tunisia's history as an independent country, prices have often been managed to the disadvantage of producers of cereal and livestock products. Illustratively, prices paid for cereals were raised once between 1961 and 1972, (between 15 and 25% in 1967), while wholesale prices climbed by about 75%. Prices of livestock products have similarly been subjected to controls which emphasized limitations on consumer price increases. In 1980-81, these policies began to change, with prices of many products freed (meat products) and others increased regularly (cereals, dairy, oil). Fruits and vegetables have typically been less subject to controls with export encouraged. As a result, fruit and vegetable production and exports have grown rapidly. The

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[1] In 1982, it was estimated by the Ministry of Agriculture that public irrigation systems had an irrigable area of 76,200 hectares, but the area actually irrigated was only 40,900 hectares (Source: MOA, Enquete Perimetres Irrigues, Campaigne 1981-2, January 1983).

most recent statistics show the following division of total value added by agriculture (1980):

Cereals	15%
Tree Crops	23%
Truck Crops	20%
Livestock	35%
Other	7%

Truck crops, in particular, benefited from the expansion in areas under irrigation now estimated at over 200,000 hectares with about two-thirds in private systems.[2] Low prices of cereals and livestock products have been partially offset by subsidies on fertilizer, pesticides, seed and feed. However, these subsidized inputs tended to be restricted in availability with access limited by inadequate domestic supplies and by the small number of sales points. In 1982, as livestock prices were freed or greatly increased, subsidies on fertilizer and pesticides and cereal prices at about the cost of imports, including freight, provided a very favorable price relationship especially for phosphate which is much more heavily subsidized than nitrogen.

Tunisia has 5 million hectares of land cropped regularly or intermittently. However, yields are sharply limited by low rainfall, low soil fertility and poor cultural practices. The Southern region, 60% of the area, is sparsely populated, primarly by nomadic herders, with some grain and tree crops. Grain yields are extremely low, averaging 2-3 Qx/ha. In the Central region, which has between 200 and 400 mm. average annual rainfall, cereals are more important but yields are still very low and livestock is a major source of income. Annually, most of the cereals are grown in the Northern region, which has 400 to 1300 mm. of rainfall, but here too yields are low, typically only about 15 - 18 Qx/ha. This region, with 20% of the area, produces 70% of the cereals, about half the livestock, milk and vegetables and almost all the grapes and citrus. Farms are generally very small with a variety of enterprises. In a typical year, cereals occupy about 1.8 million hectares, olives 1.4 million hectares, and other tree crops 300,000 hectares.

Farm size as well as income distribution is sharply skewed. Excluding government owned and large cooperative farms, 22% of the farmers who have 2 hectares or less have only 1.6% of the

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2 Newberg, Op. Cit., p. 49.

area in farms while Ø.34% of the farmers with 2ØØ hectares or less who together had about 18% of the land.[3] In 1975, a survey of farm practices by size of farm showed that while 1ØØ% of the farms of 1ØØ hectares or more used commercial fertilizer, below 5 hectares less than half used commercial fertilizer and in the 1 hectare and less category, only 23%. However, this smallest farm size group accounted for 9% of the TSP used on forage crops and 1Ø% of the AN used on truck crops.[4]

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[3] Newberg, Op. Cit., p. 68, 84.

[4] Newberg, Op. Cit., p. 85-88.

PRIOR PL 480 PROGRAM

PL 480 financing began in 1957 with a modest Title II program which was expanded rapidly, reaching a peak of $36.9 million in 1962, but then gradually reduced to an annual level of $6.8 million in 1979 and $3.2 million in 1980, (used mainly for a vulnerable group feeding program). Agreement was reached for a phase-over to full Tunisian support over 5 years, and by 1983 Title II had been reduced to $1.3 million.

Title I resources have been larger in recent years but quite erratic. Large Title I commitments were initiated in 1961 at $14.3 million when the new U.S. administration was very much concerned about levels of surplus commodities and attempting to implement new and stronger programs to curtail domestic production by acreage retirement.

In FY 1966, PL 480 Title I resources were not provided--a time when huge demands were being placed on PL 480 resources by the drought in India and Pakistan (including what is now Bangladesh). By 1967, however, they had reached a high of $26.1 million. From June 1973 to June 1976 no Title I was provided, as Russian purchases had greatly increased world prices. Over the years, a wide variety of commodities has been provided under Title I. Wheat, by far the most important, was included in almost every year. Other commodities included corn, barley, cotton, soybean oil, tobacco, hides, poultry and tallow.

During the 1960's Tunisia launched a major effort to transform private holdings into cooperative or collective farms. As has been noted, this policy was the major factor in a precipitous decline in production in the 1960's. In 1969, opposition to this program became overwhelming when an attempt was made to include larger farmers, and the policy was reversed. By this time, however, the smaller farmers forced into cooperatives and collectives in earlier years had disposed of their draft animals and equipment and found re-entry into farming difficult. PL 480 financing was provided at virtually unchanged levels during the implementation of this disastrous policy.

In the years prior to the development of the "multiyear agreement", the PL 480 programs were classified as lacking real self-help conditions, lacking in measurement targets where any meaningful self-help terms were included and, according to AID auditors, local currency applications were not made and when reported were not properly certified (see below). As noted by one senior AID official, PL 480 Title I had come to be taken for granted by GOT officials, with the only issue being one of minor variations in availabilities. In this situation the idea of a multiyear program with specific measurable self-help terms having broad implications was an alarming transformation in U.S. PL 480 policy for many Tunisian officials.

ORIGIN AND IMPLEMENTATION OF THE MULTIYEAR PROGRAM

Preparatory to a proposed phase-out of AID assistance to Tunisia, an overall review of the AID program was conducted. In conjunction with other elements of the overall review, assistance in an agriculture sector assessment was contracted for by the USAID with the work carried out mostly in 1980, leading to a report produced in January 1981. It was noted that despite a long period of substantial donor assistance to the agriculture sector, agricultural growth was lagging far behind the GDP growth rate of 8%.

During the USAID review, the GOT diagnosis for the Sixth Plan, and the USAID agriculture sector assessment, a number of serious development constraints broadly affecting agriculture were identified:

-Fertilizer consumption, after fairly rapid early growth, had stagnated in the 1970's at low levels despite substantial subsidies; imports, which accounted for most of the supplies, were erratic and the distribution system had been reduced by a policy of holding margins at fixed levels over a long period of inflation in prices and costs.

-Prices of livestock products were fixed, and to offset these low prices, mixed feed prices were heavily subsidized, but stocks and outlets were very limited, consequently, the masses of livestock producers lacked access to such feed.

-Though subsidized, improved grain seed often was in short supply and inaccessible to many farmers.

-Several organizations existed for research and extension, but productivity was very low, both quantitatively and qualitatively, and research commonly was not focused on priority issues; linkages among extension, research and farmers were very weak.

-Institutional credit, except for large farms, was extremely limited.

-For many years well over half the total resources provided for agriculture had gone to irrigation development, but low cropping intensity and low yields resulted in low returns to this large investment.

-Farmers had no soil testing service and virtually no soil test-fertilizer response correlation research available to guide them in applying fertilizer economically.

-Although DAP (18-46-0) was produced in-country, it was all exported, and Ammonium Nitrate (33.5-0-0) was imported for use with TSP (0-45-0) at planting. It was estimated that Tunisia could save over $10 million a year by using it along with local TSP at planting time. Further, use of N was much too low relative to use of P, reflecting a pattern set in pre-Independence days when legumes in rotations supplied much of the needed N--a situation now rare in Tunisia.

-Agricultural marketing was dominated, and in some cases monopolized, by commodity parastatals (e.g., cereals, olive oil, red meat, milk).

-Benefits of subsidies and controls exercised over prices went mainly to urban and higher-income groups; larger farmers tended to enjoy greater access to subsidized farm inputs and to subsidies on investment (through FOSDA, the fund for agricultural development).

-Very few of the available government services and resources were available to farmers in Central Tunisia, which had lower rainfalls and much lower production than the northern regions.

-The rate of growth in agriculture during the Fifth Plan period was estimated to have been -0.5 percent per year.

-About 800,000 hectares of land, often the best, remained in government-controlled cooperatives, communal and other public farms, which generally were operated at high costs with unsatisfactory yields.

The Sixth Plan, which was in the preparation stage at the time the new PL 480 program was being prepared, included plans for dealing with many of the constraints listed above. For example, ambitious fertilizer consumption targets were established, with an especially high growth target for nitrogen; more publicly-operated warehouses and sales points for inputs and grain storage facilities were to be established; research and extension systems were to be greatly expanded; and credit to small farmers was to be expanded. More emphasis and resources were to go to small farmers, to depressed areas such as Central Tunisia, and in general, investment emphasis was to be shifted from irrigated to rainfed areas.

One of the major concerns of personnel involved in design of the U.S. assistance to agriculture was that implementation would fall far short of targets, especially in the most critical areas identified for increased attention. It was felt too that a very sharp focus on one or a few constraints was essential to avoid dilution of effort and dissipation of resources. Stagnation in growth in fertilizer utilization "particularly nitrogen", was singled out for primary PL 480 program focus. Obviously, PL 480 resources couldn't be used to finance FX costs of fertilizer, but it was agreed that availability of PL 480 to finance food imports freed up Tunisian FX which could then be used to procure more fertilizer and to take other actions necessary to implement a fertilizer-fueled growth strategy.

It was also agreed that a number of complementary actions would be needed to successfully and economically implement a fertilizer-fueled growth strategy. These would be specifically included in the program, but in the annual evaluations, the focus would be on fertilizer supply, distribution and consumption. Other activities would be appraised primarily in terms of the effects that actual versus planned accomplishments might have on achievement of the fertilizer-fueled growth strategy and on the economics of increased fertilizer consumption.

Although the "multiyear strategy" proposed by the U.S. country team was never approved as such by the requisite authorities in Washington, it was accepted by the Government of Tunisia as at least a symbolic commitment. The key blockage on the U.S. side appears to have been OMB, reflecting the U.S. administration's unwillingness to "mortgage" out-year funds. Therefore, according to the recollection of key U.S. actors involved in the negotiation process, an understanding was reached among the GOT Ministry of Agriculture, the AID Mission and the Tunis Embassy to call it a multiyear strategy to operate as though a multiyear program were in process. As it were, if it were "said enough", the multiyear nature of the strategy would become a reality. They noted that in Tunisia, even a powerful minister must engage in bureaucratic and political gamesmanship - "he must exert pressure to get people to do something", in this instance, provide a face-saving way to implement reforms by using an apparent multiyear program as an important part of the justification.

In a situation where the U.S. country team and many Tunisians were essentially agreed that key changes were desirable on the part of the GOT, these questions of leverage and efforts at reform would seem to have been understandably critical. How this was managed was critical in view of the phase down of U.S. assistance.

A difference in views occurred within the American team at several points as to whether fertilizer should be directed to specific (rural development) area, to particular subsector targets (e.g., cereals), or to particular groups (e.g., small farmers). (There was also some feeling that a heavy emphasis on fertilizer was a high-risk approach in a country with a great variety of micro-ecological zones.)

Application of narrow area, group or commodity restrictions would have control and management problem which were a major concern to introduced Tunisian officials during these discussions. It was agreed that instead the program should set as its generalized target a sufficiently rapid growth in supplies and in the distribution systems and continuity in supply to permit all farmers to have convenient access to N, P and K fertilizer at all times, thereby overcoming the differential access that had particularly adverse effects on farmers with few resources and on more remote and less mobile farmers. GOT physical targets were accepted of 100,000, 116,000, and 125,000 MT of AN equivalent for 1981-2, and 1982-3 and 1983-4 compared with 79,000 in 1979-80 and a seven percent annual growth rate for TSP equivalent which would have meant about 75,000, 80,000 and 85,000 MT respectively for those three years. Particular attention was to be given to timely procurement and shipment of fertilizer to ensure ample supplies at all places and all times and also measures to increase the scope of the distribution systems which would provide wider access. Measures to expand the distribution system were to include determination of requirements and action to increase margins sufficiently to stimulate private dealers and small cooperatives to market fertilizer.

The Program Paper was submitted in the 3rd quarter of FY 1981, with plans for a "1981 Transitional Agreement" to bridge the program transition. A study of private dealer fertilizer margin requirements was initiated with the August 1981 signature of the Transitional Agreement as provided for in the agreement. In November of 1982, margins were quadrupled and supplies made available to cooperatives and other private dealers. The Agreement included provisions for technical information to be channelled through these new handlers. This was initiated in January 1984.

The first of the "multiyear strategy" agreements of June 1982 contained most all the measures proposed in the Program Paper. Most of these had already been included in the August 1981 "Transitional Agreement".

The June 1983 Agreement basically repeated the 1982 Agreement with some minor additions, including statements of progress and concerns where elements were lagging. It also included a more specific statement on conduct of research on grain and forage legumes, cereal varieties and soil fertility at the request of the USDA, which expected to develop a collaborative research program. To date, the collaborative aspect has not been developed because of financing questions.

The Supplementary Agreement of July 1983 for the first time defined the specific use to be made of the local currency - to help finance the AID-assisted APMANE (credit for small and medium-size farms). This agreement included a number of specific undertakings directed specifically to improvement of the APMANE Project.

In this respect, it was something of a digression from the multiyear strategy focus, though consistent with the broader set of complementary activities included in the Multiyear Agreement. This digression has created some uncertainties in subsequent evaluations and self-help reporting. Should these special terms be treated as equal to others on self-help reporting and evaluation? In the most recent review and self-help reports, they have been considered in less detail.

The 1984 Agreement allocated some resources ($5 million) to service cooperatives, but otherwise returned to the earlier format. This allocation also is consistent with earlier practices of applying local currency to complementary programs and projects of the GOT, but different from the 1983 Supplement in not containing detailed terms concerning the operation of the program to which funds were being allocated.

An evaluation of the credit component was carried out in November 1983, and during the evaluation visit of July-August 1984, we found that the recommendations of the 1983 evaluation were being implemented.

Visits of the PL 480 consultant are scheduled twice a year to coincide with the same formal reviews. He and one of the USAID staff visit every agency playing a role in program implementation to gather information and to discuss progress and problems and needs for future action. A memorandum of discussions is prepared covering each meeting, in addition to a report of findings and recommendations. While these reviews provide a basis for a formal comprehensive focus, there is also an informal continuing monitoring approach. Where problems appear to exist or arise, they are discussed at the appropriate department level. If the probelm is deemed serious enough, it is taken up at the Minister of Agriculture and the U.S. Ambassador level.

Discussions at this level have generally been restricted to major issues concerning adequacy of action on fertilizer supply and distribution. In all high-level contacts, the importance the U.S. attributes to GOT implementation of PL 480-supported elements of its Sixth Plan programs has been emphasized, including by Secretary Block in meetings both in Tunisia and on the occasion of the signing of the Supplemental Agreement in Washington in July 1983, and by AID NE Assistant Administrator Ford on her two visits to Tunisia. The latter included meetings with various ministers, with the Prime Minister, and with the President.

One of the serious obstacles to more effective implementation of the fertilizer supply and consumption objectives is that in the early 1970's demand was substantially over-estimated, and a considerable amount of fertilizer (some 10,000 to 14,000 MT) was reported to have been exposed to the weather with considerable loss. Action taken at that time included restriction of import authority to a single entity (STEC). Officials very vividly remember that event and are determined not to repeat it. Thus, liberal standards successfully tried elsewhere for advanced shipping are not adhered to. Instead, a negligible supply on hand at the end of the crop season apparently is considered nearer ideal. Assurances have been repeatedly given that when sufficient storage exists to protect stocks, shipments will be liberalized, which will be 1986.

Progress and Prospects

In the coming year (1984-85), for the first time, some incentives will be given for early ordering and acceptance of early delivery--restricted however to parastatals and large cooperatives. Even so, this will help. In the past there was no incentive to buy fertilizer early other than the risk of not being able to obtain amounts desired if purchases were delayed too long. Traditionally, farmers have delayed until the first rains for application at planting and similarly delayed purchases of subsequent top dressing. The top dressing creates a particularly serious timing dilemma since the farmer wants to wait until he is sure of spring rains, but when they come he often encounters application difficulty and application after rains end is of little value. Thus, fertilizer sales usually take place in two very brief periods.

Little is known of the possible costs and returns of applying all the nitrogen at planting time under the varying conditions and in different areas of Tunisia, which could reduce some of the top dressing problem. In visits to some cooperative and private dealers it was observed that they commonly have considerable storage capacity and would take early delivery if some nominal incentives were provided. In some countries, discounts of 3 to 6% are given for taking early delivery, thereby reducing strain on higher-level storage facilities. This is now being considered. It would also relieve the parastatals of some of the responsibility for holding larger stocks.

Although fertilizer growth targets have been taken from the GOT Plan, the Ministry of Agriculture and parastatal officials apparently have not made the concerted effort to achieve these targets of the program that USAID personnel have felt were essential. However, the improvements that have been made in scheduling and distribution bode well for the future.

Progress of the program is principally reported in the December 1982, and 1983 self-help reports, in joint review reports of 1982, 1983 and 1984 prepared by the PL 480 consultant and his meeting and trip notes of April and November, 1982 and 1983 and of August 1984.

USAID and the GOT are presently preparing to propose a PL 480 program for 1985 and beyond, initially for 1985, 1986, and 1987. It is clear that substantial progess has been made in Tunisia in acceptance of the idea of a long-range, fairly stable set of goals and activities supported with PL 480 resources, whether labelled a multiyear project, program or strategy. From the Tunisian perspective, the conditions may be more difficult than single year conditions would be, but they are predictable and this is considered a significant improvement over a situation of total uncertainty from year to year concerning what the U.S. will insist on as "self-help" requirements.

PL 480 in Tunisian planning circles appears to have come to be appreciated for more than just a transfer of substantial resources. These resources are applied in support of specific Tunisian Plan objectives and targets and the manner of operation of the program makes a positive contribution to improved monitoring and timely definition of action needs.

ANNEX II

MALI PL 480 TITLE II, SECTION 206: BACKGROUND

Economy

While Mali has experienced economic growth over the years since Independence, it has been irregular and insufficient to provide a base for sustained development. Further, as the Mission's FY 1984 CDSS warns, poor data and questionable financial statistics militate against drawing more than tentative conclusions regarding Mali's economic history, and the role of growth within it.

Mali's GDP is composed primarily of crops and livestock, but growth has been faster in the commercial than in the primary sector. Much of the growth has been a result of increased cotton production in response to temporarily high world prices and strong marketing by CMDT, followed by a restructuring of the cotton subsector, which put it on a financially sound basis (CDSS update, January 1984). Producer prices for cotton were substantially increased, and profits from cotton export sales were redirected away from the SOMIEX (the state-owned trading company) to a cotton stabilization fund and to the national treasury. Cotton production had already rebounded by late 1983 from a persistent slump, and prospects are now good for bouyant exports over the next few years.

As the CDSS notes, Mali is becoming increasingly dependent on trade for basic consumer and development goods. From 1972-1979, the cost of imports rose at a rate of 16% per year, while exports grew at only 11% per year over the same period. The following table indicates the results for Mali's balance of trade.

TABLE I

	1977	1976	1977	1978	1979	1980
Exports	22.2	45.1	61.2	50.1	62.7	86.6
Imports	32.0	53.2	56.0	92.8	106.8	136.9
Trade Balance	-9.8	-8.1	5.2	-42.7	-44.1	-50.3

Source: USAID/Mali FY 1984 CDSS. Figures are in billions of MF.

Despite these dismal figures, by the end of 1982, the overall balance of payments came close to equilibrium, showing a deficit of 1.7 billion MF compared with 21.0 billion in 1981. Various measures to contain public expenditures and to improve tax administration led to additional strides in improving public finances. The consolidated budget deficit on a commitment basis was reduced to 9.9 billion MF in 1982, or 1.5% of GDP. Further reductions were expected as of this year under the IMF Standby Program. In June 1983, Mali drew down on schedule the last of the four tranches of the 12-month Standby Agreement, having met the IMF performance criteria. In October 1983, the West African Monetary Union admitted Mali among its members. Membership became effective in 1984, and in July, the CFA replaced the Malian Franc.

In December 1983, the IMF approved a follow-up 18-month Standby Program involving stringent performance criteria, particularly in the areas of civil service recruitment and public enterprises. The consolidated budget deficit is expected to be down to 0.7% of GDP, or 5.5 billion MF by the end of 1984. The Standby Program also foresees the total elimination of arrears, both domestic and external, by the third quarter of 1984.

Despite poor rainfall, and lower than average harvests, 1983 was a year in which the GRM made genuine progress toward better management of the economy. As will be seen below, considerable strides were made in restructuring the cereals market, toward a progressive liberalization and inclusion of the private sector. Steps were taken to reduce the number of public enterprises, and to review and decrease the variety of activities carried out by others that still exist.

Social Structure. Mali is a country characterized by extreme diversity in environment and ecology among its regions, as well as by considerable ethnic and social diversity. The GRM has recently attempted, as part of its policy reforms, to decentralize some of its planning and administration, including in agriculture, to take account of these differences, and to create a better balance in service delivery to its various regions and social groups. The 1981-1985 Economic and Social Development Plan lays out a strategy for decentralization of development, regional balance in investments and encouragement of private enterprise. It intends to encourage local participation, through working with cooperative organizations, NGOs, and local organizations to foster more rapid rural development. The emphasis on regional balance is meant to redress existing centralization of industrial investment in Bamako and of agricultural investment in southern Mali. Additionally, there is a need to increase development opportunities in the Gao and Timbuktu regions of the northeast due to sedentarization of nomadic peoples.

TABLE II

Economic and Social Indicators

	1960	1970	[illegible]
National Population	4,100,000	5,100,000	6,900,000
People per square kilometer	3.3	4.1	5.6
Population growth rate	2.1%	2.4%	2.6%
People per sq. km. of arable land	8.5	10.6	14.2
Gross Dom. Prod. (U.S. $ millions-1964 base)	390	525	790
National Per Capita GNP (U.S. $ - 1964 base)	98	100	120 (1978)
Literacy Rate	3%	10% (1974)	10%[§]
School Enrollment (% children - aged 7-12)	7%	20% (1974)	21%[§]
(% girls - aged 7-12)	unknown	unknown	14%[§]
Life Expectancy (years)	37	38	43
Crude Death Rate (per 1000)	27	27	22
Infant Mortality (to age 5)	60%	50%	45%
People per Doctor	-95,000	50,000	25,000
Rural Pop. served by moderan health care	5%	10%	15%
Access to Piped Water (urban population)	unknown	unknown	29%[§]
Access to Safe Water (rural population)	unknown	unknown	25%[§]
Per Capita Calories (% of requirements, varies by region, seasonally and annually)	90%	75% (1974)	90% (1977)
Malnutrition in Children under 10	unknown	unknown	6-10%

Sources: AID/DS/DIU/ESDS ALL DATA report on Mali of November 1980, updated and supplemented from World Bank and USAID/Mali sources.

[§] Indicates data from last year's CDSS which appear inconsistent with latest World Bank data and therefore need re-evaluation.

Mali's industrial development hopes are largely based on exploiting hydroelectric and minerals potential in remote areas of the northeastern and western regions, partly through the construction of the Manantali Dam, the Tossaye Dam, phosphate production, and oil and uranium exploration, as well as gold and diamond mining, which account for over one-third of total planned expenditures. These investments are expected to lead to a more balanced regional development.

The FY 1984 CDSS notes that "people are Mali's most important resource". In discussing poverty, it notes that the per capita GNP is $120, and the PQLI is only 14 out of 100, demonstrating that Mali is undoubtedly one of the poorest countries in the world. While noting that available data are not reliable and do not portray differences among various social groups, in climatically different zones, and between urban and rural dwellers or between agriculturalists and pastoralists, it provides some indication of trends. Rural-urban migration is acute. The population of Mali's two largest cities--Bamako and Segou--doubled between 1968 and 1976. The estimated population growth rate annually for Bamako was about 9% from 1977-1982, and other major urban areas were growing at a rate of 4.5% annually. Some 82% of Bamako's population was not born in Bamako. Life in the cities is not measurably better than in the countryside, but rural-urban migration continues apace. There appears to have been some drop-off recently in out-migration to the Ivory Coast and other neighboring countries, both seasonal or permanent, which in turn increases the rate of rural-urban migration within Mali itself. The last several years of poor rainfall have also exacerbated rural-rural and rural-urban migration.

Nevertheless, Mali, whose population growth rate is only 2.6%, has more available arable land than many of its Sahelian neighbors, and the GRM does not consider this growth rate to be excessive. There are considerable disparities between agriculturalists (and land-owning civil servants) in terms of size of land holdings, as well as quality of land held. Traditionally, land use rights in the Haute Vallee area, for example, are allocated by village notables, and increases in production tend to come from extension of land farmed rather than from intensification, at least for dryland cropping systems. Livestock and animal husbandry constitute an important part of the farming system, and are also the main resource of the considerable pastoralist population.

Civil servants and the military have relatively better incomes than others, and these incomes, though frozen for three years, are supplemented to some extent by subsidized consumer prices, including for cereals sold through cooperatives. This is one of the key policy issues that is addressed by the multi-donor Cereals Market Restructuring Project (PRMC) to which the U.S. PL 480 Title II, Section 206 Program will now contribute.

Agricultural Production. Mali has just experienced a severe drought, in many ways matching the Great Drought of 1972-74. Rainfall in 1983 was 30-60 percent lower than the long-term average in all regions, except in the 5th region, where the deficit was of 15 percent. As the 206 PP indicates, the Niger/Bani river system registered its lowest flooding ever recorded, failing to submerge several hundreds of thousands of hectares of normally reliable and productive pastures, in addition to some 150,000 hectares of rice. As a result, cereal production in 83/84 is estimated at 760,000 MT of coarse grains and 120,000 MT of paddy. This will provide about 60 percent of the country's minimum needs.

Given this critical food deficit, the international community has responsed to Mali's requests for assistance and about 150,000 MT of food aid are anticipated. In addition, about 140,000 MT of private rice imports have been authorized and are expected. This should help to avert a desperate food crisis, but illustrates the country's vulnerability to drought and its dependency at present on food aid.

However, even if such exceptionally poor years are excluded from calculations, Mali shows every symptom of a "recurring structural food deficit problem and a record of periodic emergency food aid requests" (PL 480 Sector 206 Draft Guidelines). The figure below summarizes the food supply and demand analysis developed for the USAID/Mali 206 PP.

TABLE III

Cereals availability/ capita	77	78	79	80	81	77-81 Av.
From domestic production	141	163	137	119	103	132
(% of nutritional norm)	77	88	75	64	56	72
Including imports	146	174	156	134	120	144
(% of nutritional norm)	79	95	85	73	65	78

Source: Mission estimates presented in Section 206 PP.

The following brief discussion will concentrate on dryland and irrigated cereals production, which is the key focus of the PL

480 Agreement, and the multi-donor effort of which it is a part. The 206 PP notes the following:

"Compared with five other Sahelian countries...Mali is relatively well endowed in land with good potential for rainfed agriculture. It has about 50 percent more land per capita than the average. It is especially well-placed in irrigation potential, where it accounts for two-thirds of the Sahelian total. Taking into account the need for long fallow periods with current farming systems, FAO...calculates that Mali cultivates about 13 percent of its arable land against an average of 19 percent in the Sahel and a maximum sustainable ratio of 30 percent....

"The 44 million ha of arable land fall in three areas:

-the Sahelian Area, with rainfall between 200 and 650 mm/year, represents 23 million ha north of an east-west line running through Kayes in the West to Tomimian in the East.

-the Sudano-Guinean Area receiving more than 650 mm of rainfall per year (up to 1,400 mm) and covering about 18 million ha.

-An area straddling the two and representing about 3 million ha with potential for irrigation, of which about 210,000 ha are currently irrigated.

"The 1974-78 Five Year Plan further subdivides the three areas mentioned above in ten ecologicaly homogenous zones, which correspond substantially to the boundaries of the main Rural Development Operations (ODRs)."

TABLE IV

Main Characteristics of the 10 ecological zones (1980)

Zone	Available area	Cultivated area	Cultivated/ available	1980 Rural Population	Density	ha cultivated per inh.	Rainfall range
	000ha	000ha	%	000inh	inh/sq.km	ha/inh.	mm/year
South (CMDT)	7,710	535	6.9	1,775	23	0.30	800-1,400
Haute Vallée (OHV)	730	47	6.4	325	45	0.14	800-1,200
West Center (ODIPAC)	9,500	599	5.7	1,108	12	0.48	650-1,000
Subtotal Sudano-Guinean Zone	17,940	1,121	6.2	3,209	18	0.35	
Seno/Dogon (ORM)	2,650	338	12.7	633	26	0.49	400-800
Lake Zone (OZL)	1,450	32	2.2	337	23	0.09	200-400
6th and 7th Regions (ARSG)	11,310	12	0.1	530	5	0.02	200-400
Sahel (ODIK)	7,360	179	2.4	556	8	0.32	400-700
Subtotal Sahelian Zone	22,770	561	2.5	2,106	9	0.26	
Office du Niger	40	34	85.0	58	145	0.59	
Niger and Bani Valleys	610	65	10.7	210	34	0.31	
Delta	2,310	115	4.9	457	20	0.25	
Subtotal irrigated Zone	2,960	214	7.2	725	24	0.30	
TOTAL	43,670	1,895	4.3	6,040	14	0.31	

Source: CILSS, Développement des Cultures Pluviales au Mali, 1983

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Table IV sets out their main characteristics. Table V presents a summary of the evolution of production, hectarage and yields of major crops grown in Mali. Despite erratic fluctuations caused by unpredictable rainfall, there is no overall upward movement of food production discernible, with the possible recent exception of maize which has had yields in the Southern Zone of 1 MT/ha for three consecutive years. Maize production seems likely to make significant advances in the near future.

Policy-Related Concerns

The 206 PP points out that agronomic constraints in similar countries and in Mali are primarily known, and there are unlikely to be any technological breakthroughs in the near term. However, it stresses the significance of flawed agricultural marketing and pricing policies as important contributing causes for Mali's poor production performance. It is on this premise that the policy and activities of the Cereals Market Restructuring Project (PRMC) are based, including the U.S. contribution through Title II, Section 206.

Mali is presently a planned economy, and the agricultural sector receives considerable attention in the present Five-Year Plan. However, it should be noted early that agricultural statistics for Mali are particularly unreliable, and that this in turn makes the planning of production targets by region and Operation, as well as assertions about achievements of these targets, extremely fluid. The same is true for the calculation of producer prices, second the price schedules (baremes) which are added to these base price assumptions to yield the consumer prices that are set by the GRM each year.

Aside from planning, the administrative system which governs service delivery to farmers as well as marketing of major cash and food crops has posed significant problems to the farmers, the Operations, and the GRM, providing a number of disincentives to increased cereal production. Further disincentives have been presented by the pricing structure, and government intervention in the market, as we shall see further below.

TABLE V

Production, Area and Yields of Major Crops in Mali

	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83
Millet/sorghum										
Production (000MT)	660	800	800	900	800	1,000	943	654	871	793
Area (000 ha)	1,378	1,330	1,300	1,384	1,318	1,372	1,431	1,403	1,420	1,393
Yield (MT/ha)	0.48	0.60	0.62	0.65	0.61	0.73	0.66	0.47	0.51	0.57
Maize										
Production	63	100	70	80	50	55	64	73	70	95
Area	71	90	89	102	100	105	112	47	60	74
Yield	0.89	1.11	0.79	0.78	0.50	0.52	0.57	1.55	1.17	1.28
Paddy										
Production	130	250	218	237	199	251	169	165	175	129
Area	142	190	198	170	128	197	170	175	165	105
Yield	0.92	1.32	1.16	1.39	1.55	1.27	0.97	0.94	1.06	1.23
Cotton										
Production	55	71	105	133	114	133	151	110	90	129
Area	73	80	91	122	103	119	123	111	85	105
Yield	0.75	0.89	1.15	1.09	1.11	1.12	1.23	0.99	1.15	1.23
Groundnuts										
Production	100	151	145	160	128	126	116	92	92	48
Area	153	232	207	185	195	155	172	128	117	91
Yield	0.65	0.65	0.70	0.86	0.65	0.81	0.67	0.72	0.79	0.53

Source: Ministry of Agriculture, 1982-83 Annual Report

As was noted above, due primarily to pressure from the IMF and other key donors, including the French, the GRM and the Party have recently attempted to address these key institutional constraints as well as policy constraints, and distinct progress has been made, although much remains to be done.

A key factor in understanding the agricultural production situation in Mali is an understanding of the administrative structure which is constituted by the ODRs (Rural Development Operations). Some of these ODRs are mixed societies, with some private-sector participation. The most noteworthy of these is the CMDT, which is now a combination of Malian public enterprise and French private enterprise, and is responsible for production in the Mali Sud area. CMDT is only one of an original 22 ODRs, if the Office du Niger, a French-created rice producing operation started in the 1930's, is also included. The 22 ODRs were created in the preparation of the 1974-78 Plan. As of this year, there are 26 ODRs most of which are responsible for a particular geographic area, though some are responsible for particular functions--seed production, well digging, etc. (see Table VII).

The Plan's premise was that all Malian farmers were entitled to State assistance for extension, input supply, agricultural credit and marketing. ODRs were progressively made responsible for all State interventions in their zones of operations, including functional literacy, health services, roads construction and the like. Most of the ODRs were granted administrative autonomy to enable them to carry out their assigned functions, and were authorized to seek external financing. Other than external (donor) funding, their main sources of financing were marketing monopolies which provided guaranteed margins for operational expenses. Some also received additional budget support from the State.

If we take Operation Haute Vallee (OHV), as an example, which is relevant given that USAID is its major source of funding aside from the FED, we see that this premise of financing operational expenses from "profits" made on the marketing of cash and food crops has provided disincentives to food crop production in the past. The major focus of the OHV and its agricultural credit is on cotton and tobacco production. Although there is a residual effect from inputs financed by this credit on cereal crops planted the next year after cotton in the standard rotation, there are virtually no inputs available for cereal production _per se_ except in the limited rice-producing irrigated perimeters.

So long as the Operation was the sole marketer of cereals, there was some additional income to it from cereal production. However, with the progressive liberalization of the cereals market, and in the past, with the thriving parallel market for cereals, this did not, and does not, yield the Operation much income.

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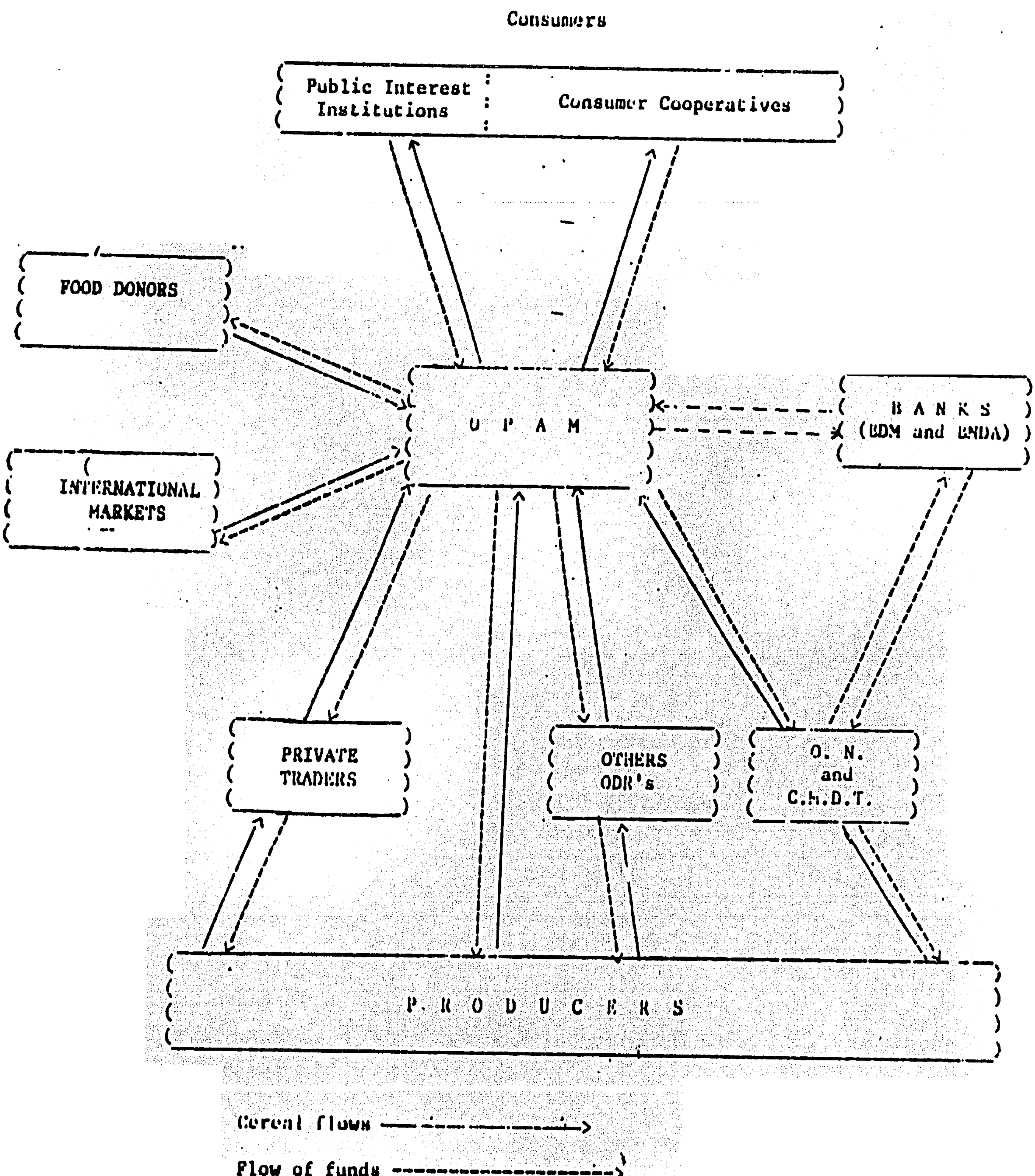
TABLE VI

Cereals and Funds Flows in the Official Marketing System



Instead, revenue is derived from the marketing of cotton, tobacco and rice. Thus, extension emphasizes these cash crops, as does credit, but production is not high enough to meet the operational expense needs of OHV, especially since it looses money on its transactions with the public enterprise that purchases the tobacco crop, despite the bareme, and probably doesn't break even on credit which it places on its own behalf and on the behalf of the BNDA. Cotton marketing, with the bareme, does yield some revenue, but not enough to cover costs. Other sources of revenue have not yet been successfully identified, and the OHV, even with USAID operational budget support, is continually in a deficit situation.

In the rice-producing Operations, the situation of the farmers has traditionally been both better and worse than in those like OHV which provide services for rainfed crop production. The Office du Niger (ON) has been historically a classic example of non-participatory development, in which strict quotas were set for marketing of rice to the ON and in which farmers were controlled in most aspects of their productive lives. Recently, management of the ON has been shifted back from the military to civilians, and the President of Mali toured the area, and decided to eliminate the economic police, who had been a source of repression and corruption. However, the emphasis on top-down management is still otherwise very much in place, as is also the case in other rice-producing ODRs.

Overall, the ODR concept has failed. Only CMDT can claim to have contributed significantly to agricultural productivity increases and an upgrading of production techniques and the quality of life of farmers in its zone of operation. All the other ODRs are in financial trouble. Many were established on the basis of faulty technological premises; some have been going broke because of new pricing policies that have undercut their previous monopoly marketing position (e.g., OHV); adverse international terms of trade have radically affected the incentives to produce crops which were the mainstay of others, such as peanuts; nearly all the ODRs were overwhelmed by a multiplicity of tasks to be performed, only some of which were directly agriculture-related, and for which they did not have the appropriate technical or managerial staff. Management capacity has been a key constraint to the functioning of all of the ODRs.

With assistance from the World Bank, the GRM is attempting to streamline the ODRs, to eliminate some, and to put them on a better financial and managerial footing. There will be an attempt to get them out of the business, for example, of functional literacy, and road building, and return these functions to the technical ministries concerned. Similarly, there will be a move toward less top-down and heavy-handed approaches to the farmers, together with an emphasis on participatory local organizations, in terms of the spirit of the present Five-Year

Plan and Party policy. However, these very policy changes are likely to threaten current ODR personnel, and to have some counterproductive effects on staff functioning and behavior at least in the short-term.

Another key variable in understanding the stagnation of production in Mali's agriculture sector is the quality and quantity of agricultural research. This is coordinated by the Institute of Rural Economy (IRE) of the Ministry of Agriculture. While staff calibre is fairly high, budgetary constraints are severe. Nonetheless, a considerable amount and range of research is carried out on stations in all ten ecological zones, though considerable progress remains to be made. The USAID has just completed the PP for a Farming Systems Research Project, which should do much to supplement the applied research capability of the GRM, with particular emphasis on food crops.

Credit and input supply are also difficult areas for the GRM. SCAER, the primary source of agricultural production credit in the past, went bankrupt in 1981. The ODRs are still required to pay back arrears to SCAER, and are in turn trying to collect these arrears from the farmers. The BNDA, which were created in 1980 to take over from SCAER, is attempting not to reiterate SCAER's mistakes. However, it is taking an approach of lending through the ODRs, as did SCAER, and is not anticipated to have its own credit placement staff in the future. The Operations, then, have to bear the expense of the salaries of agents who place the credit, as well as for the movement of inputs and the collection of the loans. They are reimbursed by the BNDA, but probably not at a rate that makes this a worthwhile, paying proposition for the ODRs. Delivery of inputs on credit is often not timely, and there are considerable problems of transport and movement of inputs, both from the ports in Ivory Coast, Senegal and Togo, and within the country. Input supplies are still subsidized to the farmers, although this is a policy which is progressively to be changed.

Cereals marketing and pricing policies are presently being altered. This is the main objective of the PRMC, and one which is being met progressively with support from the multi-donor group, as well as from the IMF. A key factor in the marketing and pricing arena for cereals is OPAM, the Malian Office for Agricultural Products. OPAM was originally created in 1965 and vested with responsibility for carrying out the GRM's policy for marketing of all agricultural products. Recently, it has been divested of marketing responsibility for several commodities, including fruits and vegetables, and now deals only with cereals. In the recent past, OPAM was characterized by overstaffing, acute corruption, and gigantic deficits. Although theoretically it controlled all cereals marketing, the parallel market was highly developed, and OPAM's market share was dubious.

A key objective of the multi-donor-supported PRMC has been the streamlining of OPAM, includng divestiture of its trucking fleet, significant reductions in HQ staff and other staff, and limiting its marketing role. Reduction of its deficits on a progressive basis is a key element in achieving this objective, and a significant amount of the local currency proceeds of sales of donor food aid are devoted to this streamlining effort.

The flow of cereals and funds to and from OPAM is presented in Table VI OPAM has representation in all of Mali's seven regions, all of its 42 cercles, and in 11 of its 350 arrondissements, but 34% of its 800 or so staff are in the Bamako headquarters offices. Its activities are carried out in terms of an annual marketing plan which is prepared each November as soon as estimates of the harvest become available. This Plan establishes regional cereal needs, presents food aid requests, and plans for OPAM's domestic cereal purchases and commercial imports. Needs are estimated on the basis of harvest forecasts, stocks, private importers' intentions, and projections of local purchases. Food aid meets the balance, supplemented if necessary by commercial imports.

OPAM purchases cereals domestically either directly from farmers, or though intermediaries (the ODRs, cooperatives, etc.). Revolving funds are provided by OPAM to its intermediaries to finance purchases, except for the Office du Niger, which must initially finance its own purchases. All transactions involve prices set by official schedules, (baremes); OPAM finances the system with its own cash generations and, as necessary, through the banking system. Table VII-A and B shows recent OPAM domestic cereal purchases,and sales in Bamako for 82/83.

Pricing and Price Schedules

Since numerous intermediaries are involved in the marketing system, each has its own price schedule. The calculation of the price schedule is quite complicated, and is an important feature of cereals pricing and marketing policy in Mali. Table VIII presents a key example, that of rice from the Office du Niger. There are also formulae for direct sale by OPAM to key social categories--the military, civil servants, and other "public interest" entities, as well as registered consumer cooperatives. The 206 PP makes a number of points about the problems and costs of the price schedule system. First, the producer prices based on assumptions about producer costs and prices in neighboring countries, and calculated by a Technical Committee representing up to 50 entities, are often less than realistic. Further, they are reviewed by a number of oodies, including the Council of Ministers after the Technical Committee establishes them, and are often changed. The final prices decided on by commodity, and then announced in early May, just prior to the planting period.

They apply to the whole country and are applied throughout the year.

A second stage in the pricing process starts with the meeting of the Bareme Commission in mid-September. There are two sub-commissions, one for cash and one for food crops. They work on the basis of cost estimates presented by the relevant marketing intermediaries. The Commission's recommendations are reviewed by the same entities that review the producer price estimates, and they too, are subject to change.

Finally, in early November, the GRM publishes a Cereals Marketing Regulation, including the full price schedules. While the system is an attempt to provide a rational basis on which to establish the official marketing price, as the PP notes--and a rational financial structure--price margins and subsidies are meant to cover costs, and the producer prices are meant to be available before planting, there are a number of problems.

> "(i) some cost items in the schedules are unrelated to marketing operations - e.g., extension and overhead costs for ON - therefore putting an external financial burden on the official marketing system;
>
> (ii) some elements of the schedules are not as freely adjustable as objective considerations would dictate...OSRP subsidies are limited by OSRP resources which depend on international oil prices; producer prices are identical throughout the country and constant during the whole year, as well as insufficiently discriminating between products and qualities; and finally, consumer prices are equally uniform as well as held significantly below market levels;
>
> (iii) the system provides no incentive to minimize costs; the benefits of measures taken by one ODR to reduce costs would be shared in the next round by others, and
>
> (iv) budgeting and accounting systems on which the system rests are often very weak." (2Ø6 PP, pp. 25-26).

TABLE VII-A: OPAM DOMESTIC CEREAL PURCHASES

(000 Metric Tons)

Buyer	81/82	82/83
OPAM	4.2	5.9
Cooperatives	2.6	3.9
ODRs	34.2	31.5
Total	41.0	41.3

Source: OPAM

TABLE VII-B: OPAM's sales in Bamako: 82/83

	000 MT	Percent
Direct Sales	6.2	21
Public Interest Entities	9.0	30
Cooperatives	15.0	49
Total	30.2	100

Source: OPAM

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TABLE VIII: PRICE SCHEDULE FOR RICE FROM OFFICE DU NIGER

Item	81/82	82/83	83/84
	-------(MF Per	Metric	Ton--------
Paddy Producer Price	100,000	110,000	120,000
Moisture Loss, 7%	7,000	7,700	8,400
Market and Collection Costs	5,325	5,323	3,370
Financial Costs	1,350	1,350	2,961
Bags and String	5,129	4,850	4,835
Transport to Factory Gate	3,424	3,044	3,272
Extension Costs	5,573	6,130	11,655
Contribution to ON Overhead	8,912	9,803	9,803
Crop Protection	500	500	500
Cost at Factory Gate	137,213	148,702	164,796
Rice Equivalent (62% Converstion Rate)	221,311	239,842	265,800
Milling Costs	13,145	13,145	14,460
Rice Cost At Factory Gate	234,456	252,982	280,260
By-Products Sale	-2,700	-2,700	-2,991
Net Cost at Factory Gate	231,756	250,287	277,269
Transport And Handling Segou Warehouse	9,227	10,106	9,674
Transport Losses (0.8%)	-	-	-
Cost Ex-Segou Warehouse	240,983	260,393	286,343
OSRP Subsidy	-20,000	-30,000	-82,225

Source: GRM cereals marketing decrees.

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Aside from technical problems such as those outlined above, the OPAM marketing system had other disincentive impacts on production, prior to the liberalization of cereals marketing in 1981. Absent administrative restrictions, the farmers' marketing activities are dictated by economic and social considerations as well as by needs to cope with environmental risk. They set aside enough for their subsistence needs, plus a margin for possible drought, then provide for a supply of seed for the next agricultural year. Some additional production is saved for gifts, for distribution to the poor, and for payment of farm labor. Some, however, must be sold to pay taxes and debts and to purchase necessities. Almost all farmers sell some cereals on local markets throughout the year to meet various costs. However, in the pre-1981 situation, farmers were not free to decide what to sell to whom. OPAM had the authority to market all marketed cereals, and no cereal transactions were to take place outside the official marketing system. Marketing quotas were determined for each village on the basis of harvest, seed and consumption estimates. These were collected for OPAM by organized village-level cooperatives. If a village failed to deliver its quota, fines or even sterner sanctions might result. In some historic instances, people were known to buy cereals on the parallel market to meet their quotas. The situation for marketing for all cereals was the same as is still the case for paddy. The exception to this generalization is that OPAM was never able to exercise its monopoly on coarse grain marketing as well as it did on paddy. It is estimated that in most years, OPAM controlled less than 30% of the market for coarse grains.

In terms of the marketing of paddy from irrigated rice-production Operations, however, the situation was and remains different. Greater ease of control and the heavy-handed extension network ensured that in these areas very little marketed paddy leaked out of the official marketing system. This is supposed to change with the projected Operation by Operation liberalization of the paddy market, which is to involve marketing through village level cooperatives. The outcome remains to be seen.

Finally, it should be noted that the official marketing monopoly policy through OPAM never achieved its objectives. OPAM never had a sufficient market share to guarantee low cereal prices for urban consumers, which was its main aim. It had to ration its supplies to limited categories of the population, particularly the military and civil servants. OPAM was also unable to manage food aid properly and satisfy the donors as to standards of accountability. It is these factors which led to the establishment of the PRMC by a group of donors in 1980-81.

United States International Development Cooperation Agency

Agency for International Development

Washington, D.C. 20523

TRANSFER AUTHORIZATION

Section 206, P.L. 480 Title II
Food for Development

AID/No. 688-XXX-000-4618
Program Approval Date:
June 15, 1984

Executive Vice President
Commodity Credit Corporation
U.S. Department of Agriculture
Washington, D.C. 20520

Program Title: Section 206
Food for Development Program;
Cereals Market Restructuring Project
Republic of Mali

In accordance with the provision of Title II P.L. 480 (as amended), Section 1.201 of Executive Order 12220 and the International Development Cooperation Agency Delegation of Authority No.5 effective June 27, 1980, the Commodity Credit Corporation (CCC) is hereby authorized to transfer and deliver food grain to the Government of the Republic of Mali (GRM) in a amount valued at an estimated $5,030,000 pursuant to the following instructions.

1. USG Fiscal Year 1984

Quantity - Metric tons (MT) not to exceed:

Previous Total	Increase	Total to date
0	10,000	10,000

(Projected USG Fiscal Year 1985: Up to 10,000 MT)
(Projected USG Fiscal Year 1986: Up to 10,000 MT) but NTE 15n000 MT total for the two years.

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2. Commodity to be shipped

Code	Commodity	Amount (MT)	Estimated Value $
042.2050	Rice	10.000	2,930,000

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3. Estimated Ocean and Inland Transportation Costs: $2,100,000

All actual ocean transportation expenditures under this program, regardless of the estimate shown above, are to be charged to the Blanket freight authorization number 935 - 9500 - 000 - 4899. AID/SER/COM/TS will issue a separate PA/PR to cover inland transportation costs upon receipt of Mission instructions regarding required funding.

4. In order to assure that the commodities provided under this Authorization will not displace commercial purchases from the United States or otherwise disrupt World food prices or trade patterns, the Government of Mali agrees that Mali will import, against commercial purchases, not less than the types and quantities of commodities set forth in the following table:

Commodities	import period U.S. Fiscal Year	usual marketing Requirement (metric tons)
Rice	1984	29,000

5. Specifications

Rice — Bagged; USDA specification

6. Shipping Instructions:

A. Delivery Schedule : as soon as possible

B. Port of Discharge : Abidjan, Ivory Coast

C. Points of Entry (to landlocked country): to be determined

D. Consignee : Office des Produits Agricoles du Mali (OPAM)
B.P. 132 Bamako
Republic of Mali

E. Send copies of bills of lading to:

1. Original and two copies and phytosanitary certificate to consignee via air-Mail;

2. Original and two copies to consignee accompanying cargo;

3. Original (negotiable) and phytosanitary certificate to Abidjan (ID) Dept. of State, Washington, D.C. 20520, Attn: Buddy Dodson RFFPO

4. Original (negotiable) and phytosanitary certificate to Bamako (ID) Dept. of State, Washington, D.C. 20250, Attn: Roger Simmons, PROG

5. Original and two copies to AID Transportation and Support Division: SER/COM/TR, Office of Commodity Management, Washington, D.C. 20523, Attn: Ms. Ionna Jackson.

6. EMACI (Entrepots maliens en Côte d'Ivoire, B.P. 2739 Abidjan Ivory Coast.)

7. Program Objectives -- Use of Commodities and Conditions of Transfer:

A. The commodity authorized herein is contributed by the Government of the United States of America (USG) to the Government of the Republic of Mali (GRM) in the framework of the Cereals Market Restructuring Project (PRMC.)

B. The goal of this contribution is to help Mali achieve the objectives it has set for itself in its Food Strategy, principally to reach food self-sufficiency. The self-help measures provided herein to help achieve this goal are liberalization of cereals marketing, improved cereals production incentives and a reduction of the level of public resources required by the cereals marketing system.

C. The funds generated from the sale of this commodity will be used for purposes or activities approved by the PRMC, to help further the self-help measures outlined above and in the framework of the Food Strategy.

D. The GRM will sell the commodity provided hereunder on the market for the purposes indicated in F below. The selling price will not be less than FCFA 123/Kg, the current official selling price for RM40, and will be increased to reflect increases decided by the GRM in the applicable official consumer price for RM40 rice. All sales shall be administratively managed in such a way as to avoid discriminating among prospective purchasers and intermediaries.

E. The GRM agrees to provide USAID/Bamako, for approval, a detailed plan of execution for sales and distribution of these commodities before their arrival in country. These plans should include the quantity to be delivered to each sale point, as well as an estimate of inland shipping, storage and handling costs in FCFA per kilo. Should actual costs vary more than 5 percent from the approved estimate, the GRM agrees to request USAID/Bamako approval in writing and provide all necessary documentation before these costs are paid. The GRM will pay all storage, internal handling, transportation, and distribution costs of the commodity herein provided in excess of the maximum amount authorized above to be used for such logistics costs.

F. An amount will be deducted from the gross proceeds of commodity sales, corresponding to OPAM's inland shipping, storage, handling and overhead costs related to the sale of the commodities, as determined following PRMC procedures. The resulting net proceeds will be deposited in bank account BDM No. 260-318Q/BDM and shall be used for purposes or project activities approved by the PRMC and according to its procedures. The following is a tentative list of such purposes or activities, as it may be amended from time to time by mutual agreement within the PRMC:

1. Pay a prorated portion of the deficits incurred by OPAM on a basis agreed with the PRMC, excluding that part of the deficit corresponding to interest payments on debts outstanding prior to the PRMC, and on a declining basis year after year.

2. Provide financial support to paddy marketing liberalization, as provided in the letter addressed by PRMC donors to the GRM dated February 22, 1984.

3. Finance the build-up by OPAM through local cereal purchases of its inter-year food stocks to be used in case of declared emergency if, as and when approved by the PRMC.

4. Finance the extension of the provision of agricultural credit by BNDA, if, as and when approved by the PRMC.

5. Other purposes or activities in support of the self-help measures and in the framework of the Food Strategy, as they may be approved by the PRMC.

8. P.L. 480 Food For Development Program - Indicative Budget

The following estimated budget has been prepared for indicative planning purposes. It is realized that the elements in this budget may be changed during the life of the Program and of the Project. Costs are denominated in millions of francs CFA (FCFA) and in U.S. dollars (thousands); 1 US dollar equals FCFA 400 (FCFA 50 equals $0.125.)

	Year 1	Year 2	Year 3	Total
A. Estimated revenue totals for FFD Program				
(FCFA millions)	970	775	823	2.567
(Dollars 000)	2,425	1,938	2,056	6,419
B. Purposes or activities (FCFA millions)				
- OPAM deficit	129	78	41	248
- paddy marketing liberalization	243	129	69	441
- emergency food stocks	161	129	137	427
- agricultural credit	161	129	137	427
C. Total (FCFA millions)	694	465	384	1,543
Total (dollars 000)	1,738	1,161	959	3,858
D. Unallocated revenues				
(FCFA millions)	276	310	439	1,024
(dollars 000)	687	777	1,097	2,561

9. Implementation of Food for Development Program

A. All operational aspects of the Project will be implemented through the established mechanisms under the PRMC.

B. All financial aspects of the project will be monitored for USAID purposes through the established mechanisms under the PRMC.

C. All accounts and records pertaining thereto will be available for inspection upon request by officials representing the GRM or the USG.

10. Entry of Commodity:

The GRM will admit the commodity into the country free of all customs duties, taxes, and other fees imposed on imports into the Republic of Mali. The GRM will pay all storage, internal handling and distribution costs on the commodity herein provided which are in excess of the sums authorized and accrued in the generation of the sales of the commodities.

11. Distribution of Commodity:

A. The GRM agrees to submit to the USG the initial distribution plan and to keep the USG fully informed concerning the status of the commodity receipts, distribution and sales and to provide complete details as requested. Representatives of the USG will be permitted to audit and have access to all records pertaining to the use of the commodities provided by this Transfer Authorization (TA). The GRM further agrees to submit the following information on a quarterly basis :

1. Beginning stocks of commodity
2. Arrivals
3. Distribution
4. Sales
5. Damaged stocks
6. Final stocks
7. Currencies generated
8. Deposits and disbursements.

12. Self-Help Measures

A. The GRM agrees to continue to implement self-help measures to improve the production storage and distribution of food commodities. The self-help measures shall be implemented to contribute to the development of rural zones which account for the largest proportion of the poor in Mali, and to enable the rural poor to actively contribute to increasing agricultural production.

B. The GRM will undertake or continue to implement the following self-help measures:

a. In the framework of cereals marketing liberalization:

benchmark: coarse grains marketing liberalization will be maintained;

benchmark: cereal import liberalization will be maintained;

benchmark: starting in the 1984/85 season in Operation Riz Mopti and in the 1986/87 season in Office du Niger and Opération Riz Ségou (according to a timetable established in a Memorandum of Understanding agreed between the GRM and PRMC donors), paddy producers will be authorized to market their production freely with private traders, provided they have paid their levies and credit obligations, and private traders will be authorized to freely purchase, sell and process paddy or rice.

b. In the context of improving cereals production incentives:

benchmark: official producer prices will continue to be announced prior to the sowing period;

benchmark: official producer prices will be set so as to cover production costs as determined by IER;

benchmark: price data collection will continue every ten days in Bamako markets, and monthly on regional markets. An effort will be made to improve the collection of producer prices in a representative sample of rural markets;

benchmark: by the end of 1985, a detailed proposal will be presented to donors for their financing, the objective of which would be to substantially improve agricultural production statistics;

benchmark: in addition to producer price policy measures, actions underway in rice producing ODR's resulting in improved production incentives (improved land tenure, delegation of tasks to producer associations, flexible levies, etc.) will be reinforced.

c. In the context of the GRM's efforts to reduce the cost of the official marketing system in terms of public resources:

benchmark: OPAM's cost reduction program will be pursued and a similar program undertaken in other intermediaries in the official marketing system;

benchmark: official cereal consumer prices will be determined so as to allow, taking into account measures resulting in a reduction of marketing costs, a reduction of OPAM's deficit net of subsidies and a reduction of subsidies to the official marketing system (excluding OPAM) resulting from the barèmes;

benchmark: the PRMC will take part in the discussions of the Commission des Barèmes;

benchmark: official consumer prices will be adjusted seasonally beginning in 84/85;

benchmark: the technical assistance provided in the framework of the PRMC will be maintained.

C. The above self-help measures have been specifically designed to encourage food production by the rural poor. Cereals marketing liberalization, improved cereals production incentives and reduced public funding of the marketing system should result in higher rural household incomes, higher cereal production and a more productive allocation of public resources, as well as to contribute to bringing Mali closer to food self-sufficiency.

13. Amendments

The above terms may be amended upon request of the GRM with the concurrence of the USG.

14. Official Version:

In the event of conflict between the French and English versions of this agreement, the English version shall prevail.

For the Government of the United States
of America
Parker W. BORG, Ambassador

Date: July 6, 1984

James M. ANDERSON
Acting Director, USAID/Mali

Date: July 6, 1984

15. REQUEST AND ACCEPTANCE:

The assistance hereby described in this authorization is hereby requested and the terms and conditions of this agreement and AID Regulation 11, 44 F.R. 34034-45, June 13, 1979 (attached and incorporated herein by reference) except as otherwise specifically provided herein are hereby accepted by the Government of the Republic of Mali.

For the Government of the Republic of Mali
Me Alioune Blondin BEYE,
Minister of Foreign Affairs and
International Cooperation.

Date: July 6, 1984

ANNEX III

126

REVIEW OF EXISTING DATA SOURCES FOR CEREAL FOOD AID FLOWS FOR SELECTED AFRICAN COUNTRIES

September 1984

Developing Countries Information Research Services

Washington, D.C.

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TABLE 12.1 - Mali - Constructed Time Series Data on Cereal Food Aid Flows, 1969-1983. (1,000 tons)

Comm. \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
WHEAT		30.0	12.0	27.3	36.0	31.4	20.9	8.4	0.1	12.6	4.9	1.0	1.2	17.0	8.2
RICE									0.1			3.8	3.8	8.0	5.2
OTHER CEREALS	3.0		7.5	11.8	52.9	140.1	26.9			31.6	13.8	4.9	36.0	23.1	39.7
TOTAL	3.0	30.0	19.5	39.1	88.9	171.5	47.8	8.4	0.2	44.2	18.7	9.7	41.0	48.1	53.1

Table : 12.2

Country : Mali

Commodity : Wheat

Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons).

Donor \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
E.E.C.		30.0	7.5	17.0	20.0	26.0	8.0			5.0					
G.F.R.				3.3						4.7	3.0			8.0	
France					10.0										
Belgium										2.7	1.7	1.0	0.7		
U.K.													0.5		
Netherlands															8.2
Switzerland											0.2				
Australia							2.0								
Canada			4.5	7.0	6.0	5.3	10.9	8.3						9.0	
U.S.A.						0.1		0.1	0.1	0.2					

* See Text.

Table : 12.2 (Continued)

Country : Mali

Commodity : Wheat

Constructed Time Series of total volume teceived by all donors from 1969 to 1983*. (1,000 tons).

Donor / Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Total	0	30.0	12.0	27.3	36.0	31.4	20.9	8.4	0.1	12.6	4.9	1.0	1.2	17.0	8.2

* See Text.

Table : 12.3
Country : Mali
Commodity : Rice
Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons).

Donor \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
E.E.C.													2.8	5.2	5.2
G.F.R.												1.0	1.0		
U.K.								0.4						.9	
Netherland												0.8			
Japan												2.0		1.9	
U.S.A.									0.1						
Total	0	0	0	0	0	0	0	0.0	0.1	0	0	3.8	[illegible]	8.0	5.2

* See Text.

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Table : 12.4
Country : Mali
Commodity : Other Cereals
Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons).

Donor \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
E.E.C.			7.5		20.0	20.0	6.0	-			5.0		15.0	5.7	
W.F.P.	3.0														
G.F.R.													6.0	4.0	14.0
France				10.0		15.0				8.4		3.0	10.0	5.0	5.0
Belgium							3.0								
U.K.						10.0	10.0								
Netherland											4.0				
Japan															10.0
Canada							5.0						5.0	5.1	
U.S.A.				1.8	32.9	95.1	2.9			23.2	4.8	1.9		3.3	10.7

* See Text.

Table : 12.4 (Continued)

Country : Mali

Commodity : Other Cereals

Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons).

Donor \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1973	1979	1980	1981	1982	1983
Total	3.0	0	7.5	11.8	[illegible]	140.1	26.9	0	0	31.6	13.8	4.9	[illegible]	23.1	[illegible]

* See Text.

TABLE 22.1 - Tunisia - Constructed Time Series Data on Cereal Food Aid Flows, 1969-1983. (1,000 tons)

Comm. \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
WHEAT	237.7	298.5	264.7	193.5	114.5	89.0	60.5	30.2	141.5	140.3	104.3	124.7	47.7	143.7	58.2
RICE									.3	.4	.2		.2	.1	
OTHER CEREALS	48.3	66.6	36.6	25.0	10.2	16.5		2.3	.2	22.4	30.0	42.7			
TOTAL	286.0	365.1	301.3	218.5	124.7	105.5	60.5	32.3	142.0	163.1	134.5	167.4	47.9	143.8	58.2

Table : 22.2

Country : Tunisia

Commodity: Wheat

Constructed Time Series of total volume received by all dondts from 1969 to 1983*. (1,000 tons)

Donor \ Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
France				32.5	25.0	25.0	20.0	20.0	23.0	24.0	24.0	24.0	20.0	20.0	
Canada	18.8	48.0	41.9	59.1	32.5	16.2	11.0								
E.E.C.			27.0		25.0	28.5			3.5						
Belgium			5.0	6.0	5.0										
G.F.R.			9.0	5.0											
Netherlands			3.0											5.0	
Italy									13.3						
U.S.A.	218.9	250.5	178.8	90.9	26.9	19.3	29.5	10.2	101.7	116.3	80.3	100.7	27.7	118.7	58.2
Total	237.7	298.5	264.7	193.5	114.4	89.0	60.5	30.2	141.5	140.3	104.3	124.7	47.7	143.7	58.2

*Source: See Text

Table : 22.3

Country : Tunisia

Commodity: Rice

Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons)

Donor / Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
U.S.A.									.3	.4	.2		.2	.1	
Total									.3	.4	.2		.2	.1	

* Source: See Text

Table : 22.4

Country : Tunisia

Commodity: Other Cereals

Constructed Time Series of total volume received by all donors from 1969 to 1983*. (1,000 tons)

Donor / Year	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Canada		20.7													
G.F.R.								1.8							
E.E.C.	20.0	35.0	27.0	25.0	10.0	7.5									
U.S.A.	28.3	11.0	9.6		.2	9.0		.6	.2	22.4	30.0	42.7			
Total	48.3	66.7	36.6	25.0	10.2	16.5		2.4	.2	22.4	30.0	42.7			

* Source: See Text

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