

PD-AY-218

11/7/88

Mali Cereals Marketing Restructuring Program

PRMC

Annual Evaluation

U.S. Agency for International Development

Bamako

Prepared by
Chemonics International Consulting
Division
Under Contract No. PDC-1406-I-15-7007-00
Delivery Order No. 15

June, 1988

William Scott

	<u>Page</u>
I. Executive Summary	I-1
II. Overview of Cereals Production and Marketing	
A. Production	II-1
B. Prices	II-2
C. Food Balance	II-6
D. Situation in Beginning of 1987	
1. Stocks of OPAM	II-7
2. Lack of Liquidity in System	II-7
3. Banning of Imports	II-8
III. Activities of PRMC and GRM	
A. PRMC's Common Platform	
1. Background	III-1
2. Broad Objectives	III-1
3. Specific Measures	III-2
B. Changes in Price Policy and Redefining the Role of OPAM	III-3
C. PRMC Programs	
1. Trader credit	III-5
2. Village association credit	III-7
3. Market information system	III-8
D. OPAM Current Situation	III-8
E. Rice Policy Current Situation	III-9
F. Overall Cost of PRMC Programs	III-10
IV. Impact and Evaluation of Policy Changes and Programs of PRMC	
A. Overall Objectives of PRMC & the Common Platform	IV-1
B. Market Liberalization	IV-2
C. Increased Production Incentives	IV-3
D. Lowering public sector marketing costs	IV-4
E. PRMC Programs	IV-5
F. Administrative Role of PRMC	IV-6
V. Findings and Comments on PRMC Benchmarks	V-1
Annex A - Statistical Tables	
Annex B - Common Platform	
Annex C - Issues and Comments	

Executive Summary - Annual Evaluation
Mali Cereals Marketing Restructuring Program

Over the past 18 months, considerable progress has been made in liberalizing cereals marketing in Mali. Official prices for coarse grains were abolished in November, 1987. OPAM's role in price support and stabilization via a regulatory stock was also abolished in December, 1987. OPAM was given a new mandate restricted to the following: 1) Management and distribution of food aid; 2) Supply of deficit areas; and 3) Maintenance of national security stocks.

These new GRM policy directions allow the PRMC donors to concentrate more on improving the operation of the private market. A number of programs have been instituted by PRMC including: 1) Credit to village associations; 2) Credit to private merchants through the Chamber of Commerce and two banks; 3) Commencement of a market information collection and dissemination system, which will broadcast prices on a weekly radio program and publish prices in a monthly bulletin; 4) Several other credit guarantee programs to increase the flow of credit to the private sector. PRMC is no longer obliged to fund the deficits of OPAM, but will probably continue to supply a certain amount of funding given the fiscal crisis of the GRM.

Background- Variability in rainfall in the Sahel leads to unstable production and considerable variations in price movement. Attempts to control prices through price support on grounds of increasing production incentives to farmers can be very expensive. PRMC donors and the GRM discovered this the hard way in 1985/86, a year with an excellent harvest. Efforts to support prices buying grain at official prices above the market price caused a serious liquidity crisis at OPAM, and then the Office du Niger. When OPAM ran out of money to purchase cereals, the market price collapsed. A good harvest in 1986/87 kept prices low, and OPAM could not sell the grain it had purchased at official prices, since market prices were so much lower.

This experience was one of the reasons that PRMC II adopted a new objective calling for more flexible policies in reorganizing cereals markets. This objective, part of the donors' 1987 Common Platform, set the stage for the abolition of official prices for coarse grains and the reorganization of OPAM in late 1987.

Counterpart funds generated from the sales of food aid and used for various programs from 1981-1987 amounted to some \$56.3 million. Funds spent under PRMC I were used in large measure to support OPAM or pay for subsidies under the barème system. Money under spent under PRMC II has been spent more on support to the private sector, and less for support to OPAM and the public sector.

Rice Policy- The ban on the import of rice begun in March, 1987, was supposed last for a period of six months, has still not been officially lifted as of June, 1988. However, there has been a decision to allow some imported rice (26,000-30,000 MT) come into the country. In addition, approval of a new system of variable taxation on rice imports is expected soon. This system, similar to

'the variable tariff system of the EEC, was developed with the approval of the PRMC and the World Bank. This explicitly protectionist measure is scheduled to be lifted in three years. This timing is supposed to give the Malian rice sub-sector some time to become more competitive with the world market. However, it is far from certain that the variable tax will be suspended at the end of three years since producers have little incentive to reduce costs. At a minimum, the variable tax system should provide a declining level of protection as a means of providing that incentive.

Merchants are now free to purchase paddy or rice directly from farmers in the ODRs. Farmers are free to pay their water and ODR fees in cash or in kind. There are still several official prices in the rice system. As a sort of floor price, the ODRs will pay farmers 70 FCFA/kg. for paddy. Merchants have been buying paddy from farmers for between 80 and 90 FCFA/kg. Rice is supposed to be sold under a system of "homologation souple." This system allows merchants to charge a base price plus a fixed margin. The merchant must be able to document the charges included in the base price.

PRMC Uses of Local Currency Funds - 1981-1987

<u>Use of Funds</u>	<u>Mil.FCFA</u>	<u>Mil.US\$</u>	<u>%</u>
1. Financing of OPAM deficits & other assorted subsidies to OPAM	2,275	7.84	13.9
2. Purchase of imported cereals in years of large food deficits	3,264	11.26	20.0
3. Support for National Security Stock	1,861	6.42	11.4
4. Subsidy to different ODRs to support cereal barèmes.	3,075	10.60	18.8
5. Advances to OPAM for cereals purchases during the buying campaign.	1,594	5.50	9.8
6. Other advances to OPAM and other loans for cereals marketing.	3,250	11.21	19.9
7. Credit for Merchants and Village Associations	1,000	3.45	6.1
8. Marketing Studies	<u>8</u>	<u>.02</u>	<u>.04</u>
TOTAL	16,327	56.30	100.00%

Source: OPAM

These figures show that a large part of PRMC I's money was used to support OPAM or pay for subsidies under the barème system.

Recommendation- USAID should continue to support the PRMC program through the contribution of food aid when appropriate. Monetary contributions may also be warranted. However, the PP design team should make efforts to ensure that the counterpart funds are needed, based on further study of the proposed PRMC programs, and that PRMC programs are well-supervised and designed according to generally accepted USAID standards. If the PP determines that some or all of the PRMC counterpart funds are not needed for PRMC programs, these funds should be made available to other USAID programs or projects.

Recommendations

- 1) Restrict the role of PRMC largely to policy issues, rather than implementation of programs. The PRMC secretariat does not have the staff to design and implement programs. The donors, agencies designed to do this, should take responsibility for specific programs of PRMC.
- 2) Credit programs require more supervision than they are presently getting. These programs should be made the responsibility of a specific donor as suggested above. A greater design effort is needed to assure that the conditions of the credit programs are both reasonable and workable.
- 3) Interest rates for the merchant credit programs should be increased to cover the cost of risk and administration, and to discourage misutilization or misallocation of these funds. Raising interest rates for the village associations may be difficult politically, but they should probably be raised as well on the same grounds of risk and covering costs.
- 4) Credit should be expanded as each program proves itself to be viable without continuous injections of new funds. Also, credit programs should not be a "backdoor" method of price support.
- 5) How OPAM treats its role as supplier of deficit areas should be carefully monitored by PRMC. This role should not be an excuse to increase the size of OPAM or to serve areas that can be served by the private sector.
- 6) PRMC should consider support of programs that provide the conditions needed for a more efficient market such as transportation infrastructure, credit, and storage. It should also consider programs which improve the stability of production such as improved technical packages (that do not require an increase in price for adoption), improved cereals varieties, better and more affordable water control, and diversification of crop mix and introduction of high-valued crops.
- 7) The variable tax system should be modified in three years to provide a declining level of protection in order to encourage a lowering of production costs with the goal of meeting competition on international markets.
- 8) Intraregional trade among African countries should be encouraged by the PRMC through the study and introduction of the appropriate policies designed to remove barriers to trade.

Mali Cereals Marketing Restructuring Program Evaluation

II. Overview of Cereals Production and Marketing

During the past six years, the Government of Mali (GRM) and the donors that make up the Mali Cereals Marketing Restructuring Program (PRMC) have worked at improving the performance of the market for millet, sorghum, maize, and rice. While this evaluation will deal principally with the events over the past 15 months, it is useful to add brief historical perspective to better understand the recent events. The following paragraphs review production, prices, and the food balance since 1981, as well as summarize the situation of the PRMC at the beginning of 1987.

A. Production

It is well known that cereals production in Mali is highly variable, due primarily to the widely fluctuating rainfall that waters the vast majority of Mali's planted acreage (See Table 1). There are a number of irrigated rice perimeters, but they provide little stability since only the Office du Niger perimeters have much control over water. Over a seven-year period, production

Table 1
Annual Cereal Production - Mali
('000 MT)

Year	Mil/S/F	Maize	Rice	Total	Annual % Chg.
81/82	999	61	135	1,195	
82/83	1,080	89	153	1,322	10.6%
83/84	1,147	144	216	1,507	14.0%
84/85	901	101	109	1,111	-26.3%
85/86	1,245	193	232	1,670	50.3%
86/87	1,288	213	236	1,737	4.0%
Est. 87/88	1,150	143	189	1,482	-14.7%
Coefficient of Variation	12	41	28	16	

Source: DNSI

Note: Annual % chg. category refers to the percentage change in total cereal production from the previous year.

increased by as much as 50.3% in one year and declined by as much as 26.3% in another. The instability of the estimated amount of domestically-produced cereals sold into the market is even greater, as shown in Table 2. This quantity increased by as much as 60.7% in one year and declined by as much as 30.4% in another. One could argue that these years were unusual, related to a serious year of drought. However, historical data suggest that drought is cyclical in the Sahel and instability in rainfall and hence production is the norm. (Hopkins, 1973). For the purposes of this evaluation, it is sufficient to note that the 1984/85 crop was very bad, with a great deal of emergency food aid brought into the country and

'distributed*. The 1985/86 and 1986/87 crops were excellent, allowing farmers to restock empty on-farm granaries and place excess amounts on the market, even if prices were low. As we shall

Table 2
Estimated Annual Marketable Surplus - Mali
('000 MT)

Year	Mil/S/F	%			Change
		Maize	Rice	Total	
81/82	200	24	68	292	
82/83	216	36	77	323	12.3%
83/84	229	58	108	395	20.4%
84/85	180	40	55	275	-30.4%
85/86	249	77	116	442	60.7%
86/87	258	85	118	461	4.3%
87/88	230	57	95	382	-17.1%

Source: Table 1 and the following assumptions by the author about the percentage of the crop marketed: 1)Millet/Sorghum/Fonio- 20%; 2)Maize- 40%; 3)Rice- 50%. Note that estimate for millet/s/f is an average which underestimates the marketed surplus in a good crop year.

discuss later, OPAM attempted to support prices at the official level in 1985/86, but ran out of money midway through the season which led to a collapse in prices. Finally, the 1987/88 crop was poor to average, which, along with a ban on imports of rice into the country, led to an increase in the general level of prices.

B. Prices

The price of cereals in Mali is influenced by many factors, including the:

- 1) Level of production in the current and previous crop years;
- 2) Level of stocks on-farm and in urban warehouses; quantity and price of imported grains;
- 3) Quantity of food aid present in the country, as well as the type of food aid distribution (free; priced at market price; priced at administratively-set price);
- 4) Costs of transport, licensing, margins, wages, and interest rates in the formal and informal sectors.

* The 1983/84 crop year was also considered very poor, although this is not reflected in the statistics in Table 1. Production statistics before 1985/86 are generally considered unreliable, even though we used the statistics of DNSI which are considered the best available. A poor year in 1983/84 would better explain the rise in prices as shown in Figure 1.

- 5) Expectations about the future direction of policies that might change prices (variable tariffs, import bans, changes in use of official producer and consumer prices, administrative barriers to free trade domestically, etc.).
- 6) Setting of certain inputs and output prices by the GRM, such as the price paid to rice producers in the ODRs.
- 7) Level of effective demand domestically and in neighboring countries, partially a function of wage and price policies. The level of prices in neighboring countries also undoubtedly has some influence on prices in Mali, but there is very little documented information on this subject.

The average annual prices shown in Table 3 correspond generally to the estimated level of production in the last 3 years. In the calendar year 1984, a time of very low production, retail prices in the Bamako market for millet averaged a nominal 138 FCFA/kg. After two years of good crops in 1985/86 and 1986/87, the average annual retail price for millet in 1987 was down to 72 FCFA/kg. A poor to average production year in 1987/88 pushed the average 1988 price (January-June) up to 94 FCFA/kg. and rising.

Table 3
Nominal Retail Cereal Prices - Bamako
Annual Ave.(FCFA/kg.)

Year	Millet	Sorghum	Maize	Rice
1982	86	78	71	171
1983	107	102	87	163
1984	138	140	119	172
1985	132	122	110	173
1986	91	88	83	173
1987	72	70	65	174
1988	94	88	72	195

Source:PRMC, Calculated from Annex A, Table A.1

Nominal prices to producers, as recorded in four rural markets were as follows:

Table 4 - Average Annual Producer Prices in 4 Rural Markets
1985/86 - 1987/88
(FCFA/kg.)

Place	1985/86	1986/87	1987/88
Zangasso(CMDT-South)	48	33	50
Dougouolo(CMDT-North)	48	31	47
Ouelessebougou(OHV-S)	41	37	42
Sirakorola(OHV-North)	52	47	44
Average	47	37	46

Source: Nango Dembele, Draft, "L'Evolution Comparee des Campagnes 1985/86, 1986/87, et 1987/88." Working Paper No. 88-03, Projet Securite Alimentaire, MSU-CESA-USAID

These prices paid to producers were approximately 50% lower than the average annual price paid on the Bamako retail market. Of course, producer prices vary widely in different markets and at different times of the year. When retail millet prices in Bamako reached a low of 58 FCFA/kg. in April, 1987, producer prices in some rural markets were reportedly as low as 20-25 FCFA/kg.

Average monthly prices provide a more accurate picture of price behavior. Monthly average prices in Bamako for millet and rice are shown in Figure 1. (For the time series of prices, see Annex A, Table A.1). One of the most striking things about Figure 1 is the much smaller variation in the price of rice compared with the price of millet. This visual impression is verified by a calculation of the coefficient of variation, as shown in Table 5.

Table 5
Retail Cereal Prices - Bamako
Coefficient of Variation

Year	Millet	Sorghum	Maize	Rice
1982	6.7	7.8	5.0	4.4
1983	19.4	22.9	18.7	0.0
1984	12.1	12.7	6.1	3.6
1985	15.2	11.7	12.3	0.7
1986	6.1	5.9	8.2	2.2
1987	11.6	12.6	12.7	2.1
AVE.	11.8	12.3	10.5	2.2

Source: PRMC
Annex A, Table A.1

Note: Coefficient of variation is the standard deviation of the monthly prices divided by the average for the corresponding year.

Rice prices vary less than millet prices mainly because it is imported commercially and as food aid to make up any shortfalls, which has a stabilizing effect on prices. Since rice is an important consumer item for a group of politically powerful people, the GRM has paid careful attention to not let rice prices vary too much or go too high. Rice is also a relatively small market and 50% of the domestic production takes place in controlled, geographically concentrated perimeters, so government price setting in rice has also been more successful than for millet, sorghum, and maize.

Another striking aspect of Figure 1 is the lack of a clear pattern of a seasonal price rise in the millet market in 1985/86 and 1986/87. Earlier years demonstrate the expected pattern to varying degrees, so what happened in those two years? First, there were two excellent harvests, one right after the other. Second, a great deal of food aid had been imported to counteract the effects of the drought in 1984/85, much of which remained unsold as the 1985/86 campaign began. PRMC had accumulated an unusually large amount of money, which it loaned to OPAM for its 1985/86 buying campaign.

Figure 1

Retail Prices - Bamako

Millet and Rice

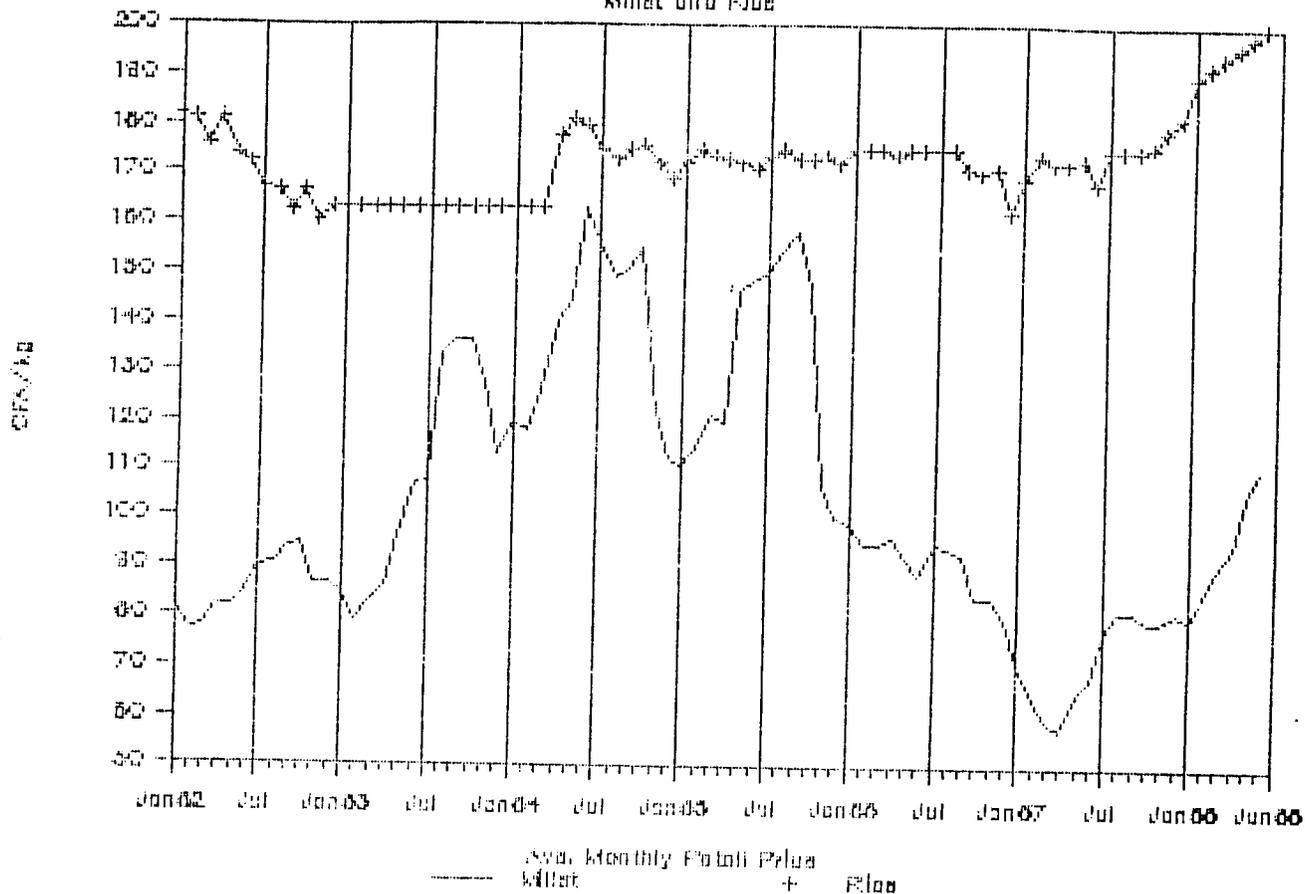
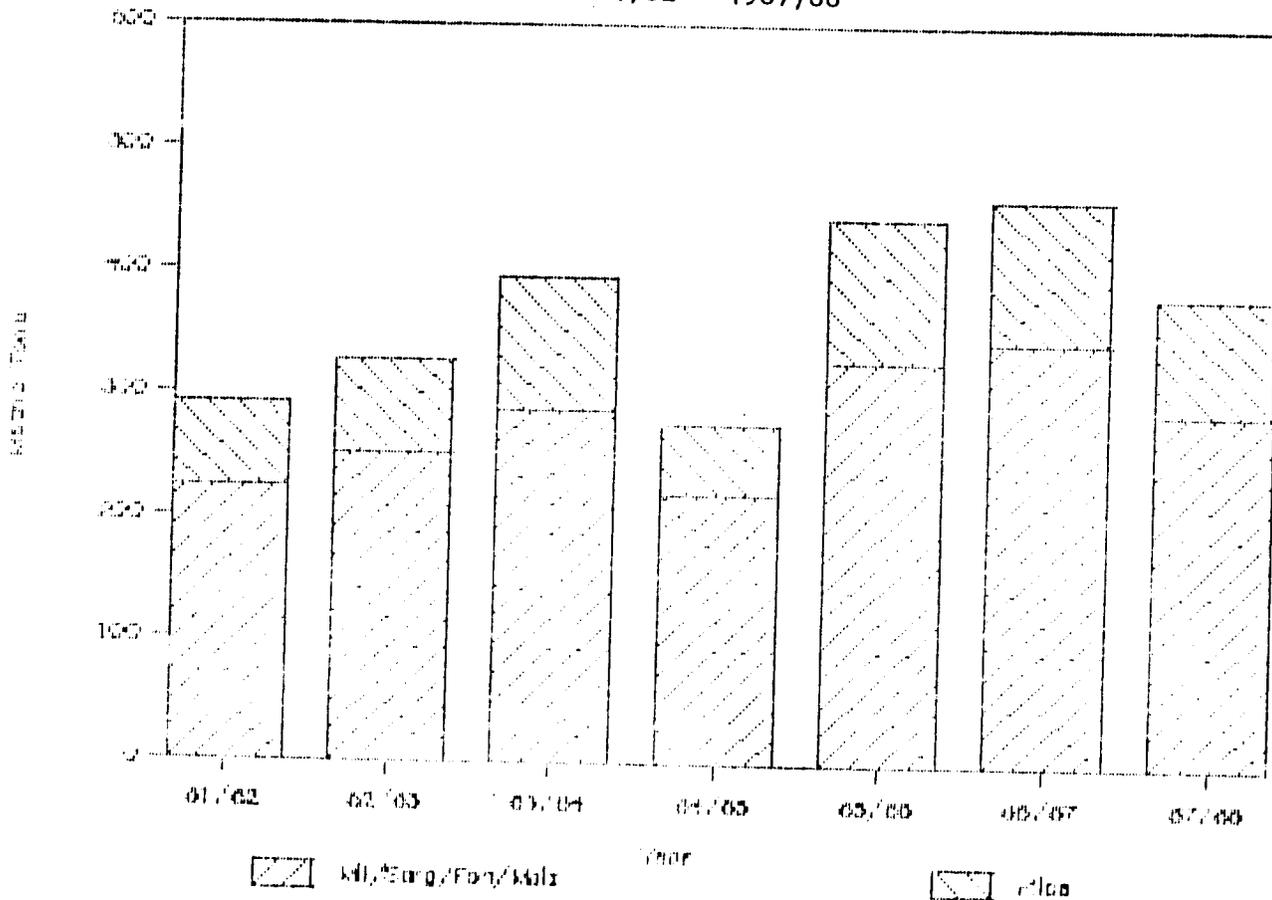


Figure 2
Estimated
Marketable Cereals
1981/82 - 1987/88



6

When the market price ended up below the official price, OPAM was flooded with grain from merchants and farmers. OPAM was able to procure much more grain than normal (82,000 MT), but it ran out of money and was unable to continue buying grain. Prices collapsed in rural markets when people realized that OPAM was no longer buying and had a high level of stocks.

OPAM's large stocks and another record harvest put more downward pressure on prices throughout the 1986/87 season, and there was no seasonal price rise. Prices only began to recover when there was a mediocre crop in 1987/88 and OPAM had begun to reduce its stocks.

From the point of view of the grain wholesaler, it is necessary to have a seasonal price rise to make investments in storage, grain collection, and distribution networks worthwhile. When OPAM intervened in the market in a big way, seasonal price patterns were disturbed. Even in years of relatively little government intervention, the variability in Malian grain markets puts the skills of the grain merchants to the test. Risk and uncertainty are clearly important factors in the grain markets of Mali.

C. The Food Balance

Mitigating to a certain extent the variability of domestic production are commercial imports and food aid. Table 6 demonstrates of the level of commercial imports and food aid in recent years.

Table 6
Available Cereals in Mali
('000 MT)

Year	Total Available Cereals	Domestic Product. As % of Tot. Avail. Cereals	Food Aid	Commer. Imports
1981/82	994	87.4%	5.4%	7.1%
1982/83	1,142	84.2%	7.3%	8.6%
1983/84	1,383	78.6%	9.2%	12.2%
1984/85	1,239	65.5%	19.1%	15.4%
1985/86	1,410	85.5%	5.7%	8.7%
1986/87	1,345	95.3%	1.0%	3.6%
Est. 1987/88	1,134	96.6%	2.6%	2.6%
Ave.	1,235	84.5%	7.2%	8.3%

Source: Annex A, Table A.2, which uses figures from the Office Statistique des Communautés Européennes' "Statistique de Base" 1988

These levels vary considerably. For example, in 1984/85, a year of drought, food aid accounted for 19.1% of available cereals in Mali, with imports (commercial and public sector) accounting for some 15.4%. In 1986/87, food aid and imports (commercial only) accounted for 4.6 percent of the total availability of cereals in the country.

From these statistics, one can conclude several things. First, food aid can and does play a significant role in providing food to the people of Mali. It is therefore extremely important to avoid the well-known production disincentive effects of food aid*. Furthermore, food aid generates large sums of local currency which must be carefully programmed to provide the maximum development impact.

Second, the import of cereals, most of which is done by private traders, is a highly variable enterprise. Not only does domestic production vary, but government policy on imports also changes. A ban on imports, such as the one placed on rice in March, 1987, over the long run discourages investment in private storage and transportation. Hence, another factor that must be taken into consideration when deciding the level of food aid and government policy on imports (and exports) is the need to provide an environment conducive to private sector grain trade.

D. Situation at the Beginning of 1987

1. The Stocks of OPAM- In January of 1987, OPAM found itself with a record level of cereals stocks: 92,000 MT in the regulatory stocks and 42,000 MT in the security stocks for a total of 134,000 MT. OPAM had acquired much of this stock in the 1985/86 buying season trying to support a official price that was well above the market price. When many storage facilities were full and the budgeted money gone, OPAM stopped buying, thereby halting its effort to support the official price.

As the 1986/87 season began, it became clear that the crop would be excellent, which put downward pressure on the market price of domestically produced cereals. OPAM was supposed to sell at the official consumer price, but since market prices were lower, there were few customers at OPAM, except institutions which could buy on credit.

2. Lack of Liquidity With few sales, OPAM had little cash with which to purchase new grain in the 1986/87 campaign. Banks were unwilling to lend money for new purchases given the market conditions. Most of the donors support was tied up in the purchased stocks. So, the goal of price support through purchases on the domestic market was put aside, at least temporarily.

* There is little evidence that food aid has been a disincentive to production in Mali. The deficit food needs of the country have been significant in numerous years. However, when there is substantial food aid coming into the country from a number of different donors, production disincentive effects are possible. The coordination efforts of the PRMC have been useful in preventing this from becoming the case in Mali. Food aid shipments are coordinated and an effort is made to avoid any "dumping" of food aid on the market in a way that would adversely affect prices. Several donors also attempt to "buy local" whenever feasible.

However, the crisis was not only difficult for OPAM, but for several of OPAM's suppliers. For example, the Office du Niger had sold large quantities of rice to OPAM on credit. But OPAM was unable to sell the rice on the market at official prices, and hence was unable to reimburse the Office du Niger. This created serious liquidity problems at the Office, which needed money to get its next campaign going. Emergency financial aid from PRMC funds helped ease this credit crunch.

3. Banning of Rice Imports- At the same time, imports of rice, made relatively cheap by a declining dollar and good harvests in producer countries, were seen as a source of unwanted competition. A ban was placed on the imports of rice in March, 1987, supported particularly those organizations that had invested large amounts of money in the rice perimeters along the Niger river. Unfortunately, a number of merchants were left with rice imports landed in Dakar and Abidjan, with no obvious place to take them. In the meantime, the GRM and various donors were considering various policy measures to protect the domestic rice market while reforms were being considered for implementation on the controlled rice perimeters. Stocks were such that it took 6 months before prices began to rise, and then a rapid rate of increase occurred.

III. Activities of the PRMC and GRM in 1987/88

A. PRMC's Common Platform

1. Background - In 1981, the stated objectives of the PRMC I were to:

- a) Increase national economic growth by increasing production and purchasing power in the rural areas (to be brought about by increasing producer prices).
- b) Liberalize the cereals market (to permit private traders to offer competition to the state marketing agency, OPAM);
- c) Reduce the costs of the official marketing system by bringing consumer prices in line with costs and producer prices.

While the general framework of the objectives was maintained during the PRMC I period and considerable progress was made on the legal and administrative fronts, the continued validity of the first objective and the ability of the public sector (donors and GRM) to carry it out were seriously thrown into question during the years of abundant harvests in 1985/86 and 1986/87. In an attempt to support an official price in a year of excellent harvest, OPAM had run out of funds. The official sales price was well above the market price, which led to few OPAM sales and a consequent crisis of liquidity, a situation which ran counter to the third PRMC's third objective.

It was felt by PRMC members that a revision was needed in both the basic objectives of the program and the means for obtaining them. The PRMC Technical Committee began to meet in early 1986 to discuss and agree upon a common set of goals that would serve as the basis for the upcoming, three-year program, PRMC II.

2. Broad Objectives - Approved by the Management Committee in March, 1987, the Common Platform of PRMC II stated the following broad objectives:

- a) Continue to modify the relative balance in the roles played by the public sector and the private sector in grain marketing.
- b) Pursue the development of flexible policies for reorganization and promotion of the cereals market, consistent with the resources of the state; and
- c) Participate in the process of reform of state enterprises involved in cereals marketing.

These objectives were broad enough to satisfy the varying viewpoints and approaches of the different donors and to provide the rationale for many different types of actions. It had been clear that the removal of legal barriers to private sector trade under PRMC I had been a desirable goal. It was now perhaps less clear

11

how to continue removing those barriers and encourage investment by the private sector in storage and distribution infrastructure. The emphasis placed on encouraging production through increasing official prices under PRMC I was, in the words of Emmy Simmons, "irrelevant at best and financially disastrous at worst." ("PRMC/II: The Common Framework, Objectives and Proposed Measures for Implementation, p. 2). The development of flexible marketing policies... consistent with the resources of the state became the new objective, but it was not entirely clear in the stated Common Platform what this meant.

3. A number of more specific measures to be taken were written into the Common Platform, helping to clarify the PRMC's position. They were as follows:

1. The Private Sector/Public Sector Balance

- 1.1 Consolidate the liberalization of paddy in the Office du Niger, ORM, ORS, and CMDT
- 1.2 Promote the sale of milled rice by the rice-producing ODRs.
- 1.3 Strengthen the capacity of the private sector to market grains.

2. More Flexible Policy Formulation

- 2.1 Seek to establish a better balance between supply and demand.
- 2.2 Seek greater coherence between public intervention prices, actual marketing costs, and the evolution of the market.
- 2.3 Stimulate the demand for cereals which are produced locally.
- 2.4 Protect the domestic cereals market.
- 2.5 Contribute to the process of coordinating different national cereals policies in West Africa.

3. Reform of State Enterprises Involved in Cereals Marketing

- 3.1 Reconsider the role of public agencies involved in cereals marketing.
- 3.2 Reduce of the costs of the public sector organizations.
- 3.3 Support the private sector in assuming tasks formerly done by the private sector.

The Common Platform provided additional target action under some of the above measures (See Annex B for the complete text of the Common Platform). Most notable are continued actions to liberalize paddy markets (a noticeable failure of PRMC I), protect

the domestic rice market (a step back from liberalization), and to reduce OPAM's role (after spending 5 years of keeping OPAM afloat and perhaps increasing its intervention in the markets i.e. in 1985/86). On the question of official prices, the Common Platform alludes several times to the continued practice of setting official prices for producers and consumers. However, there is much less emphasis on trying to support prices via public sector purchases at official prices. The experience of 1985/86 proved an important lesson for both the donors and the GRM.

The Common Platform was discussed by the PRMC Management Committee and by the donors individually throughout the spring of the 1987. It served as the basis for discussion at a "Seminaire National sur la Politique Cerealière au Mali," in mid-June.

This seminar was attended by a number of important government officials, donors, and representatives of the private sector. The meeting divided its work into five different working groups, who were to report back to the main session. The final set of recommendations from this meeting tended to agree with many of the propositions set forth in the Common Platform, but differed in some important ways. For example, the Seminar report did not recommend in any way a diminution of OPAM's role in trying to regulate the market. It was recommended that official prices for both producers and consumers continue to guide OPAM in its purchases. The group did recognize that market prices should be taken into account when fixing the official price. While recognizing the need for flexible policy, the Seminar also supported actions to ban rice imports to protect the local market.

On a more positive note, the Seminar's final report noted the need to adjust the system of taxation to put less tax pressure on farmers at the time of harvest. The group also recommended that the "Comité d'Orientation et de Coordination (C.O.C.), an inter-ministerial committee of Malian officials working essentially as the counterpart group to the donors' PRMC, should be reactivated and given technical assistance and the financial means to make a contribution to the cereals debate in Mali.

After the Cereals Seminar, the Common Platform and the results of the Seminar's debates were considered by the Conseil des Ministres and the Bureau Exécutif Central (BEC) important policy making bodies in the GRM. The final language of the "Protocole d'Accord" -- more vague than that proposed in the original Common Platform -- would not be agreed upon and signed until mid-March of 1988. But four months before this Protocole for the Common Platform was signed by the GRM and the PRMC donors, the GRM made a rather stunning announcement that it had taken a new direction in cereals policy.

B. Changes in Price Policy and Redefining the Role of OPAM

In November, 1987, the GRM abolished official producer and consumer prices for coarse grains. OPAM was no longer constrained to buy or sell at a given price. Of course, this did not mean that

OPAM was given free rein. It was supposed to lower its deficit each year, which meant that it should not lose money on its sales of stocks purchased at official prices in preceding years. Also, an official price for paddy (70 FCFA/kg.) was put in place for the rice-producing perimeters as a way of setting a floor price for paddy and thereby insuring the continued participation of rice farmers. Private merchants were being allowed to purchase paddy from farmers, but the Government guaranteed the minimum price to all rice farmers.

This overnight change in price policy was quite astonishing. After many years of trying to support higher producer prices (which PRMC had supporting) , to keep official consumer prices low (which PRMC had been trying to raise), and to find ways of financing the resultant deficits (which PRMC was doing, but trying to find ways of reducing the deficits), the GRM was now planning to let the market set prices with minimum government intervention and have OPAM operate within a market framework.

In fact, OPAM was given a new, reduced mandate in December, 1987. OPAM was no longer charged with maintaining regulatory stocks to try to control prices. Instead, it was to liquidate its regulatory stocks by October 1, 1988. OPAM's new role was to:

- 1) Manage and distribute food aid.
- 2) Supply deficit areas.
- 3) Maintain a national security stock of 58,500 MT of cereals.

Although it was not entirely clear what all of these new directions would mean in practice (particularly the mandate to supply deficit areas), OPAM was directed to decrease its staff by 50% by October 1, 1988 and to close a number of its storage facilities in "surplus production" areas.

What were the reasons for the GRM's change in policy? There were undoubtedly a number of different factors which contributed to this decision. For example, it was becoming clear that trying to support prices, particularly in a year of good harvest, could be very expensive for the GRM. MSU research was suggesting that some 40% of the farmers were net buyers of grain and higher prices for them were a burden. It was also questionable how effective price policy could be in serving as an incentive for Sahelian farmers to increase their production of coarse grains.

The reforms and policies advocated by the PRMC over the years had also moved the Government in the direction of increased private sector participation in the cereals markets, although the PRMC had not proposed abolishing the official price structure in its Common Platform. Some PRMC donors even felt that the GRM might be moving too far, too fast with its cereals market reforms. Finally, the International Monetary Fund was negotiating with the GRM to provide a Standby Agreement and Structural Adjustment Facility at the Fund, and these reforms were perhaps seen as evidence of the GRM's

willingness to lower its budget deficit and put its financial house in order. Whatever the reasons for the change in policy, the GRM was putting a new emphasis on the private sector.

C. PRMC Programs

Before the GRM made its announcement abolishing the official price structure, PRMC II had already launched or was in the planning stages of programs that were intended to improve efficiency of the cereals markets. These included increased credit to the private sector, credit to village associations, and better market information collection and dissemination.

1. Trader Credit- The PRMC program of credit to cereals merchants had a number of objectives. First, it was to reinforce the participation of the private sector in the cereals market and increase competition among merchants (Protocole d'Accord entre la BOAM, le PRMC, et le Ministère de Tutelle, 5 Jan, 1987). Other official objectives were to support prices as much as possible and contribute to "stabilization of supply and demand during the marketing campaign," by encouraging storage over a longer period of time.

The original plan of the PRMC was to provide 500 million FCFA (some \$1.8 mil.) to the program, with another 250 million FCFA contributed by each of two banks, the BOAM and the BMCD. Unfortunately, these banks were not able to make the planned contributions. Thus, the role of the banks was limited to the administration of the PRMC's 500 million FCFA. The Chamber of Commerce, headquartered in Bamako, played dual roles of helping to select the candidates who were to receive funds, and providing storage space and management for the actual stocks.

The loans were to be made to merchants who qualified with the Chamber of Commerce and the banks. The maximum loan size was between 10 and 15 million FCFA, at an interest of between 8-8.5%. Cereals were to be stored in the warehouses of the Chamber of Commerce in various cities, for which the Chamber charged some 5,000 FCFA/ton (The going price on the open market for similar storage was between 1,000-2,000 FCFA/ton). Cereals were not supposed to be removed from storage before May 1, 1987 to encourage storage instead rotation of stocks. Finally, the Chamber of Commerce was supposed to verify the existence of stocks in their warehouses, before borrowers were able to receive their loan in cash.

An evaluation of the credit program to merchants by Michigan State University researchers suggests that there were a number of problems in the implementation of this project. First, the size of the program was not as large as envisioned because of the difficulties of obtaining the additional credit from the two banks due to rigidities in the banking system.

Second, there were apparently a number of irregularities in the purchase and storage of cereals, as well as in the lending of the money according to the rules set up by the program. Some of the borrowers bought less than they had contracted for, yet received their loans as if the full amount had been purchased. Other mer

chants got their money without having purchased cereals, and it was not clear if they had actually used the money to buy cereals. One merchant was reported to have received a loan of almost 65 million FCFA (20% of the total program), which violated the 30 million FCFA ceiling on loans for a single borrower.

Third, the depth of the coverage by the program was limited. Only a total of 5,170 tons of millet, sorghum and maize were purchased. Only sixteen merchants received credit under the PRMC program, and ten of these were located in Bamako. According to grain merchants in Bamako interviewed during this evaluation mission, not all of the merchants who received credit were experienced in grain marketing. According to the merchants interviewed, several of whom had applied for and did not receive one of the PRMC loans, everyone who received a loan was an old-time member of the Chamber of Commerce.

Of course, one of the reasons these loans were attractive to members of the Chamber of Commerce was their low cost. Loans at 8-8.5% are at the low end of the scale for lending to private enterprises, on which a ceiling of 13.5% is placed by the State. All of the borrowers were considered creditworthy by the banks' own standards anyway (a condition of the loan), so any money at borrowed at 8% instead of 13.5% would improve the bottom line for those merchants able to get a loan from the PRMC program. The repayment rate for the program as of June, 1988 was 62%, which includes 60 million FCFA not repaid by the Chamber of Commerce. The original due date for repayment was September 30, 1987.

While few of these problems with the credit program are surprising, their appearance underscores the need for both close supervision of such a credit program (presumably by someone working for the Secretariat of the PRMC or by one of the PRMC donors) and for a program that has clear objectives and enforceable conditionalities. The multiple objectives of the program and the resultant conditions placed on the use of the credit made it desirable and apparently easy for the borrowers to get around the restrictions of the program.

Given the problems experienced by the credit program for merchants and the lack of time of a PRMC Secretariat busy coping with the restructuring of OPAM, the program was not organized during the 1987/88 season. It will be tried again during the 1988/89 season, with some modifications that will avoid the problems experienced in the previous program. For example, there will be a 2,000 MT limit on which banks will provide credit. Also, money will be placed with the BNDA to avoid delays in the distribution of money.

There will also be several other new programs. First, 100 million FCFA will be allocated to a program aimed at small wholesalers who have formed into a sort of cooperative (Groupement d'Intérêt Economique). Several groups have been formed and there is considerable interest in the program. Second, there is a program for traders who want to buy public sector stocks of cereals. Third, there will be a program of seasonal credit for private traders who will make purchases under the guarantee of OPAM.

2. Credit to Village Associations- This PRMC program had the following stated objectives:

- 1) To support the producer price of cereals by making credit available to villages "tons," village associations, or other groups of producers.
- 2) To encourage cereals storage at the village level.
- 3) To improve the efficiency of cereals markets and act against speculation on the market. (Convention de Gestion entre la BNDA, le PRMC, et le Ministère de Tutelle, 2 Decembre, 1986.)

The program was to be administered by the BNDA, which would receive the requests of the different village groups and decide which groups were able to meet the criteria for obtaining a loan. The BNDA was essentially looking for the groups that were capable of assuring good management of the stocks, the capacity to do a minimum of bookkeeping, and a reasonable credit record. The loans were to be made at 8% for one year, with a maximum loan size of five million FCFA per village association.

Each group of producers was supposed to decide the buying price for members, the conditions of storage, timing of the sales of cereals, and how profits -- if there were any -- would be split up. The BNDA decided to value the stocks at 38.5 FCFA/kg., which caused some confusion among some associations as to their power to decide on the buying price. The CMDT, one of the most active GRM participants in the program, decided that all profits from the resale of stocks should stay in the treasuries of all its different associations, which was contrary to the program's stated goal of allowing association to decide how the money would be managed.

The results of the program, even though it got off to a late start, seem quite positive. Some 668 million FCFA (which included 200 million FCFA from the FED) were loaned to village associations, 55% of which was used to purchase coarse grains and 45% for paddy. Almost five hundred associations received credit from the program. Many of these groups were within the Office du Niger or CMDT, both having active extension and training programs utilizing village groups. Office du Niger associations accounted for some 210 million FCFA of credit and 5,912 tons of paddy purchased. A total of 11,870 tons of cereals were purchased under the program. The repayment record of the project was quite good for this sort of program, over 85% as of March 31, 1988.

The program was beneficial for many of the associations that took part. The goal of price support was not achieved, but it was never a realistic goal with such a small program. The program did serve as a way of channelling money to the rural sector in a year when producer prices were very low. To the extent that the assistance reached the target group, this was a much more cost effective way to attempt to stabilize producer incomes than by massive intervention in the market to stabilize cereals prices. Of course, there are many risks involved in this type of cereals bank program

-- difficulties in judging buying price and timing sales, in obtaining the proper bookkeeping, and in keeping the group from being taken over by a few "big men." However, the program's first year was encouraging in light of the possible problems.

3. Market Information System- A study by MSU researchers suggested that a number of different organizations were collecting information about the market for their own purposes. However, very little of the information was being disseminated publicly. The PRMC decided that it should support efforts to increase the flow of information about markets by setting up a network of information collection and dissemination.

After a number of months of research and preparation, the program is being put into place using the facilities and personnel of OPAM, the technical assistance of CIDA and MSU-CESA-USAID, and the financial resources of PRMC. Using a standardized methodology, information about prices and volumes is being collected weekly. This information will then be made available on weekly radio broadcasts and in monthly market bulletins. Although it is too early to judge the results of this program, a better flow of information is certainly one of the prerequisites to a well-functioning market. The challenge here will be to make the information timely and accessible so that merchants and village associations can really make use of the information put on the radio.

D. OPAM - Current Situation

In January, 1987, OPAM had 134,500 MT of cereals in its regulatory and security stocks. (See Annex A, Table A.3). Since then, OPAM was gradually able to reduce its stocks of cereals as prices rose in 1987 due to a poor 1987/88 harvest. In April, 1988 the regulatory stock had been reduced to 38,700 MT, with the expectation that the entire stock would be liquidated by October 1, in accordance with OPAM's new mandate. The April level of the National Security Stock(*) was 45,400 MT, which plans to reconstitute the level with food aid to 58,500 MT. This level of stocks will be maintained in warehouses distributed around the country (See Annex A, Figure A.2). One-third of the stocks are sold or given away each year as a part of a program of technical rotation. These stocks will be replaced from the local market, neighboring countries, the international market, and/or food aid.

In terms of reducing its budget deficit, OPAM's provisional deficit for 1986/87 was 1.48 billion FCFA, up from the previous year's deficit of 833 million FCFA (See Annex A, Table A.4). OPAM officials attribute these deficit figures largely to the cost of holding large amounts of stocks. Both personnel and operating costs were down in 1986/87. Estimates suggest that when OPAM reaches the projected level of personnel and responsibilities under its new mandate, there will be a savings of some 312 million FCFA.

* The National Security Stock was begun in 1968, & programmed to reach a level of 58,500 MT. This level was determined by a CILSS team that visited the Sahel and used a common methodology to determine the needed level for a security stock.

It is difficult to believe that OPAM will ever operate without a budget deficit, in the commercial sense. Given the roles the new OPAM is to play, it would be reasonable to expect that the country would have to pay for the services of this organization, as it would for other government services. Under the PRMC II agreement, PRMC donors are no longer obligated to underwrite the deficits of OPAM. In fact, PRMC will probably continue to pick-up many of OPAM's expenses given the fiscal crisis of the GRM.

Between January, 1987 and April, 1988, OPAM cut its personnel from 741 to 690. (See Annex A, Table A.5) However, by October, 1988, OPAM is supposed to have cut its staff to 340. OPAM has requested assistance from the PRMC -- some 407 million FCFA -- to pay a portion of the cost of early retirement and laying off such a large number of employees. This request has now been approved by the PRMC for some 408 million FCFA. It is unclear if OPAM will actually meet the October target for completing its staff reduction.

E. Rice Policy - Current Situation

The ban on the import of rice, which was requested by the PRMC donors in the end of 1986 and was supposed last for a period of six months, has still not been officially lifted as of June, 1988. However, there has been a decision to allow some imported rice (26,000-30,000 MT) come into the country by granting a special license to the merchants who were caught in the import ban of March, 1987 with rice in Abidjan and Dakar.

In addition, approval of a new system of variable taxation on rice imports is expected soon. This system, similar to the variable tariff system of the EEC, was developed with the approval of the PRMC and the World Bank. This explicitly protectionist measure is scheduled to be lifted in three years. This timing is supposed to give the Malian rice sub-sector some time to become more competitive with the world market - a sort of infant industry argument for rice operations that have been operating from 10 to 40 years. The World Bank and several PRMC donors are concerned with protecting the recent investments they have made in the Office du Niger and other rice perimeters.

Merchants are now free to purchase paddy or rice directly from farmers in the ODRs. Since the imports of rice have been banned and prices have gone up, many merchants have gone to the ODRs for their rice. At the Office du Niger, merchants were paying in advance for rice, and the Office sold more rice than they could actually deliver. Farmers are free to pay their water and ODR fees in cash or in kind.

There are still several official prices in the rice system. As a sort of floor price, the ODRs will pay farmers 70 FCFA/kg. for paddy. However, farmers are selling now to merchants who have been buying paddy from farmers for between 80 and 90 FCFA/kg.

Under the system of "homologation souple," merchants are allowed to add a fixed margin onto a base price, which takes into account transport, packaging, and taxes. Legally, a merchant must

be able to justify his price on the grounds of a documentable base price and the allowed margin. If the merchant were found in violation of these rules, he could be fined up to 500,000 FCFA.

In practice, there appears to be little enforcement of these rules. However, it would be interesting to know what effect the use of the "homologation souple" method of pricing has on the private sector in Mali. It would appear to give Malian authorities a measure of control over merchants if they choose to apply it.

F. Overall Cost of the PRMC Programs

It is informative to summarize the use of the counterpart fund over the life of the PRMC. The following figures provide an approximation of money spent from 1981 to 1987.

Table 7
PRMC Uses of Local Currency Funds - 1981-1987

<u>Use of Funds</u>	<u>Mil. FCFA</u>	<u>Mil. US\$</u>	<u>%</u>
1. Financing of OPAM deficits & other assorted subsidies to OPAM	2,275	7.84	13.9
2. Purchase of imported cereals in years of large food deficits	3,264	11.26	20.0
3. Support for National Security Stock	1,861	6.42	11.4
4. Subsidy to different ODRs to support cereal barèmes.	3,075	10.60	18.8
5. Advances to OPAM for cereals purchases during the buying campaign.	1,594	5.50	9.8
6. Other advances to OPAM and other loans for cereals marketing.	3,250	11.21	19.9
7. Credit for Merchants and Village Associations	1,000	3.45	6.1
8. Marketing Studies	<u>8</u>	<u>.02</u>	<u>.04</u>
TOTAL	16,327	56.30	100.00%

Source: OPAM

These figures show that a large part of PRMC's money was used to support OPAM or pay for subsidies under the barème system.

IV. Impact and Evaluation of Policy Changes and Programs of PRMC

A. Overall Objectives

While the original goals of PRMC I were laudable, there was a contradiction to trying to encourage the private sector while at the same time supporting a system of official prices attempting to provide incentives to farmers to produce more. One observer said of the PRMC's first five years:

1)"Although the GRM moved rapidly on liberalizing the coarse grain markets, decontrol was more symbolic than material. During previous 5 years, official purchases had accounted for no more than 7% of production and usually less.

2) PRMC placed little emphasis on improving the functioning of the private market.

3) PRMC focused instead on raising level of official prices, rather than on reducing the distortion between official and commercial prices or on improving market performance...For example, the PRMC called for the immediate and full legalization of all private grain trade, yet maintained official producer and consumer prices that were far from being aligned with the private market prices and were set on the basis of political feasibility, not market realities or the government capacity to implement policies that could substantially affect market realities."

(Humphreys, Charles P., Cereals Policy Reform in Mali, World Bank, May, 1986)

Although OPAM's budget deficit was slowly reduced during the first five years, again the focus on official prices by PRMC led to the financial difficulties caused by its most successful buying season in 1985/86. This led other observers to suggest:

"The ambiguity of policy reform is reflected in the ironic situation in which the PRMC program -- with a major focus on increasing private sector participation in a freer cereals trade -- has spent most of its expatriate staff time and financial resources attempting to keep the state trading agency afloat." (Wilcock, Roth, and Haykin, "Grain Marketing Liberalization in Mali: An Economic Policy Reform Assessment," p. 39).

To a certain extent, these criticisms seemed to be taken into account in the design of PRMC II, at least at the level of the specific actions to be taken. These actions were aimed more at improving the functioning of private markets. The overall objectives of the program, however, were so broad that they could be used to justify almost any program. Perhaps this reflected the search for objectives acceptable to a group of PRMC donors who had considerable differences in how they thought the program should be pursued. It was more important to find common language acceptable to all donors and the GRM than to decide on the specifics of the program.

As suggested by the Wilcock report, the PRMC has always been a very pragmatic program, undertaking many actions as the need arose. The counterpart fund was used for a number of different purposes including: 1) subsidization of OPAM's annual deficit; 2) supplemental commercial food imports; 3) interest payments for the Office du Niger for bank loans used to purchase paddy; 4) support for selected "production-incentive" activities; 5) substitution for the GRM (OSRP) in ODR support in 1985; 6) loans to several ODRs for their buying campaigns; 7) financing for OPAM's price support actions; 8) credit for cereals merchants 9) credit for village associations; 10) credit for groups of small wholesalers ; and most recently 11) the guarantee of funds for several programs budgeted by the GRM.

The actions of the PRMC and its actual use of its funds have perhaps been more important than the lack of completely clear overall objectives. Fortunately, the major contradiction of PRMC I - the market liberalization/official price setting problem - was resolved by the announcement of the abolition of official prices. PRMC II can now focus on appropriate measures to improve the functioning of private markets. The PRMC is currently making an effort to create a multi-year financial plan for the use of the counterpart funds.

B. Market Liberalization

Withing the first year of the PRMC I, the GRM had taken steps to: 1) make trade in coarse grains by licensed merchants legal (liberalization of the paddy markets would not take place until 1986); 2) eliminate restrictions (roadblocks) on inter-district trade; 3) legalize imports of grains without taxation, application of quotas, or restricting access to foreign exchange. Seven years later, there has been both progress in these areas and some regression.

Trade in grain is still legal, and this area ranks as one of PRMC's real successes. Liberalization in the rice perimeters took 6 years, but merchants now have the right to purchase paddy from farmers in the ODRs. More traders have entered the business, creating more competition in the sector. There is evidence that the aggregate costs in the overall marketing channel have been reduced. Consumers in rural areas say that grains are more available to them throughout the years at sales points closer to their homes.

Humphreys observed that, "On balance, consumers have benefited from the PRMC , despite the upward adjustments in OPAM selling prices, because the volume of sales at official prices has also increased owing to the availability of food aid through the PRMC...Between the two periods (1976/77 to 1979/80 and 1981/82 to 1984/85), implicit taxation of farmers declined by 43%. The decline in producer taxation is the positive side of the adjustment sought through the PRMC...The other side of the adjustment sought was reduction in consumer subsidies. Just the opposite occurred.

'Between the two periods, implicit subsidies to consumers rose by about 10 percent. As a result of these two opposing trends, the implicit losses to the public grains sector rose by almost two-thirds: there was less taxation of farmers and more subsidy to consumers...the food aid donors under the PRMC provided grain that could be used to finance the losses...Thus consumers with access to official sales received a substantial net transfer from food aid donors, worth over US \$20 million at the 1985 exchange rate." (Humphreys, 1986, pp. 27-28).

Although the roadblocks to stop grain movement have disappeared, apparently there has been fines imposed on merchants by police intent on collecting in fact a personal payoff. Merchants must also still be licensed for domestic trade and have had to obtain special permits for imports when they are available. Exports remain illegal unless a special permit is granted.

Finally, imports remained open for 5 years until a ban was placed on the import of rice. The ban is still on, although it is expected to be replaced shortly with a variable tax system for 3 years. This is definitely a step away from the original goal of the project. Supporters of the variable tax claim that it is necessary to allow Malian producers to adjust to a world rice market that has been selling rice at low prices. These reasons are supposedly the decline of the dollar (rice on international markets is denominated in dollars) and unusually large supplies on the market. The World Bank, which supported this variable tax system, is going to study Malian and international rice markets to determine the ability of Malian producers to compete over the long term.

C. Increased Production Incentives

During PRMC I, the donors were supporting the idea that higher (official) prices would encourage farmers to produce more. However, the donors got first-hand experience in how hard it is to support prices in the Sahel. The first year that official prices were above prices on the private market turned into a financial nightmare for OPAM, PRMC, and the Office du Niger, and prices collapsed as soon as the money ran out.

At the same time, research was suggesting that not all farmers were in a position to increase their production in response to price incentives. Some of the larger farmers, and those in certain irrigated perimeters, were better able to respond to price incentives, but they were a fairly small group. The majority of farmers in Mali planted as much hectareage as the available labor would allow and hoped the rains would be good.

Although this model of farming in Mali is no doubt far too simple, it points out the limit of price policy as a tool for bringing about production increases. Researchers need to look for technological packages that increase productivity and do not require an overall increase in the level of price for adoption.

Increased stability in the market would no doubt be desirable

from the planner's point of view, but a shift to the private sector market will not necessarily bring this about. Clearly, more efficient cereals markets operated by the private sector are desirable and a necessary condition for improved price stability. However, they are not a sufficient condition to create price stability. Improvements in technical packages, development of improved varieties, better and more affordable water control, and improved training and extension all play a role in improving production stability and hence price stability. PRMC donors should consider funding these types of programs to provide cost-effective incentives to producers, perhaps supported by the counterpart funds of the PRMC.

Another desirable goal towards stabilizing prices over the long-term, would be improved trade within Africa. This is a very difficult task, at best, with all of the different national governments, each with its own set of policy priorities. It may also be true that when production is good in one Sahelian country, it is good in all of them. The point is that freer trade between African countries is highly desirable, and should be studied and incorporated into the programs of PRMC wherever possible. Several donors have already made a commitment to "triangular" purchase of food aid. This means that funds are used to purchase food aid in neighboring surplus countries when appropriate. There were also efforts to export some of OPAM's surpluses to Mauritania.

D. Lowering Public Sector Marketing Costs

Over the past 7 years, OPAM has reduced its staff from 958 to 690, generally lowered its budget deficit (1986/87 was an exception), become a relatively more efficient organization with the help of considerable technical assistance, reduced the level of storage loss to an average of 5%, and generally did what was asked of it with the means provided to it by the GRM and the donors.

The GRM recently mandated a considerable reduction in the role of OPAM, and the organization is going through a staff reduction of almost 50%. The cuts in staff, along with the new reduced mandate, should help OPAM to lower the costs of public sector marketing.

The debate on what costs of the marketing system OPAM and the government should bear will no doubt continue. Information collection and dissemination would seem a reasonable task for the public sector. So does the maintenance of the security stock. The provision of the deficit areas is less clearly a government function because those with effective purchasing power could be supplied by the private sector. Obviously, those who do not have sufficient purchasing power and need the free distribution of food aid should be serviced by OPAM. The practical problem, however, is that it is difficult administratively to distinguish between these groups. Hence, PRMC needs to carefully monitor how OPAM's mandate is carried out in practice to make sure that OPAM is not servicing clients that should be serviced by the private sector.

E. PRMC Programs

Over the last 18 months, the PRMC has tried to focus more of its time and energy on improving the performance of the private market. The major programs have been credits programs for village associations and for merchants.

The program to provide credit for village associations was perhaps the more successful of the two programs. Almost 500 village associations were granted over 668 million FCFA of credit which was paid back at a level over 85%. This is a very good beginning for programs of this nature, although the 8% charged for credit may not make up for costs of non-payment and administrative charges. The program was too small to meet one of its stated objectives: to support the producer price of cereals. This program should not be a "backdoor" method of price support, and should be expanded as it shows itself to be a cost-effective method of providing short-term loans to farmers.

The program to provide credit for merchants had some problems in its implementation. A restricted group of merchants received too large a share of the credit available. The repayment rate of 70% was relatively poor, especially when compared to the rate of the village associations. This situation often occurs when the money is lent to those who have more political power. Their repayment rates are lower than the small farmers.

The credit was made available at too low an interest rate and thereby became subject to the attention of merchants with political influence. The interest rate charged should be at least the top of the commercial scale, to make it less tempting to the wrong merchants. One could even argue that a rate higher than 13% should be charged, because the target merchants are credit risks and more likely to default, necessitating a higher rate of interest to cover risk. This may not be feasible, given the present UMOA-BCEAO ceilings on interest rates.

Certain conditions of the program should be made less restrictive -- such as the need to store grains in the Chamber of Commerce warehouse (physical verification is sufficient) or the period of time which grain must be stored. These conditions, while seeming to fulfill the planners objective of "stabilization of supply and demand during the campaign," only make the program less attractive to serious merchants and invite evasions of the conditions.

This program also demonstrates the need for close supervision of PRMC activities. One cannot assume that the activity will go along as planned with out careful attention (although admittedly, one cannot necessarily make this assumption that it will happen with careful supervision either).

F. Administrative Role of PRMC

The presence of PRMC has generally been a positive influence on the direction of cereals market liberalization in Mali. One evaluation of PRMC I suggested "improved management of food aid including joint mechanisms and regular consultation among donors... enabled donors to set conditions for the sale of this food aid... Food aid (was) handled relatively efficiently in... 1985 drought-relief operations." (Humphreys, 1986). A number of talented technical assistants made dedicated efforts to improve the efficiency of OPAM and implement policies that seemed reasonable in the Malian context. The combined efforts of the PRMC donors was a strength in dealing with the GRM.

At the same time, the need for consensus among donors was sometimes a weakness of the program. Decisions were made that made that compromised the beliefs of individual donors. In all fairness to the PRMC, there was clearly a learning curve which led donors in a better understanding of the way markets worked in Mali. While the PRMC cannot take all of the credit on the donor side for the hopeful set of policies now being implemented, it can certainly take credit for have set the stage for those reforms.

Now that the PRMC II program has been signed, the donors need to further define how they act in concert. Another 150,000 MT tons of food aid has been promised over the next three years if needed. Depending on the actual needs of the country, this could provide the GRM and the PRMC with a sizeable amount of counterpart funds to jointly program. While the number of policy reforms related to cereals marketing have diminished, there are still some policy reforms that need support. This is the PRMC's best role.

At the same time, there are a number of concrete actions that might be best undertaken in the context of a project. PRMC is made up of donors that possess the infrastructure to design, implement, and monitor programs. The small secretariat of the PRMC does not have the manpower to do this. It would seem the most cost-effective course to ask the donors -- agencies set up to design and implement projects -- to undertake the project-appropriate activities of the PRMC. To do this would require some of the counterpart funds to be programmed into appropriate project activities of the individual donors. "Appropriate" activities might be related to cereals marketing directly, or it could be in an indirect way, such transportation, infrastructure, and trade policy.

PRMC's activities would be limited to activities related directly to policy reform and perhaps to the administration of the two credit programs already started. The PRMC cannot possibly take on more activity than this without an increase in staff at the secretariat. Donors could decide to program more or less of the counterpart funds generate by their food aid contribution depending on the needs of the PRMC to support policy reform. The PRMC should avoid being seen as a place where ad hoc requests for budgetary support from the GRM. Money should be programmed at least six month in advance. PRMC now is attempting to formulate a multi-year budget to aid in this process.

V. Findings and Comments on the Benchmarks(*) of the USAID PRMC Program

I. Cereals Marketing Liberalization

- A. Coarse grain marketing liberalization will be maintained.

Findings/Comment- Met 100%. One of the original reforms in 1981, merchants have been free to buy and sell coarse grains legally for 7 years. Transaction costs have been lowered for producers, traders, and consumers. There appear to have been new entrants into the profession of grain marketing, which has increased competition among traders. Farmers say that it is easier for them to purchase grain all year long, with more merchants present in rural areas.

- B. Cereal import liberalization will be maintained.

Findings/Comment- Not met. Ban of rice imports (requested by the multi-donor PRMC), intended as a temporary, six-month measure, is still in place 15 months later. The ban is likely to be lifted soon, but will probably be replaced by a protectionist variable tax that is supposed to remain in place for 3 years. The rationale behind this variable tax is to allow the ODRs to become more competitive with the international market. However, previous history with such tariffs elsewhere suggests that they do not encourage lowered costs of production and that protection continues beyond the period originally stated.

- C. Paddy producers will be authorized to market their production with private traders, provided they have paid their levies and credit obligations.

Findings/Comment- Met 100%. Farmers have had the right to sell their paddy to merchants since 1986. However, this is happening this year for the first time because the ban on imports of rice has created a shortage, and merchants are offering a premium over the 70 FCFA/kg price paid by the ODRs. Farmers also have the right to pay their fees in cash or with paddy.

- D. Private traders will be authorized to freely purchase, sell, and process paddy or rice.

Findings/Comment- Met 50%. Traders are now free to purchase, process, and sell domestic rice, but there are restrictions on the import of rice from other countries.

* These benchmarks are taken from the Transfer Authorization for the Section 206, PL-480 Title II program dated June 15, 1984; the Transfer Authorization Amendment No.2 dated January 21, 1988; and the PRMC PAAD dated April 18, 1987 (Program Grant Agreement (Annex 8)).

E. Action Plan for 1986/87

1. Setting up in private banks, lines of credit for private sector traders to purchase and store grain (500 million FCFA from PRMC Counterpart Funds; 500 million in funds from the Bank of Africa Mali and the Malian Bank for Credit and Deposits (BMDC).

Findings/Comment- Met 100%. The credit program for private traders was instituted through the Chamber of Commerce and the two banks. The program remained at a level of 500 million FCFA, since the banks did not contribute their portion. The program met with reasonable success, but did not reach many traders or purchase as much cereal as hoped. The interest rate charged for the program was 8-8.5%, at the low end of the commercial scale. This made the program attractive to merchants not in the target group. A new program is being founded to try to reach a target group of small-scale wholesalers.

2. Limiting OPAM intervention in 1986/87 cereals purchases to 10,000 MT for the national security stocks (SNS). (PRMC Counterpart funds will fund SNS purchase for 725 million FCFA.)

Findings/Comment- Met 100%.

3. Providing milling incentives for Office du Niger and Operation Riz Mopti to open up their facilities to private sector paddy buyers (314 million in Counterpart Funds is anticipated limit.)

Findings/Comment- Met in principle. A system was established in 1986/87 in which merchants could get paddy milled at Office du Niger mills for 15 FCFA/kg. However, the merchants were not allowed to keep the by-products of the rice milling. This has proved a serious disincentive, and no one has used the program. The services of small, private mills are available at a lower cost.

4. Establishing a guarantee program for rice-producing rural development organizations (ODRs) regarding farmers payments of water and service fees (361 million FCFA is maximum anticipated funding requirement for PRMC Counterpart Funds).

Findings/Comment- Met in principle. To encourage the Office du Niger to allow its farmers to sell to private merchants, PRMC agreed in 1986/87 to guarantee 25% of the farmers' payments for water and services. However, at the time of this agreement, no farmers wanted to sell to the private sector because the official buying price was higher than the offers of the merchants (who at that time still had access to

imported rice). Hence, the guarantee program existed for one season and was then cancelled, with no money being spent.

5. Providing only limited pre-financing for paddy purchasing to the rice-producing ODRs (600 million FCFA from the PRMC Counterpart Funds to Operation Riz Segou and Operation Riz Mopti in two tranches.)

Findings/Comment- Met 100%. 138 million FCFA were loaned to Operation Riz Mopti (ORM) and 162 million to Operation Riz Segou (ORS). ORM has paid back the loan, while ORS has not. ORS made some poor marketing management decisions, lost money on the operation, and may have trouble paying back the loan. The PRMC has discontinued the program.

II. Improving cereals production incentives

- A. Official producer prices will continue to be announced prior to the sowing period

Findings/Comment- No longer applicable (N/A). With the abolition of official prices, this benchmark is no longer relevant.

- B. Official producer prices will be set so as to cover production costs as determined by IER,

Findings/Comment- N/A. With the abolition of official prices, this benchmark is no longer relevant.

- C. Establish a grain market price information and market analysis system in 1988, the results of which will be widely and freely disseminated throughout the country on a weekly basis.

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.

Findings/Comment- Met 90%. An information collection and dissemination system has been designed by MSU-CESA-USAID and CIDA, funded by PRMC, and will be implemented by OPAM. The program is likely to become a regular part of the work of OPAM. Prices will be announced regularly as part of a weekly radio program and in monthly bulletins.

- D. 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.

Findings/Comment- Met 100%. Although not met in 1985, an improved system of agricultural statistics collection was

in place by mid-1987, with technical assistance and training components to assure continuity of the program.

- E. In addition to producer price policy measures, actions underway in rice-producing ODRs resulting in improved producer incentives (improved land tenure, delegation of tasks to producer association, flexible levies, etc.) will be reinforced.

Findings/Comment- Met 35%. Beyond allowing private merchants to purchase paddy directly from farmers, the PRMC has been able encourage reforms in the ODRs but they are not yet in place. One could conceivably argue that the variable tax system on rice imports will provide protection that will encourage local rice farmers to grow rice, but this the wrong kind of producer incentive and will probably not encourage the ODRs to cut costs. If the reforms proposed by donors and the World Bank are implemented, the percent accomplished of this benchmark would increase.

F. Action Plan for 1986/87

1. Setting up a farmer cooperative credit program with BNDA (500 million FCFA of PRMC Counterpart Funds).

Findings/Comment- Met 100%. The credit program for village associations worked quite well the first year, even if the objectives put forth by the PRMC were ambiguous. The repayment rate of the program was over 85% on the 669 million FCFA loaned. The program did not get off the ground in 1987/88 because it was late in starting and market conditions were much better for the farmers, with less need for such a program.

2. Targeting OPAM procurement for the National Security Stock to farmer cooperatives (no funds).

Findings/Comment- Met 100%. In the 1986/87 campaign, OPAM bought its 10,000 MT of cereals from the village associations, at prices ranging from between 62-75 FCFA/kg., which was well above the market price at the time. This is, not doubt, one of the reasons for the success of the village association credit program. It is not clear what OPAM will do in future buying campaigns vis-à-vis the cooperatives. The cooperatives may have to submit a bid in competition with other private sector participants.

3. Maintaining (at least until March 31, 1987) the 1985/86 official OPAM consumer price structure; 95 FCFA/kg of coarse grains (millet, sorghum, and maize) and 165 FCFA/kg of rice (funding requirement unknown).

Findings/Comment- Met 100% but now N/A. With the abolition of official prices, this benchmark is no longer relevant.

4. Reducing for eliminating all non-wheat food aid shipments of cereals (no direct cost).

Findings/Comment- Met 100%. This benchmark was met, but is no longer applicable in light of the 1987/88 food deficit. Rice is presently being shipped to Mali by USAID (10,000 MT) and the World Food Program (15,000 MT).

5. Completing unfinished 1985 reform support actions (464 million ECFA via OSRP to OPAM).

Findings/Comment- Met 100%.

III.Reduction in subsidies to the public marketing system

- A. OPAM's cost reduction program will be pursued and a similar program undertaken in other intermediaries in the public marketing system.

Findings/Comment- Met 60%. Although operating and personnel costs have declined, the overall budget deficit increase in 1986/87. The redefinition of OPAM's role in cereals marketing and the cutting of staff by 50% will have a positive effect on the OPAM's budget deficit, but the changes have not yet been fully implemented.

- B. The technical assistance provided in the framework of the PRMC will be maintained.

Findings/Comment- Met 100%.

- C. 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.

Findings/Comment- N/A. With the abolition of official prices, this benchmark is no longer relevant.

- D. Official consumer prices will be adjusted seasonally beginning in 1984/85.

Findings/Comment- N/A. With the abolition of official prices, this benchmark is no longer relevant.

B. Action Plan for 1986/87

1. Enlarging OPAM's rice clientele by permitting access to private traders (no direct cost).

Findings/Comment- N/A. OPAM is no longer stocking rice for sale, except for a very limited rice reserve stock.

2. Auctioning the 1985 rice stocks still in the hands of the Office du Niger and Operations Riz Mopti and Segou off to the private sector (with normal marketing subsidy to be borne by GRM).

Findings/Comment- Met 25% (in terms of volume). Auctions were held at Operation Riz Segou, but not at Office du Niger or ORM. However, due to the import ban, merchants have been buying rice stocks from the ODRs.

3. Assessing spoiled stocks at OPAM (1 million FCFA in PRMC Counterpart Funds to pay costs evaluation mission).

Findings/Comment- Met 100%.

4. Establish, with the approval of PRMC, a monthly program for the sale, by public bids, of the full amount of OPAM's former regulatory stock of approximately 30,000 MT at a rate and location of sales which does not distort producer and trader incentives.

Findings/Comment- Met 60%. OPAM has been slowly reducing its regulatory stocks. However, apparently most of this reduction has not been by auction, but by using the market price as an indicator. OPAM did say that they planned an auction for those stocks which remained on October 1, 1988.

5. Suspending rice imports on a temporary (six-month) basis (no direct costs).

Findings/Comment- Met 50%. This was done, but for a period much longer than 6 months.

6. Lift the moratorium on commercial imports of rice by June 1988 and develop a plan, to be made operational during 1988, to regularize rice imports to meet needs on a more orderly basis. (1987-88 Benchmark).

Findings/Comment- Met 25%. As of June, 1988, the ban on commercial imports of rice had not been lifted. Merchants who were caught by the March, 1987 ban are being allowed special permits to bring in 31,000 MT of rice. This has not been extended to the other importers of rice as yet. Approval of a new rice policy is expected within the next several months. The new policy will put a variable tax on imported rice and is to be in place for a period of three years. This protectionist measure is meant to

allow Malian rice producers time to lower their costs of production to better compete with the international market.

7. Maintain the national grain security stock at its approximate current average annual levels of 60,000 to 80,000 MT, not including fluctuations for reasons of stock rotation or emergency uses.

Findings/Comment- Met 100%.

8. Prepare a GRM plan prior to the end of CY 88 to close OPAM buying centers in the surplus producing areas.

Findings/Comment- Met 75%. Some OPAM facilities in surplus are already being rented out, with more facilities scheduled for the same by the end of the year.

ANNEX A
Table A.1

Retail Cereal Prices - Bamako
Monthly Ave. (CFA/kg.)

Retail Cereal Prices - Bamako
Monthly Ave. (CFA/kg.)

Retail Cereal Prices - Bamako Monthly Ave. (CFA/kg.)					Retail Cereal Prices - Bamako Monthly Ave. (CFA/kg.)				
	Millet	Sorghum	Maize	Rice		Millet	Sorghum	Maize	Rice
1982 Jan	81	72	59	182	1985 Jan	111	107	93	172
Feb	77	71	71	181	Feb	116	116	103	175
Mar	78	71	70	176	Mar	121	121	109	174
Apr	82	72	70	181	Apr	120	118	115	173
May	82	74	53	174	May	146	140	121	172
Jun	85	84	72	172	Jun	149	139	124	171
Jul	90	89	80	167	Jul	150	134	123	174
Aug	91	85	76	166	Aug	154	137	126	175
Sep	94	83	73	162	Sep	159	133	123	173
Oct	95	80	71	166	Oct	147	128	107	173
Nov	87	81	66	160	Nov	107	101	88	174
Dec	87	77	59	163	Dec	100	95	85	172
1983 Jan	85	75	67	163	1985 Jan	97	94	89	175
Feb	79	72	68	163	Feb	95	91	89	175
Mar	83	74	57	163	Mar	95	91	91	175
Apr	86	73	72	163	Apr	95	91	88	174
May	96	90	78	163	May	92	85	79	175
Jun	107	95	87	163	Jun	89	85	78	175
Jul	108	96	79	163	Jul	95	78	84	175
Aug	133	125	98	163	Aug	94	92	83	175
Sep	135	129	105	163	Sep	93	90	80	171
Oct	135	134	106	163	Oct	84	83	77	170
Nov	127	126	110	163	Nov	84	82	74	171
Dec	115	123	103	163	Dec	80	76	70	162
1984 Jan	120	125	112	163	1987 Jan	71	65	62	169
Feb	118	125	113	163	Feb	64	63	58	174
Mar	126	132	110	163	Mar	60	57	55	172
Apr	140	145	113	168	Apr	58	52	54	172
May	144	147	110	161	May	65	65	59	173
Jun	163	175	101	160	Jun	63	63	57	168
Jul	156	152	102	175	Jul	77	77	70	175
Aug	147	144	101	173	Aug	81	81	79	175
Sep	151	150	117	175	Sep	81	81	72	175
Oct	155	154	112	175	Oct	79	79	73	176
Nov	122	121	110	172	Nov	79	79	71	179
Dec	112	116	109	169	Dec	81	81	68	182
					1988 Jan	80	80	69	190

* Actual prices not available for these months, so they are estimated by extrapolation

Annex A - Table A.2
Available Cereals in Mali
('000 MT)

Year	T.Cereal Produc.	T.Avail. Dom.Cer.	FOOD AID					Total	Import				T.Avail. Cereals	% of T.Avail.Cereals		
			Rice	Sorg	Maiz	Wht	Total		OPAM	Wheat	Pvt.Import Othr	Total		Dom.Prd	Pd.Aid	Imports
81/82	1,195	869	16	0	31	7	54	11	30	30	71	994	87.4%	5.4%	7.1%	
82/83	1,322	961	27	18	24	14	83	0	16	82	98	1,142	84.2%	7.3%	8.6%	
83/84	1,507	1,087	42	11	60	14	127	18	20	131	169	1,383	78.5%	9.2%	12.2%	
84/85	1,112	811	48	46	132	11	237	21	0	170	191	1,239	65.5%	19.1%	15.4%	
85/86	1,670	1,206	33	18	30	0	81	0	117	6	123	1,410	85.5%	5.7%	8.7%	
86/87	1,795	1,282	0	0	0	0	14	0	20	29	49	1,345	95.3%	1.0%	3.6%	
Est. 87/88	1,482	1,074	30	0	0	0	30	0	20	10	30	1,134	94.7%	2.6%	2.6%	
Ave.												1,235	84.5%	7.2%	8.3%	

Source: Revue du Secteur Agricole du Mali, Ministère de L'Agriculture, Nov. 1987
Statistics from Office Statistique des Communautés Européennes,
"Statistique de Base, Agriculture, Blevage, 1988," pp. 17 & 27

Note: Total Available Domestic Cereals assumes that 75% of the millet, sorghum and maize is available for consumption after processing and storage losses and seed set-aside, while the same figure for rice paddy would be 55%.

21

ANNEX A - Table A.3
OPAM - Level of Stocks

	Jan. 1987				Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Mil/ Sorg.	Maize	Rice	Total											
Regulatory Stock	40,679	17,490	33,693	91,966	91,119	89,005	86,930	84,472	86,526	73,385	68,370	64,689	55,072	149,400	139,822
Security Stock	29,474	13,138	0	42,612	42,612	42,612	40,323	43,014	45,045	50,407	50,407	49,957	49,957	150,455	149,258
TOTAL	70,153	30,628	33,693	134,578	133,731	131,617	127,253	127,486	131,571	123,792	118,777	114,646	105,029	199,855	189,080

ANNEX A - Table A.3
OPAM - Level of Stocks

	Jan. 1988				Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Mil/ Sorg.	Maize	Rice	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
Regulatory Stock	27,661	7,908	4,265	40,617	41,490	37,296	38,733								
Security Stock	41,337	6,423	--	47,760	46,172	46,172	45,429								
TOTAL	68,998	14,331	4,265	98,377	87,662	83,468	84,162								

SOURCE: OPAM

EVOLUTION DU COMPTE D'EXPLOITATION GÉNÉRAL
DE L'ICPAM
(EN MILLIONS DE FRANCS CFA)

Annex A - Table A.4

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	PREVISIONNEL 1986/87
1 - CHARGES							
Stock initial							
Achats		704,57	1218,915	590,56	394,41	258,59	7649,8
Maïs/Maïs/Sorgho	3871	3941,27	4656,815	3783,73	2963,82	7506,28	832,8
Riz paddy	ND	932,265	1250,795	910,99	192,31	3985,28	-
Blé	ND	2788,625	3232,275	2694,64	2594,07	3050,50	-
Produit Phytosanit.	ND	1,775	0,22	-	-	8,46	-
Emballage ficelle	ND	2,36	20,46	5,26	-	29,69	-
Frais de fonctionnement	1388	216,245	153,065	172,84	3,50	438,35	-
Personnel		1963,605	2238,31	2819,20	173,94	3040,43	1797,3
Impôts et taxes	262	270,145	285,395	275,12	2675,85	319,70	317,6
Rev. fourm. serv. extér.	ND	53,7	56,45	52,82	71,50	55,15	54,4
Transport parc CPAM	ND	250,5	262,185	272,21	235,31	424,68	490,8
Transport parc privé	ND	252,2	231,885	102,71	111,73	99,00	353,2
Charges directs sur dons	0	351,5	291,665	284,39	200,33	765,23	-
Frais divers de gestion	ND	-	362,27	1087,69	1444,32	856,20	0
Frais financiers	504	96,8	127,155	138,55	134,31	132,44	153,9
(et pour l'exercice)	-	488,4	466,03	450,64	22,13	211,21	282,8
Amortissements	171	(28,7)	(51,5)	(134,44)	(22,13)	(211,21)	-
TOTAL	6403	200,2	155,285	155,07	159,35	176,82	164,5
2 - PRODUITS							
Stock final	ND		8114,04	7153,49	6034,08	10805,30	10279,99
Ventes	3848	1218,9	590,56	394,41	258,59	7649,83	5818,45
Maïs /Maïs/Sorgho	ND	3366,1	5732,895	4319,72	3262,11	1381,19	2908,9
Riz	ND	531,7	1531,685	1035,86	298,20	192,23	-
Blé	ND	2715,9	4030,83	3140,93	2872,30	1151,71	-
Sacs	ND	0,99	0,53	-	-	-	-
Autres produits	328	117,6	169,85	142,93	91,61	37,25	72,77
Produit financier	ND	412,8	367,39	1096,42	1483,72	941,18	-
Produit accessoires	ND	0,79	2,9	6,72	36,75	77,70	-
Récupér. charges directes dons	0	8,7	5,9	2,01	2,65	7,28	-
TOTAL	4173	403,3	358,53	1087,69	1444,32	856,20	-
3 - RESULTAT D'EXPLOITATION							
(PERTE) AVANT SUBVENTION	- 2320	- 1611,6	- 1423,2	- 1382,14	- 1029,66	- 833,10	- 1479,8
4 - SUBVENTIONS							
Subvention OSRP	1362	750	846,7	543,59	36,15	464,18	-
Subvention FAC	0	16,8	7,88	-	-	-	-
Frais généraux PRUC	0	82,5	121,9	690,10	664,38	213,41	-
Frais généraux CNAVS, CNS.	328	172,66	117,0	149,25	329,13	155,31	-

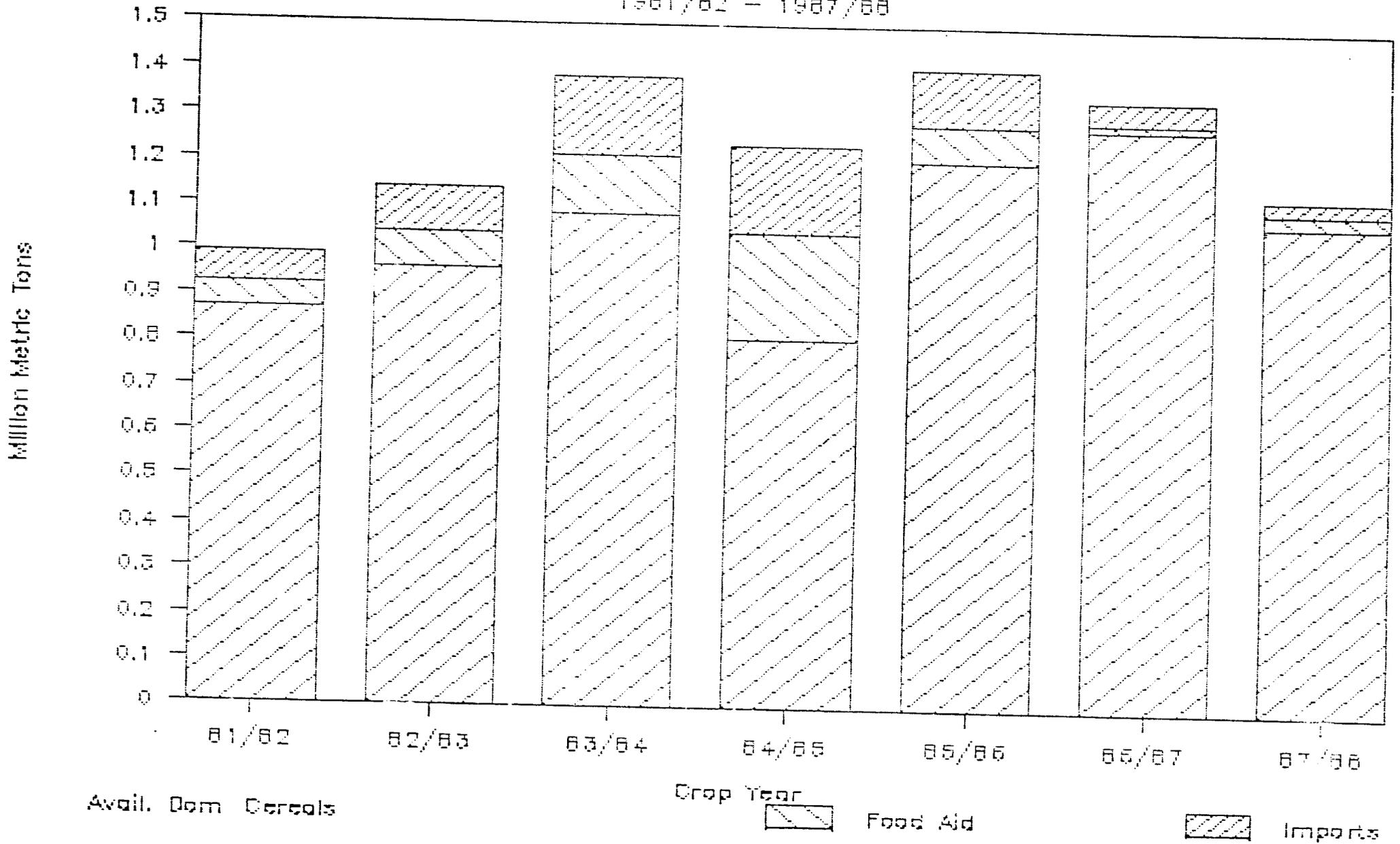
Annex A - Table A.5
 OPAM Staff Distribution (As of January 1st each year)

Region	1975	1979	1981	1983	1984	1985	1986	1987	1988	After Reorg.
Bamako	283	349	320	261	232	269	241	243		
Kayes	100	95	107	97	84	89	75	71		
Koulikoro	70	88	88	81	74	73	69	67		
Sikasso	44	85	77	88	82	79	68	65		
Segou	65	141	120	120	116	103	88	91		
Mopti	63	96	92	92	83	84	82	82		
Gao	57	70	58	58	58	57	54	54		
Timbuktu	71	69	95	66	67	75	67	68		
TOTAL	753	995	958	863	796	829	744	741	690	340

Source: OPAM

Available Cereals in Mali

1981/82 - 1987/88



ERNÄHRUNGSSICHERUNGSPROGRAMM MALI

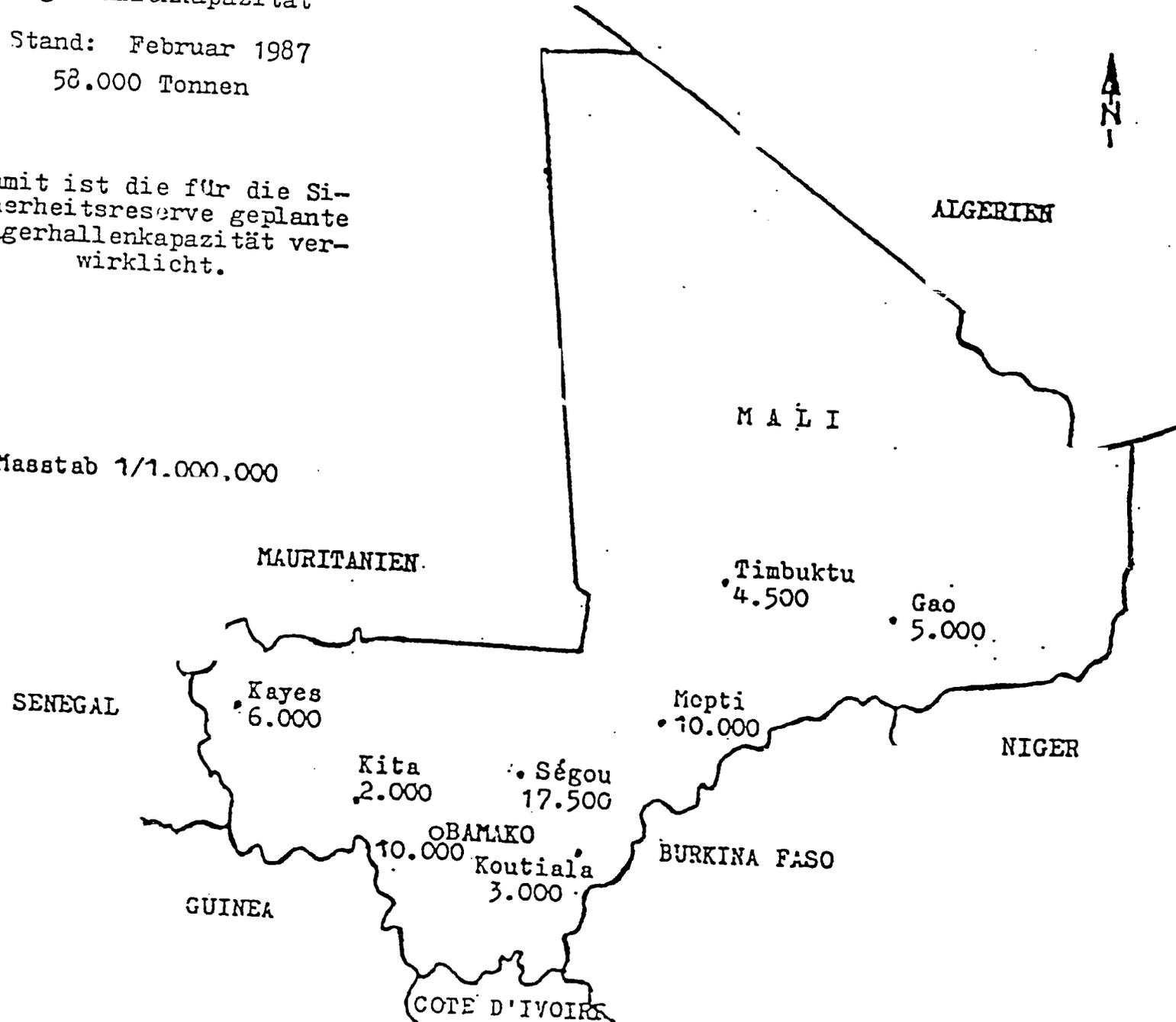
Lagerhallenkapazität

Stand: Februar 1987

58.000 Tonnen

Damit ist die für die Si-
cherheitsreserve geplante
Lagerhallenkapazität ver-
wirklicht.

Masstab 1/1.000.000



Annex A - Figure 2
Storage of National Security Stock
(MT)

12

OBJECTIFS	MESURES A APPLIQUER	JUSTIFICATION	CIBLES	EFFETS ATTENDUS
Contribuer à rééquilibrer les rôles respectifs des secteurs public et privé à tous les niveaux de la commercialisation	1.1. Consolidation de la libéralisation du commerce du paddy à l'Office du Niger et à l'ONR, l'ORS et la CMOA.	1.1. Assurer la fluidité du marché et réduire le déficit de la filière céréalière	1.1. Disparition effective du monopole des ODR sur le commerce du paddy dès le début de la campagne 1986/87 - Assurer une sensibilisation adéquate des agents économiques concernés ; - Encourager les transactions entre les groupements de producteurs et les commerçants privés ; - Utilisation de critères d'évaluation basés sur la production obtenue et non sur le tonnage commercialisé - Transfert des opérations de crédit des ODR à la BHDA ou à des coopératives d'épargne.	1.1. Réduction du volume de paddy commercialisé par l'ensemble des ODR rizières.
1.2. Promouvoir la vente du riz usiné par les ODR rizières	1.2. Promouvoir la vente du riz usiné par les ODR rizières	1.2. Condition nécessaire pour réduire le déficit de la filière céréalière	1.2.- Procéder à la vente du riz usiné aux commerçants privés par appel d'offre avec un prix plancher au moins égal au prix de reprocession à l'OPAM. - Maintien durant une période transitoire d'une subvention dégressive aux ODR sur tout tonnage commercialisé.	1.2.a) Réduction du volume de riz livré à l'OPAM par les ODR b) Réduction des besoins en subvention de la filière céréalière
1.3. Renforcer la capacité de commercialiser du secteur privé.	1.3. Renforcer la capacité de commercialiser du secteur privé.	1.3. Permettre au secteur privé de substituer progressivement aux organismes publics de commercialisation, y compris pour l'exportation	1.3.a) Assurer des possibilités adéquates de crédit ; b) Appliquer une politique de transport incitative. c) Renforcer les mesures favorisant le stockage non public ; d) Collecter et diffuser l'information sur l'offre et la demande du marché.	1.3.a) Amélioration de la fluidité du marché. b) Diminution des coûts de commercialisation de l'économie nationale. c) renforcement de la concurrence sur le marché céréalière.

OBJECTIFS	MESURES A APPLIQUER	JUSTIFICATION	CIBLES	EFFETS ATTENDUS
Poursuivre une politique flexible d'ajustement et de promotion du marché céréalier compatible avec les ressources de l'Etat.	D2.1. Rechercher une meilleure adéquation de l'offre et de la demande.	C2.1. progression vers la sécurité céréalière.	D2.1.a) Contribuer à améliorer les circuits d'information permanente de tous les participants au marché.	E.2.1.a) Motivation transparence du marché.
			D2.1.b) Maintenir un différentiel de prix à la consommation favorable aux céréales sèches, mil/mais/sorgho par rapport au riz et au blé.	E.2.1.b) Effet de substitution entre riz et céréales sèches M/M/S
	D2.2. Rechercher une plus grande cohérence d'intervention du secteur public, avec les coûts de revient de commercialisation et l'évolution du marché.	C.2.2 Optimiser la stabilisation du marché par le secteur public dans l'espace et dans le temps.	D2.2.a) Dimensionner les activités commerciales de l'OPAM en fonction de ses ressources, de l'évolution du marché et de l'objectif de stabilisation.	E2 2 a) Plus grande indépendance financière de l'OPAM.
			b) Substituer progressivement dès 1987/88 le système d'appel d'offre au système actuel des prix d'intervention, sauf pour l'achat du paddy dans les ODB rizicoles	b) Plus grande souplesse d'adaptation à l'évolution du marché.
			o) En ce qui concerne le paddy un mécanisme spécifique du soutien des prix demeure nécessaire	
	D2.3 Stimuler la demande de céréales en fonction des capacités de production locale.	C 2.3 Renforcer la tendance vers la sécurité alimentaire.	D2.3 a) inciter la mise en place des mesures de transformation de maïs local permettant d'en faciliter l'écoulement	E2 3 a) Diversification du marché du maïs et meilleur soutien du revenu producteur.
			b) Favoriser l'écoulement des céréales dans les pays voisins lorsque le marché intérieur le permet	b) Soutien de revenu agricole.
	D-2-4 Protéger le marché intérieur des céréales	C.2.4. Développer la production céréalière locale	D-2.4 a) Mise en application de droits appropriés sur l'importation de riz et de blé	E-2.4 a) Diminution des importations de céréales
			b) Maintenir pour le riz et mettre en vigueur pour le blé une taxe OSRP modulable suivant la conjoncture	b) Périodité des ressources à la filière céréalière
			c) Maîtriser les importations et les aides de céréales dans le pays par une coordination effective de l'ensemble des intervenants dans la politique céréalière (CIVAS-MINAGRI-MINFIN-OPAM-PRMT-Chambre de Commerce)	c) Contribue à rentabiliser l'investissement publics et privés dans la production agricole
	D-2.5 Contribuer à animer un processus de coordination des différentes politiques céréalières nationales dans la région	C.2.5 Evoluer vers une sécurité céréalière régionale	D.2.5 Rechercher une articulation des politiques céréalières nationales cohérentes avec les objectifs et possibilités régionales	E.2.5 Optimisation de l'utilisation des ressources régionales

HM

1. Participer au processus de réforme des organismes publics de commercialisation.

B.3.1. Redéterminer les tâches des organismes publics.

C.3.1. Permettre au secteur non public de se substituer progressivement aux organismes publics de commercialisation.

D.3.1. a) O. P.A.M.

L'OPAM en concertation avec le secteur non public devra :

- . Créer un stock de sécurité
- . Diffuser l'information relative au Marché Céréalière aux différents intervenants concernés
- . Contribuer à stabiliser le marché céréalière par l'emploi d'une gamme d'interventions adaptées à la conjoncture (importations commerciales, contrats d'assurances alimentaires, aides alimentaires, exportations, information,)

Créer l'aide alimentaire céréalière qui lui est allouée

b) OFFICE DU NIGER

ET ODR RIZICOLES

- Soutenir le processus de réforme des ODR vers des organismes de production de services

Faciliter l'accès des rizeries à l'autonomie de gestion

Accroître le volume de paddy usiné par les rizeries pour des tiers

poursuivre le transfert des opérations de crédit à la BRDA et le transfert des approvisionnement d'intrants au secteur privé

- modifier les statuts ODR et ORS permettant leur éligibilité au secteur bancaire.

B.3.2. Diminuer les coûts de gestion des organismes publics

C.3.2. Renforcer l'efficacité des organismes publics

D.3.2. Poursuivre la réduction des charges de l'OPAM

- coût de revient dans les ODR doivent être couvert par les redevances

- réduire les coûts de revient d'usinage de paddy

B.3.3. Appuyer et responsabiliser le secteur non public dans le cadre du transfert des tâches

C.3.3. Dynamiser le secteur non public

D.3.3. - mettre en œuvre un système d'information des marchés pour 1986/89

- consacrer une part progressivement importante des ressources du fonds de contrepartie pour appuyer le secteur non public

OBJECTIFS

MESURES A APPLIQUER

JUSTIFICATION

CIBLES

B.3.4. Obtenir l'autonomie de gestion des organismes publics

C.3.4. Responsabiliser le secteur public pour améliorer la rentabilité économique

- Renforcer la capacité des AV à assurer un rôle accru dans la commercialisation et le stockage des céréales.
- Transférer progressivement l'approvisionnement des SUP sur secteur non public

D.3.4. Pour l'OPAM

- Inviter des représentants du secteur privé au Conseil d'administration de l'OPAM
- autoriser l'OPAM à utiliser sur une base permanente, les systèmes d'appels d'offre
- Donner au Directeur Général de l'OPAM pleine autorité en ce qui concerne la politique de gestion et de rémunération du personnel.
- audit annuel et contrôle permanent des stocks

Pour les ODR

- autoriser l'exportation du riz de haute qualité
- encourager les ODR à vendre leur riz sur appels d'offre

4/8

Annex C
MEMORANDUM

To: Tracy Atwood, ADO

Date: June 20, 1988

From: William Scott, Consultant, PRMC Evaluation

Subject: PRMC II, Comments and Recommendations

- 1) Issue- Should the role of the PRMC be restricted largely to policy issues, rather than implementation of programs? Does the PRMC secretariat have the staff to design and implement programs? Should the donors, agencies designed to do this, take responsibility for specific programs of PRMC?

Comments- This is a complex issue which has important ramifications for the direction of the PRMC program. Historically, the mission of PRMC has been to encourage the Malian government to undertake policy reform in the cereals market by. Of course, there have been certain disagreements between donors about how this was to be accomplished and at what pace. But, because of PRMC and in spite of it, reform in Malian cereals policy has taken place since 1981.

At the same time, it was relatively clear how the counterpart funds were to be spent. The funds went to support OPAM, ODRs, and other government organizations in cereals production and marketing. Relatively little money was spent on programs trying to improve the efficiency of the private sector grain markets. This deficiency was noted by a number of evaluations looking at PRMC I's record. This situation has been corrected over the past two years, with money going for a number of new programs directed specifically at the private sector.

This new emphasis on programs places PRMC at a crossroads. On the one hand, much of the policy reform that was at the heart of the original PRMC program has been achieved. On the other hand, the PRMC does not presently have the staff needed to design, implement, or carefully monitor the new emphasis on programs designed to complement the policy reforms.

Furthermore, the successful programming of local currency becomes even more difficult when donors must agree to the objectives of each program. Under the present system of consensus, each member invariably wants to insert their goal into the program. Two things result: 1) Programs become encumbered with multiple goals which make implementation even more difficult than normal (e.g. the merchant credit program which is trying to increase credit to the private sector and also trying to ensure storage of cereals over time). 2) Everyone compromises in the process. Perhaps we agree to a program that normally would not be acceptable under USAID policy guidelines in order to get something else we want (e.g. accepting a protectionist variable tariff for credit programs to the private sector).

To resolve this dilemma, PRMC has a number of options. First, the PRMC could continue on its present course, undertaking new programs and dealing with policy issues as they come up. This would undoubtedly require increased staff at the PRMC secretariat. The Canadians suggested that a consulting firm (presumably local) be hired to more carefully monitor programs on a continuous basis, paid for by the counterpart fund. More careful annual planning of the workload was also suggested by the Canadian report. Responsibility for certain tasks would be assigned to individual donors throughout the year.

Second, the PRMC could concentrate on policy reform and less on programs, using local currency more for budget support to the GRM. This method would be easier to administrate and concentrate PRMC time more on policy issues than program objectives and administration. The Malian government has been known to change its mind on policy reform, and this method could safeguard the reforms that have been made. However, the PRMC might want to expand its policy framework to areas outside of cereals marketing such as agricultural production policy, trade, and transportation.

Third, the PRMC could continue to debate policy issues and provide a certain amount of local currency in support of this while turning over project implementation to particular donors. The PRMC would no longer debate the specifics of a project design or implementation but only the general intent and how the project fits in with the overall PRMC program. Donors would be free to use the local currency generated by their food aid, with a contribution to the "policy fund" of the PRMC.

Naturally, there are good and bad points to each of these options. The first option provides the most collective clout for the PRMC. It also requires the most time spent in PRMC meetings debating the programs and deciding how work is to be divided. It requires the most compromise on policy issues and provides the least control over the local currency resources generated by US food aid. The second option is the easiest from a programming point of view, and given the budgetary crunch of the Malian government, might be very useful. Local currency would need to be programmed in advance in support of specific policy changes to avoid piecemeal requests of the government for financial band aids. This option would also require a further analytic effort to formulate policy reform issues. The third option reduces the collective power of the PRMC but places a further emphasis on the implementation of programs which have clearly defined objectives and are being implemented under the relatively rigorous standards of the individual donors. Policy issues would still be debated among the PRMC donors, but limited largely to cereals market issues. The collective "policy fund" would still be a reasonably potent instrument vis à vis the GRM, but less time would be spent by donors attempting to agree on the specifics of programs.

It is clear that the present situation under PRMC is becoming unacceptable. Something must be done to improve the

implementation and supervision of PRMC programs. The present structure of the PRMC allows too much money to be spent with too little accountability and too little responsibility. The secretariat as presently structured cannot handle the workload. Donors are spending too much time debating specifics of program implementation. The question is not whether to change but how to change.

It is the opinion of this evaluation that it would be preferable to follow the third option. A major assumption behind this preference is that donors would be willing and able to provide resources to the design and implementation of projects. If this is not the case, then the argument for this third option is considerably weakened. This option would provide USAID with more control (and responsibility) over the local currency generated by our food aid, although the GRM would still be a partner in the administration of this local currency. It would also provide USAID with a clearer means of expressing our policy preferences without veiling them in the language of PRMC memorandums. At the same time, we would still have a common voice with the PRMC donors on policy issues.

- 2) Issue- Should credit programs receive more supervision than they are presently getting? Should these programs be made the responsibility of a specific donor as suggested above? What kind of design effort is needed to assure that the conditions of the credit programs are both reasonable and workable?

Comments- The implementation of the credit program for merchants, in particular, has left much to be desired. The choice of the Chamber of Commerce excluded almost a priori merchants who were not members of a certain "in" group at the Chamber. Storage in Chamber of Commerce warehouses was not satisfying technically or financially. The grain was poorly stored and the availability of suitable storage was not estimated correctly. The charges for storage were at least twice the market price. The management fees for the work undertaken by the Chamber of Commerce are now a subject of dispute. PRMC "loans" of 60 million ECFA to the Chamber of Commerce for management fees have not been paid back nor is it clear that they will be. The program started late because the two banks chosen to implement the program put the money into an interest bearing account for three months instead of getting the lending program moving. There were a number of irregularities in the lending of the money (too much lent to one individual, money lent to people not knowledgeable in grain trading), the use of the money (people not buying grain but other items), and the repayment of the money (only 68% repayment rate among the merchants, not including non payment of 60 million ECFA by Chamber of Commerce).

The problems derive from both the design and actual implementation of the program. Some of the problems might have been solved at the design stage - use of the Chamber of Commerce, estimation of storage capacity and capability, charges for storage. Others might have been prevented might have been

presented with more careful supervision at the implementation stage-- the slowdown by the commercial banks, a better understanding governing the use of the 60 million FCFA loaned to the Chamber of Commerce. Still others would have happened anyway, a normal part of the difficulty of putting together a project in a Sahelian country-- abuse of prescribed credit ceilings, misuse of money loaned, poor repayment rate.

Program design and implementation must run a fine line between being too restrictive and too flexible. Credit for the private sector will be abused if there are not sufficient restrictions and not used if there are too many. To attain a balance requires considerable attention in both design and implementation. It is not clear that the PRMC staff or Technical Committee had sufficient time for either. And programs aimed at strengthening the private sector but not sufficiently well-managed to prevent abuse do not help the private sector's case.

The PRMC has been working to solve some of the problems. One marketing campaign (1987/88) was missed because the PRMC was too busy with the changes at OPAM to concentrate on the changes needed with the merchant credit program. Perhaps this program is now sufficiently under control (although that remains to be seen) to remain a permanent part of the PRMC secretariat's portfolio. However, to assure better as well more permanent supervision, it would be advisable to have a donor take this program into its portfolio if possible. If this is not possible, then PRMC might add additional staff to handle its credit programs.

- 3) Issue: Should interest rates for the merchant credit programs be increased to cover the cost of risk and administration, and to discourage misutilization or misallocation of these funds? Although raising interest rates for the village associations may be difficult politically, should they be raised as well on the same grounds of risk and covering costs?

Comments: Any time credit is available at subsidized rate, it become a target for those with political clout. Credit should only be available at rates which cover administrative costs, losses, and make a repayment to the lender. This is difficult even at the maximum allowed rate, but impossible at 8%. Repayment rates of the politically powerful tend to be lower than those with less power (small farmers, small wholesalers, etc.). Clearly, then, to cover costs and make the loans less attractive to people with power, the credit program for merchants would need to increase its interest rates.

For the village association credit program, which had a better repayment record than the merchants, there might be a case for keeping the interest rate at 8%. However, it is not clear how the program can be self-sustaining at the rate, even with the present reasonably good (85%) rate of repayment. For this reason, it will almost undoubtedly be necessary to raise also the rate of interest for the village association credit program.

- 4) Issue- Should credit be expanded as each program proves itself to be viable without continuous injections of new funds? Also, how can credit programs be prevented from being a "backdoor" method of price support?

Comments- A credit program generally aims to be self-sustaining. Subsidized credit programs that do not cover administrative costs and repayment losses cannot last unless donors or the GRM are willing to continually inject fresh capital into the program. However, somewhat like work that expands to fit the time available, credit programs losses tend to expand to fit the expected level of capital renewal. The PRMC needs to make it clear that capital will not automatically be provided each year to make up for losses. But then, there is the problem of making sure that it is worth someone's while to try to have a higher repayment rate. At the present time, with PRMC taking all of the risk, the banks have very little incentive to collect their debts. This could be changed.

Credit programs that have a stated objective of "price support" are more likely to forgive loans not repaid in years of abnormal price fluctuation (e.g. when prices go down during the season instead of up, and the merchants or village associations have losses). Yet, there is supposed to be some element of risk assumed by village associations and merchants. Risk means one could win or lose, and still be responsible to pay back the loan. Price support could too easily be interpreted as something that the State is supposed to subsidize. A loan program should be for the purpose of increasing the amount of credit to a given sub-sector, not for providing subsidies on the grounds of price support.

- 5) Issue- How should OPAM treat its role as supplier of deficit areas and how should this be monitored by PRMC?

Comments- OPAM was given a mandate to supply deficit areas. This can be interpreted and defined in many different ways. Is Bamako a deficit area because it does not grow enough grain to feed itself? What are the criteria used to decide how much grain is to be supplied to an area and who will receive it at what price? A certain interpretation of these questions could lead OPAM to play too large a role in certain regions at the expense of the private sector.

The PRMC could work with OPAM to provide reasonable answers to these questions and many more regarding the provision of deficit areas (such as the possibility of production disincentive effects of food aid in these areas). In general, OPAM should not supply areas that can be serviced by the private sectors and where people have effective demand for grain.

- 6) Issue- Should the PRMC consider support of programs that provide the conditions needed for a more efficient market such as transportation infrastructure, credit, and storage? Might it also consider programs which improve the stability of production such as improved technical packages (that do not

require an increase in price for adoption), improved of cereals varieties, better and more affordable water control, and diversification of crop mix and introduction of high-valued crops?

Comments- The answer to these questions could provide the rationale for using PRMC counterpart funds for a broader range of projects than is presently the case. Utilization of these funds would normally be under the bilateral agencies' control.

- 7) Issue- Should the variable tax system be modified over the next three years to provide a declining level of protection in order to encourage a lowering of production costs with the goal of meeting competition on international markets?

Comments- One of the objectionable parts of the presently proposed system of variable taxation on imported rice is the lack of a price mechanism for encouraging cost reduction in order to face competition. There is no incentive for the infant industry to grow up or to strive for cost reductions. This could become part of the program.

At the end of three years (or before), there could be a program which gives a schedule of how protection will be lowered over a period of time. For example, the level of protection might decrease 5% annually over a period of five years, at which time average costs in Mali and in other countries will be reviewed. Or, the level of protection could be linked to some index of average production costs in other countries. There are many other forms this reduction in protection could take place. The point is that the variable tax should not become a wall behind which there is no incentive to achieve cost reductions.

- 8) Recommendation- How should the PRMC encourage intraregional trade among African countries? Should it be through a program designed to study the issues and then introduce the appropriate policies designed to remove barriers to trade?

Comments- In many ways, the idea of freer intraregional trade among African countries is in the future. However, it is an idea worth supporting, first through study and then through policy measures designed to encourage those steps that can be taken now. CISS is already exploring the idea of trade among African countries. Their work could serve as a base for a trade study between Mali and its neighboring countries. The study would look at both the concrete possibilities for trade and the policy measures needed to encourage trade.

When the study is complete, the PRMC could begin discussion with the GRM of the appropriate policy reforms for Mali. The PRMC could also support the GRM in policy discussions with neighboring countries.