PD-AAZ-478

EVALUATION OF PL 480 TITLE II
SECTION 206 PROJECT
IN MAURITANIA

Submitted by:

Development Economics Group
Louis Berger International, Inc.

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EXECUTIVE SUMMARY

The second P.L 480 Section 206 project in Mauritania is now at mid-term. This project was conceived and implemented under the drought conditions of the early 1980s. With the return of adequate rains and increased agricultural production, the project finds itself in a period of policy flux.

The project has benchmarks in four domains: price policy, agricultural liberalization, private sector promotion, and reduction of free food distributions. The GIRM has responded in each domain, albeit unevenly. The price of imported wheat is at import parity; a gradual and controlled liberalization in agricultural input markets and cereal markets is taking place; and free food distributions have declined. The Team feels that this progress is sufficient--both in process and in substance--to believe that the current project should be continued and that work should begin on a third Mauritania 206 project.

The major issues in this project relate to the strategy and cohesiveness of the benchmarks and objectives. The Team has found that, to a significant degree, ambiguity and contradictions exist in the project structure. Among others, the use of import price parity as a policy to determine cereal prices has contributed to pricing imported wheat lower than local cereals--an unacceptable situation. The combination of price reform dialogue and the sale of U.S. sorghum at below market prices is contradictory. The project benchmarks relate generally to food security, but operate in different sectors without significant cohesion between them. This gives the appearance of putting forward single solutions to multi-faceted problems, and dividing management time excessively. In sum, progress is being made in achieving benchmarks, but it is less than clear whether the current benchmarks are consistently leading to achievement of project objectives and food security.

The team found a duality in project management. On the policy side, OAR/M has not received the analytic support it needs to manage the policy dialogue aspects of the project. This has resulted necessarily in a certain down-playing of these issues. On the operational side, management has been of consistent high quality.

The Team was requested to analyze several specific issues. Among the results:

> The generation and expenditure of local currency proceeds from this project has followed general A.I.D. guidance. All but 4% of available funds have been programmed. GIRM deposits of these proceeds into the designated account has significantly improved. In counterpoint, however, bank

liquidity problems pose serious problems for the timely use of funds.

The use of sorghum in Mauritania is creating several problems for the 206 project. The team feels that the OAR/M should not continue to import U.S. sorghum in this project since substantial surpluses exist. The 'self-targeting' commodity concept has had very little success, and should not be continued in future projects with sorghum as a subsidy vehicle.

The Donor Common Fund has not been successful in increasing the effectiveness of local currency expenditures. Considerable work is needed to create a strategy for the Common Fund in order to justify further U.S. contributions.

There is substantial potential for further donor action in the cereal sector. The Team encourages the OAR/M to investigate the opportunity of using a third section 206 project to help put into place a concerted Donor-GIRM strategy and forum for the growth and promotion of the cereal sector.

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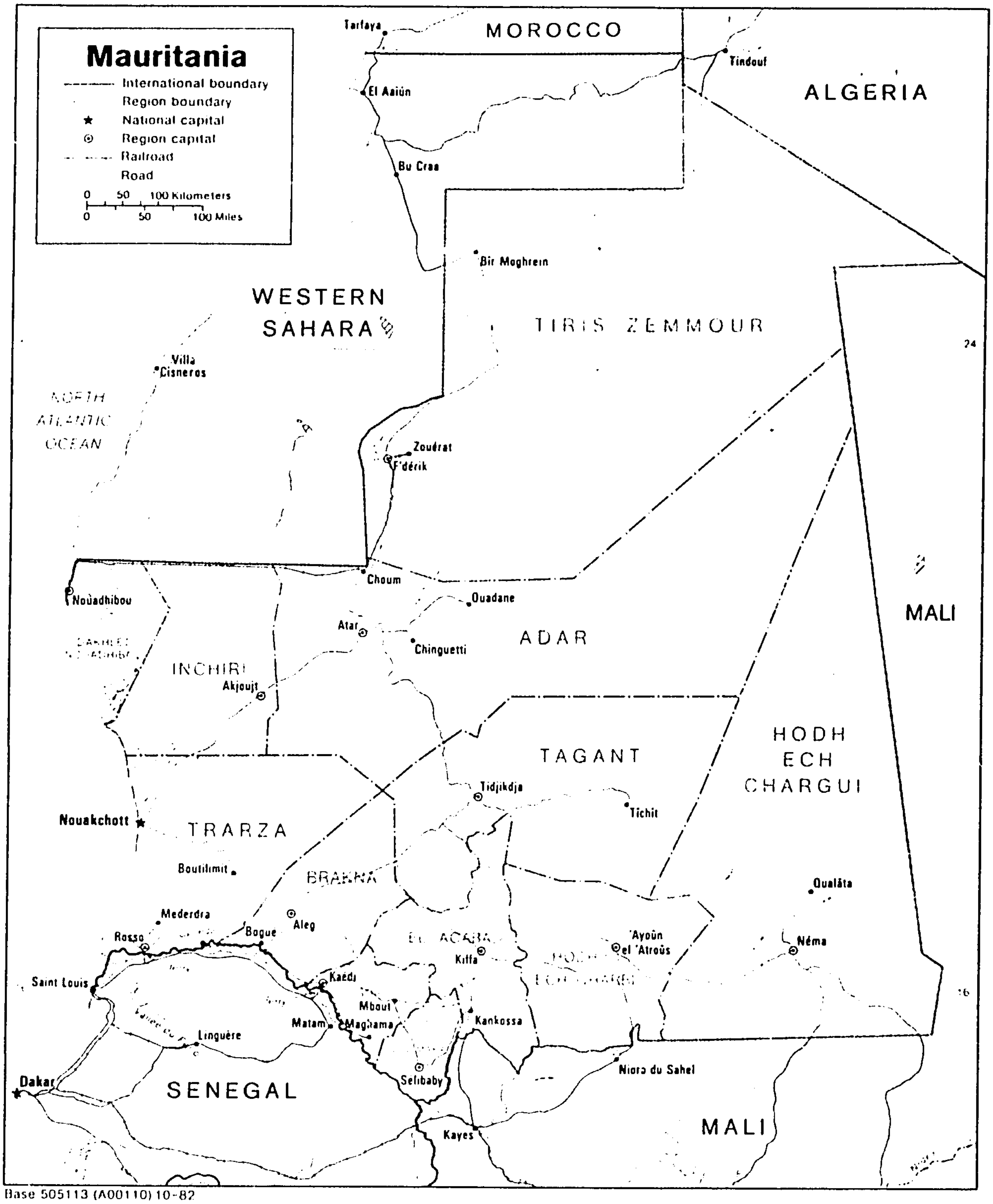

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I. INTRODUCTION

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1.1 Problem Definition:

By any standards Mauritania lacks food security. Even in the best of years the country's southern areas are marginal producers of cereals. During times of drought, which has been almost a norm throughout the 1970s and mid-1980s, producers slip well below self-sufficiency. Production levels as low as 8.3 kg. per capita have been noted In the North the livestock base of its economy has seen crippling losses and out-migration of people and herds. Without the productive capacity of these herds, the nomad's primary means of food purchases is gone.

Compounding the productivity problem is a change in the resource base of the country. Desertification and erosion have brought about a substantial loss of crop and rangelands, and rendered even more fragile the already marginal lands in production. As well, the rudimentary communication, transportation, and processing infrastructure of the country creates substantial barriers to efficient marketing of agricultural commodities.

The macroeconomic situation of the country is equally bleak for enhancing food security. Substantial investments in the mining and fishing sectors have not brought the returns anticipated. Low commodity prices have brought losses to the iron ore extraction industry of the north. The fisheries sector may have already passed the point of maximum sustainable yield and may not be counted on for further substantial growth. Investment in these and other sectors has brought about an external debt approaching 2 billion dollars. Debt servicing takes a major portion of the country's foreign exchange and the balance of payments is in serious disrepair. Without foreign exchange, the potential for increased commercial imports of cereals is low.

Government agricultural policies, particularly pricing, have also been awry, and a leading cause of disincentives for production. Market prices for cereals have often been below that of world prices and substantially below pricing levels needed for an agriculture that does not have the inherent efficiencies reflected in the world price. Even with the irrigation potential and increased rice production along the Senegal river, food security based on production is at best a distant reality.

There are three results engendered from this situation:

1. Mauritania finds itself with an absolute food gap in that

its needs are substantially greater than its ability to produce or import food;

2. Even when food is available parts of population have been economically marginalized and do not have the means to purchase food when it is available;

3. Mauritania is dependent on food aid to fill both its absolute need and its individual need.

1.2 Summary History of Section 206:

In the early 1980s it became clear to U.S.A.I.D. that Mauritania was locked into chronic food shortages and a rapidly escalating food emergency. Never having fully emerged from the shock of drought in the 1970s, Mauritania appeared to be undergoing a substantial, possibly permanent, change in its productive capacity. Previous to the Sahel drought (1972-75) 40% of its Gross National Product was derived from agriculture and livestock. In the 1980s less than 20% of GNP is derived from the rural sector. This dramatic shrinking of productive capabilities came at an extremely high human cost: the onset of rural out-migration, haphazard urbanization, impoverishment and, most especially for nomads, the end of a way of life. The production levels of 1968 have only recently been regained.

It was clear that drought played a major role in the decline of agricultural productivity. It was equally clear that the Mauritanian policy environment was exacerbating the decline of rural production and incomes, and as a result massive amounts of food aid were required each year to cover the shortfall.

The negatives of food assistance are well known and documented. Dependency can develop in both the nation and its people, and surplus food stocks can cause further decreases in already stalled productivity by acting as a drag on farm-gate prices. Most importantly, annual shipments of food aid are not an answer to a national food crisis. Relief solves hunger; it is not a solution to the causes of hunger.

U.S.A.I.D.'s awareness of these issues and the potential for endless relief shipments prompted it to look for ways to attack the root causes of food shortages in Mauritania, particularly causes that were related to agricultural and price policies. U.S.A.I.D. began a dialogue with the Mauritanian government that attempted to use food-aid as a tool to bring about policy reform aimed at increased productivity and deriving greater value from the food assistance, beyond its immediate consumption.

On July 20 1983 Transfer Authorization No. 682-xxx-000-3616 was signed, putting into place a Section 206 project. Under this agreement, the American government pledged 60,000 MT of wheat and sorghum to be delivered over a three year period. In return, the Mauritanian government agreed to undertake a series of self-help measures and agreed that delivery of each year's tranche of food was predicated on making progress in meeting specific benchmarks.

Objectives and bench marks were clearly set out in the T.A. The goal of grain price policy reform was to bring the price of sorghum and wheat marketed by the GIRM food aid parastatal, Commission for Food Security (CSA), to a price reflecting world market prices, including the value of transport and handling. A schedule was agreed to in which the difference between the CSA price and the world market price would be eliminated by 1987. The T.A. implicitly noted the difficulty of attaining this objective by accepting a time frame for reform that extended well beyond the life of the project agreement (1983-85).

Sub-goals of this project included establishment of a food data reporting system, and the undertaking of a food consumption survey. Each had appropriate and specific bench marks in the T.A. As well, specific procedures for financial and commodity management were agreed upon.

The first food shipments under this program actually arrived in April, 1983, three month before the T.A. was signed. This was due both to the impending emergency and to difficulties in negotiating grain price policy reform. The impact of grain price reform proved to be an ambiguous issue. The GIRM ultimately respected the terms of the T.A, and by 1985 had brought wheat prices to 68% of the import parity price. The achievement, however,was not matched by the effect. Cereal production in Mauritania declined precipitously over the period of the agreement, primarily due to drought. The actual effect of policy reform was therefore unclear. Secondary objectives were deemed to have been met, through self-help measures and local currency projects.

Local currency generation and management quickly overshadowed policy reform as the principle issue of the project, and began to consume substantial amounts of management time in relation to other components of the project. In essence, the GIRM did not comply with the accounting and financial transfer methods outlined in the T.A. Globally stated, funds were not misappropriated, but rather regularly deposited 12 months late, creating large losses through unaccrued interest. In 1986 the Inspector General audited this program. Of particular note was the recommendation to delay call forwards until funds due had been deposited. The Mission agreed and used this leverage on a consistent basis. The significance of this action was the use of negotiating power on the implementation of the project rather than on the project's policy reform or food security goals.

Transfer Authorization 6620, which represents the current Section 206 project, was signed as a follow on agreement on April 23, 1987. Negotiations took well over a year, due to American insistence that outstanding funds be deposited before a new program started. The purpose of the second project was ostensibly the same as the first, but the focus was to sustain rather than make progress in pricing, since the original pricing goals were felt to have been substantially met. The T.A. looked, therefore, at a much broader range of operational and sectoral policy goals. An especially significant change occurred in commodity selection. American red sorghum was chosen for two-thirds of the commodities, and priced significantly below any other cereals available in Mauritania. The rationale was to make sorghum a self-targeting commodity on the grounds that it would not be a preferred good in Mauritania, and that only the poorest would buy it, even at the subsidized price. Another notable aspect of the program included the creation of a Donor Common Fund, aimed primarily at agricultural development projects. American contributions would be through local currency generated through Section 206. At this time, also, the World Bank began extensive structural adjustment negotiations with the GIRM. The precedence of the Bank in these types of negotiations changed the focus of the project. The 206 project was soon perceived as attempting to work more on sectoral issues rather than price policy. Both the Bank's lending resources and its analytic depth went far beyond the strength of components of a 206 project, and tended to over-shadow it on a macro-level. Section 206 activities became much more focused on managerial aspects and on use of counterpart funds.

Principal U.S.A.I.D. actions in the months following the signing of the T.A. involved systematizing P.L.-480 monitoring and management. OAR/M began to expand its monitoring staff. It put into place a monitoring and evaluation system to track project implementation, and developed several micro-computer programs to manage and analyze program data.

On the policy side the OAR/M pursued its goal with the CSA of closing selected sales centers. Three centers were closed on Oct. 15, 1987 and reopened March 15, 1988, after market surveys indicated prices had risen beyond the agreed upon reopening point. As well, 12 CSA centers were designated as uniquely U.S.A.I.D. sales centers as a management consolidation move. Later, an additional 8 centers were attributed to the US for the sale of sorghum. The OAR/M was also working to develop an expanded GIRM interest and ability in managing food assistance. Since 1986 several new committees have been established, with much USAID guidance and participation. A 'Commission Paritaire' has been established, with open membership, to guide policies and select project for the Common Fund. A 'Conseil de Surveillance' composed of major donors and GIRM ministries now places CSA actions in a policy context, and attempts to centralize cereal market policy decisions. Also, a 'Comitee de Suivi'--essentially a Board of Directors--was created for the implementation of the USAID Section 206 project. Of special note, it includes not only USAID and CSA staff but an external donor representative as well. These are all extremely positive managerial steps.

Other changes over this time include the development of a budget process at the CSA. This occurred with considerable technical assistance from the Sahel Regional Financial Management Project. Previous to 1986 no budgeting was done, creating a fiscal morass. The process, although not complete, is developing the institutional base necessary for organizational development.

During this period significant amounts of local currency were being generated from TA 3616, with the CSA continuing to make deposits extremely late. A particularly intractable issue was the quality of the Mauritanian banking system. Deposits made by the CSA were not clearing in a timely way. The cause of this was principally a liquidity problem in the banking system. At the same time a strong effort was being made to program local currency. The first Common Fund contribution was made, agreements were established to fund the World Bank Living Standards Survey, an audit of the CSA was made by Arthur Anderson, funding of OAR/M Food for Peace operations, and two National Food For Work seminar were held.

The first commodities of the new program arrived in three shipments, 2 in late 1987 and one in January, 1988. One shipment, of approximately 7,000 MT, arrived in bulk and was bagged by hand. This operation took almost 4 months and considerable Mission oversight. Later shipments were bagged automatically, and considered a very successful and economical use of the recently completed port in Nouakchott.

The second tranche of commodities arrived in August-September, 1988. Of this, the CSA requested that 3,000 MT of sorghum be diverted for free distribution. This request was acceded to.

The third call forward of this project is scheduled for February, 1989, after the current evaluation.

1.3 Evaluation Criteria, Methodology and Acknowedgements.

This report presents a mid-term evaluation of the Mauritania PL-480 Section 206 project, covering the first half of the project (April,1987-January 1989). This evaluation was contracted to Louis Berger International, Inc. under it Indefinite Quantity Contract No. PDC-0085-I-00-6097-00. The purpose of this evaluation is to "assess the socio-economic impact of Mauritania PL-489 Section 206 program [and to] evaluate the progress in implementing the self -help measures." The OAR/M also requested recommendations be made to improve program impact, identify better methods in for assessing progress, and to make recommendations for a follow on program. In addition to overall evaluation of the project, the Team was also requested to examine and make recommendations on a series of specific issues. The complete scope of work is annexed to this report.

The field work for this evaluation was undertaken in Mauritania over a five-week period in January-February 1989. The team, composed of a Senior Economist and a Food Aid Specialist, met extensively with OAR/M staff, principle managers of the CSA, and other donors. The team also traveled to various locations around the country, to verify and collect secondary data. Field visits, interviews with various individuals, and the examination of reports provided the information upon which the evaluation of this project is based.

The team saw its principal task as assessing the progress the GIRM is making in achieving the benchmarks set out as Self-Help measures in TA 6620, and to evaluate the impact of this progress on food security. This report also provides the secondary analysis requested by OAR/M. The evaluation is organized in four parts. Chapter 1 contains an introduction and summary history of Section 206 in Mauritania. Chapter 2 synthesizes the Team's conclusions and recommendations. Chapter 3 provides specific analysis of benchmarks and achievements. Chapter 4 analyzes a variety of managerial and economic issues that pertain to this project.

The Team wishes to express its gratitude to the OAR/M, the Food for Peace Staff, and the Mauritanian officials who assisted in the preparation of this report.

II. SYNTHESIS, CONCLUSIONS AND RECOMMENDATIONS

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2.1. Program Goals and Objectives.

The OAR/M Food Aid program works on several levels at once and demonstrates a commitment to the well being of Mauritania, both to its people and its institutional structures. The goal of OAR/M's Food for Peace activities is to help provide basic food security for all Mauritanians in order to assure the continued existence and stability of the country. To achieve this goal 2 objectives have been set:

To increase agricultural production through the development and reform of policy packages, and by investment in food security activities.

To assist those Mauritanians who cannot purchase food at prevailing market prices by offering subsidized or free food.

To achieve the first objective a series of self help measures, principally policy related, are to be undertaken by the GIRM These are:

--Cereal Price Policy Reform.

--Promotion of Private Participation in Cereal Marketing

--Liberalization of Agricultural Inputs

--Reduction in Free Food distribution to the minimum level necessary, and promotion of food assistance as a development resource.

To achieve the second objective US sorghum, considered an inferior good in Mauritania, is imported and sold at a price lower than other cereals in the market. This allows those with weakened purchasing power to buy a greater volume of food. As well, free distributions, co-managed with the CSA, are put into place as necessary.

The principal resource to bring about achievement of objectives and policies is the PL-480 Section 206 project. This project allows commodities to be brought in and sold, and the proceeds used for prescribed purposes in exchange for the government undertaking self help measures. To date 60,000 MT of commodities worth $29.1 million in local currency have been committed to the GIRM under section 206 in support of these objectives. Section 206 commodities have been sold at full price, subsidized, and given away. Currency has been used to fund development projects as well as food for work activities. Additionally, the OAR/M has distributed emergency commodities in each of 5 years of Section 206 to supplement food aid activities. The purpose of providing these resources is create a food secure environment until policy changes and investments provide results.

2.2. General Conclusions.

The Team was able to draw the following conclusions and make recommendations on the program as a whole.

A. OVERALL. The Team's principal conclusion is that the GIRM is making a good faith effort to implement self-help measures during the last 18 months. All four self-help measures have recorded at least partial accomplishment. However, achievement is primarily in less important areas and benchmarks. Areas where significant and important change is needed are not receiving adequate attention or action. The OAR/M has found the GIRM to be a partner of only moderate capabilities in bringing about change.

The impact of achievements, therefore, is not highly concrete. It is difficult to find a direct causal linkage between the self-help measures as implemented and the increased agricultural production that has occurred during the project period. Certainly, there are contributing factors extraneous to the project. Similarly, although the GIRM has made progress in reducing free distribution, the result of achieving this benchmark is hard to discern.

The Team believes that, despite ambiguous results, the positive impact of this project lies in processes begun. The Section 206 project is recognized by the GIRM and other donors as one of the principle forums and mechanisms to negotiate cereal issues. At this stage of policy reform, issues brought up under this project and the processes and analysis through which they are resolved are equally important as the impacts achieved. Certainly, the enhanced level of dialogue and institutional strengthening that has occurred over the life of this project is a positive step.

RECOMMENDATION: In order to continue the process of policy reform and negotiation, the Team recommends conditionally approving the third tranche of food assistance under this project. This approval is justified through progress to date in achieving self-help measures and the real potential for immediate further achievement. The Team further recommends that a third section 206 project, with significant goal structure modification, be considered by the OAR/M.

B. STRATEGY. The team also concludes that despite the progress made in achieving benchmarks, strategically the project attempts to accomplish too much in too many sectors, and as a result, some of the objectives and policies within the project conflict with one another. As well, in many cases the purposes of policies and objectives are not defined, leading to goal shifts and ambiguities. It becomes difficult to know at times which policies take precedence or even why. The inclusion of a series of diverse objectives in a single project makes it difficult to manage toward achievement of its purpose. Some of these conflicts and ambiguities can be listed as follows.

The inclusion of the self targeting concept contradicts the price policy improvements to be undertaken. As valid as the concept might be in and of itself, it is difficult to insist on price policy changes when 2/3 of the commodities brought in are sold at below market prices.

The choice of import price parity as a benchmark for wheat sales is ambiguous . Because import parity could actually lead to price decreases, it is not clear whether the purpose of this policy is economic efficiency or domestic protection to increase local incentives. It is suggested that if protection is the purpose of the policy, import parity is not the correct vehicle.

Managerially, audit and external pressures have significantly changed the focus and use of leverage in the project. Significant amounts of management time are spent in accounting for sales and attempting to bring funds from the CSA. Call forward timing, the principle way to leverage policy reform, has been used throughout this project to bring pressure to bear on accounting issues. This focus, combined with the lack of access to a full time economist, has led to a lessening of dialogue on non-operation policies (i.e price and agricultural input policy).

Local currency is used generally to support various projects leading toward food security rather than directly supporting project objectives and policies. This leads to a diffusion of both resources and management across a wider spectrum.

To a degree, single solutions are sought in a variety of sectors (price reform to increase production, market liberalization for agricultural input market development). The team firmly believes no single solution can respond effectively to these isues. A stronger project would aim at providing sets of solutions and interventions for a single problem.

In sum, these types of conflicts make the 206 project difficult to manage, and a less calibrated tool to achieve the types of outputs planned.

RECOMMENDATION: Limit the number of sectors in which a future program will impact, and assure that all resources used in future programs are focused on the same objectives. Assure that policy purposes are clear and that quantifiable indicators of achievement can be put in place.

C. OPERATIONS. Internal operations management of the OAR/M 206 project is extremely strong. Staff development is exceptional, and management routines and procedures are in place. Data collection and monitoring information is of high quality. Particularly for activities involving operations, the CSA, and other donors, OAR/M has exhibited a high level of skill. At the same time,however a major management component of this project is policy dialogue and economic analysis. The management of this project is hampered by lack of support from a senior economist/policy analyst. It is important to note that few high level contacts occur with the Ministry of Economy and Finance, even though it is a co-signatory of the TA. The emergence of the World Bank as principle negotiator on macro-economic issues has also worked to shift the emphasis of this project away from economic policy.

RECOMMENDATION: Continue to develop staff skills, particularly in economic analysis. Investigate whether policy analysis support is available from REDSO/WA or other sources. PD&S funds should be considered for frequent use to provide the necessary level of analysis. AID/W should commit to assuring adequate support for this type of project. All involved should recognize the leadership role of the World Bank in structural reform and design and manage projects aimed at the sectoral level.

2.3. Component Specific Conclusions.

The team is also able to draw the following conclusions on specific issues within the program.

A. CONSUMER PRICE OF WHEAT. The CSA consumer price of imported wheat has recently reached the import parity price (21.5 UM/kg.). This price level is still, however, below the CSA consumer price for local coarse cereals (24 UM/kg.). Thus, even at import parity, local cereals are still more expensive than imported wheat. This places OAR/M in a particularly difficult negotiating position. Import parity, a policy objective, has been attained, but has resulted in continuing to make local cereals uncompetitive.

RECOMMENDATION: The final call forward of the current project should be made conditional on further increases in the price of wheat. Specifically, the first 10,000 MT should be granted only upon commitment to raise consumer prices to 24 UM/kg. The second 10,000 MT should be granted only upon implementation of the price increase. This recommendation, however, should take into account both the World Bank activities in price policy reform, and possible future multi-donor proposals. Therefore a considerable margin of latitude should be accorded to OAR/M in negotiating the third tranche.

B. PRODUCER PRICE FOR PADDY. The criteria for setting producer price levels should fully take into account all costs of production: technical inputs, water, land, transport,loan interest and fees, and the effects of inflation, and compare them to the production costs noted in recent studies. The official producer price, set January 12, 1989, appears to be low given the reduction in subsidized services to farmers, although changing it has significant implications in other sectors. The current producer price of 19 um/kg. surpasses that required in the T.A.

RECOMMENDATION. Continue to support maintaining the producer price at 19 UM/kg until a comprehensive study can indicate the proper level of producer price.

C. AGRICULTURAL INPUT LIBERALIZATION. The GIRM's current policy is based on gradual and controlled liberalization, suppressed direct subsidies to farmers and a shortened list of certified and controlled input prices. The Government has also reduced the role of certain organizations (CSA, SONADER) to invite greater private sector participation in the agricultural marketing system. The GIRM has also merged credit systems under the BDU (Union Development Bank). In and of themselves these measures show progress, but they do not constitute a liberalized market.

There are a multitude of difficulties in creating an efficient market in Mauritania: unclear pricing policy and government intervention, rigid procedure, heavy red tape, inadequate infrastructure and communication, and ineffectual credit and banking.

RECOMMENDATION: Encourage the GIRM to rapidly decontrol remaining government sectors of the agricultural input market, and abolish unnecessary restrictions and licensing regulations. The GIRM should also be encouraged to engage in higher level sectoral planning to rationally develop private sector capacity and concurrent government withdrawal.

D. CSA SALES CENTER CLOSING. Private sector promotion benchmarks have been nominally met. However the team questions the CSA's commitment this process. They are principally responsible for providing the analysis of each zone where sales centers have been experimentally closed. This has not been done with any degree of seriousness, rendering the experiment meaningless. Thus, although the CSA has essentially complied with TA, the impact of activities under this benchmark have been zero or even harmful.

RECOMMENDATION: Immediately develop a methodology for analyzing the impact of center closing. Local consultants should be considered. If this cannot be done, the experiment should be dropped, since it has no validity and can be harmful to the general population by subjecting the cereal market needlessly to price speculation.

E. FREE FOOD DISTRIBUTION. The CSA has substantially reduced free food distributions and promoted Food for Work as an alternative to free distribution. This benchmark has been essentially complied with, although management of free distributions is still considered weak.

RECOMMENDATION: Continue to monitor closely CSA implementation of free distributions and FFW. Joint monitoring with the CSA is advisable.

F. SELF-TARGETING. The use of US sorghum as a self-targeting commodity poses substantial problems to the program's effective implementation. Sales are far lower than anticipated, leaving very high levels of stocks. The sheer volume of these stocks are making cereal programming in Mauritania difficult. The team believes that while a limited degree of success has occurred using this concept, a high degree of antipathy is being generated, by both the nature of the commodity and by its price. Other donors and the GIRM are quick to note the price of U.S. sorghum is substantially below the agreed upon price for coarse grains.

RECOMMENDATION: Due to high levels of re-programmable sorghum, no emergency aid or triangular sorghum purchases should be made. The FY 89 call forward should be 20,000 MT of wheat. Enough sorghum should be reserved for subsidized sale until the program is complete. Any follow-on program should not contain this component due to its inherent conflict with price policy reform. The current price of U.S. sorghum should remain at 17 UM/kg.

G. LOCAL CURRENCY. OAR/M is doing an creditable job in programming local currencies. The OAR/M has committed or earmarked all but 4% of available balances. The CSA has improved its performance since the audit in 1986, but is still behind in deposits. The banking system is almost completely illiquid and does not provide funds in a timely way. The banking issue is particularly intractable, and probably cannot be resolved without intervention at the highest level. The requirement that gross rather than net proceeds be deposited in joint account is not a reasonable request nor fiscally responsible.

RECOMMENDATION: Allow the CSA to deposit only net proceeds into the account. This will improve their cash flow position, and reduce the volume of transfers the banking system must implement, thus alleviating part of the banking problem.

H. COMMON FUND. The GIRM-Donor Common Fund is not an effective vehicle either for policy dialogue, or the funding of development projects. The fund is essentially a means, but has been perceived as a strategic end in and of itself. Until there is a strategy for the use of this fund, it will not be useful to American interests.

RECOMMENDATION: Work actively to link future food shipments and counterpart funds to the acceptance of a common donor-GIRM cereal market development strategy which incorporates the Common Fund. Withhold further donations to this fund until that time. Also, work to develop a more programmatic use of funds that supports the overall strategy of the fund, rather than continue with more project financing.

I. PVO ACTIVITIES. A vital core of development activities and emergency preparedness is the participation of Private Voluntary Organizations. All major PVOs in Mauritania have now pulled out, due both to operating difficulties and the end of the food emergency. This is a significant loss to U.S. development efforts, and potentially for emergency preparedness.

RECOMMENDATION: AID/W should assist the OAR/M in finding a qualified PVO which can make a long-term commitment to Mauritania.

2.4 Future Program Recommendations.

The Team recommends that a follow-on Section 206 project be considered. The Mauritanian government perceives Section 206 food assistance as the centerpiece of donor food aid activities, principally due to its reliability and multi-year commitment. This provides the US with a strong, often predominant voice in food security matters, and is an opportunity which should not be passed by.

The team also feels, however, that continuation with the same strategy as the two previous projects will not lead to maximum impact or achievement. The purpose of this section is to outline a possible direction which a new strategy might take. While the goal of the previous projects--attaining food security in Mauritania--would remain the same, the team feels that new, more focused objectives and policies would increase the program's impact. The strategy shift would be toward policy reform designed to create rational cereals planning and market development. The team proposes that the following objective be set:

> To develop a common donor-GIRM framework and strategy for coordinated management, analysis, and intervention in the Mauritanian cereal market in order to promote its growth, strength and stability.

In choosing this as an objective, there are two overriding considerations. The first is that informally Mauritanian donors have already agreed among themselves to move in this direction, and a draft strategy document will soon be available. It is understood that various government Ministries are aware of this initiative and support it. Thus, the U.S., through its negotiations for a new project, would be in a position to bolster the acceptance of a donor group and a common strategy.

The second important consideration is that this type of dialogue is badly needed in Mauritania. Among other issues, there seems to be a degree of conflict between the World Bank and the rest of the donor community on cereal policy. The Bank's policy negotiations have a direct and significant impact on other donor cereal activities. There is an immediate need for greater concordance between the Bank and the Ministry of Economy and Finance on one hand, and the CSA, donors and the Ministry of Rural Development on the other. A second issue that needs a common donor policy is the management of food assistance. To date, there is no single policy for either covering the costs and deficit of the CSA, or in accounting for cereals. Each donor negotiates the management procedures of their stocks separately. Without a coordination mechanism for both policy and implementation, it becomes very easy to work at cross purposes. To a degree, this is happening in Mauritania.

It is important to note, however, that no single solution--however packaged--will lead Mauritania to food security. The purpose of an overall strategy is to coordinate and place priority on various policies, reforms, actions and issues. Without presuming to draft such a strategy, some of the areas it would need to embrace are the following.

--Cereal prices. Overall harmonization of producer and consumer prices is required. Policy level decisions on the purpose and desired impacts of different prices is needed.

--Price liberalization. Prices of agricultural inputs should be decontrolled as rapidly as possible, in order to take advantage of possible economies the private sector could provide.

--Private sector promotion. A concerted effort should be made to increase the role of the private sector and decrease government activities in the cereal market.

--The CSA. Its mandate, funding and organizational structure should be reviewed. This should happen at the most senior levels of government in order to avoid simple incremental changes.

--Production. Production incentives such as credit and investments should be in harmony with price incentives.

In order to help put into place a viable cereals strategy, the next project should be both internally consistent and more manageable than previous 206 projects. It would probably not be effective, therefore, to make the TA the principle document of a common strategy. A multi-lateral document would be preferred. What the TA should do is make this accord operational through a choice of focused and manageable benchmarks which promote self-help measures designed to implement selected parts of this strategy.

Other recommendations for the follow-on program include:

--In any common strategy U.S.A.I.D. should selectively promote issue which it has a managerial advantage, and rely on other donors to provide input on the rest. Thus, future program benchmarks should be geared to operational issues.

--Benchmarks should be written and negotiated annually instead of for a three year period. The Mauritanian policy and production environment is dynamic. OAR/M has seen that objectives written three years back often do not pass the test of time. Writing benchmarks annually is also a positive exercise for overall review of project achievement.

It would as well triple the leverage points for negotiation in the project.

--The cereal component of a future project should again be wheat, but the quantity reduced from the current 20,000 MT. It is suggested that 15,000 MT might be appropriate given current cereal production increases and the scale of other donor commitments. However, it is recognized that without the proper price structure wheat imports undercut local cereal production. Therefore, the possibility of programming cereal complements--rather than substitutes--such as oil and non-fat dried milk should be considered.

--Primary use of counterpart fund should be to assist directly in the achievement of goals. That is, they should be programmed strategically, rather than on a case by case basis. Projects should be limited to those to which OAR/M already has a commitment.

--A significant private sector component should be included in the next project. The abilities of the private sector can serve to help cut management costs at the CSA by assuming CSA tasks for profit. The creation of a new sector where jobs and cashflow can be created, by liberalizing import laws would be a significant achievement for the Mauritanian economy.

--Purchasing campaigns through the CSA at renumerative prices are the most direct way to assist small farmers. Despite the obvious attraction, OAR/M should remember the difficulties inherent in managing this type of activity and carefully weigh the costs.

SUMMARY OF MID-TERM EVALUATION FINDINGS: BENCHMARKS FOR MAURITANIA PL480 SECTION 206

TA6620 Self-Help Measures and Benchmarks	Findings/Comments
Policy reform: Overall	Few macrolevel policy impacts can be reported, primarily due to change of project emphasis toward sectoral issues. Greater influence is held on operational issues and sectoral policies. Government has followed a moderate path for economic development. Three plans and a statement have been issued: (1) PREF, 1985-88 (2) PNSA, 1986-88 (3) PCR, 1988-90 (4) PA (June 1988) but are more in words than deeds.
1) Consumer grain price reform	
+Pricing:	
Benchmarks:	
- Wheat	
Maintain the policy of import parity pricing. Wheat price should be adjusted periodically to reflect fluctuations in world market price.	Nearly met. actual price have been: - 1987: 20,5UM/KG in Nouakchott, 19,5UM/KG in rural areas, - 1988: 20,5UM,KG in Nouakchott, 19,5UM/KG in rural areas, - 1989: 21,5UM/KG in Nouakchott 20,5UM/KG in rural areas, Est. import parity price for wheat: - 1988: 21,5UM/KG - 1989: 22,2UM/KG
- Rice	
Official cons. price for imported milled broken rice will increase from 26UM/Kg to 27UM/Kg	Met. 1987 28UM/KG 1988 30UM/KG 1989 32UM/KG (wholesale: 30UM/KG)

Official prod. price for paddy rice will increase from 14UM/KG	1987 18.5UM/KG 1988 18.5UM/KG Food policy statement (6/89) planned imported rice prices: 88/89: 31UM/KG 89/90: 34UM/KG 90/91: 37UM/KG 1989 current retail market of local broken rice in Nouakchott: 35UM/KG and 60 UM/KG for imported rice (January 1989).
- Sorghum	
Selling price: UM 17.00/Kg	Met. No readjustment recommended. From the start to present sorghum has been sold at the price fixed UM17/Kg in all sale centers.
+Institutional improvement:	
Reduction of CSA's role	Partially met although the draft strategy to reorganize this institution has not yet been ratified. However, some actions from this strategy have been implemented. Some heavy vehicles and bulk facilities were sold. The fleet of vehicle was reduced from 125 to 47 trucks. Transportation of food is now largely by private sector. Currently, GIRM had developed a plan to sell four rice mills to private sector. Selling process was finalized in January 1989.
Self-targeting commodity for the poor.	It might be a viable concept during critical food shortage periods. Currently the concept has limited success. Note: Mauritanians prefer local sorghum to US red sorghum. In January 1989, retail price of local sorghum is 35UM/KG while US sorghum is 25UM/KG Nouakchott.
2) Promotion of Private sector participation in grain marketing	
- GIRM agrees to develop marketing policies and food sector management information system.	The GIRM is committed to only gradual privatization of cereal market. A Food Policy Statement was adopted in June 1988. Three main points were noted:

- Price policy gives incentives to farmers and protects national cereal production.

- Efficient marketing policy would assure the promotion of private sector by giving appropriate renumeration for its services.

- Private sector incentive program to encourage it to participate not only in all stages of production but also in post production.

A training program on stocks, sales, and price reporting was organized, FEWS project and emergency preparedness rapid alert were implemented.

CSA accounting system has been reinforced with electronic equipment however more effort needed to improve financial and managerial control. Slow process in banking transactions is seriously delaying deposits, hampering implementation of development projects funded by counterpart funds, and losing interest earnings. Progress has been made on establishing an annual budget.

- Temporary withdrawal from local grain market in producing areas and only reenter the market when supply in grain market is exhausted or when depletion of local supply of grain has driven prices beyond the agreed upon threshold level.	Met, three centers were closed in 1987/88 and fifteen centers were planned to close in 1988/89.
Benchmarks:	
- Installation of radio network linking CSA's headquarters and sales centers.	Met, 54 out of 63 sale centers were equipped and operational.

- Use new communication network to report weekly on prices, and production...	Met. Weekly information on inventory stock, reception, transfer, free distribution, prices and other transaction have been reported to CSA/Nouakchott since August 1988.
- Closure of three (3) centers and cease all activities during the harvest time; observe, and report test result; resume purchase campaign no sooner than one month after newly harvest cereals are available on local market.	Met. Three CSA centers in one region were closed on Dec. 1, 1987. Competition was observed by weekly price surveys, conducted by CSAOAR/M and German technical assistance team. Price of wheat increased, reaching previously agreed upon price triggering reopening center in March 1988 (report seen).

3) Liberalization of Agricultural Inputs Marketing

The agricultural input price policy is based on gradual and controlled liberalization. Subsidies to farming inputs and consumers have been suppressed except in the Government's irrigated projects where SONADER is supplying exclusively to farmers within the project effective January 19, 1989.

Benchmarks:

Complete a review of current system before 1987/88 harvest.	No report of review has been found. No clear conclusion has been drawn consequently. Demand for agricultural input is relative weak. There is no indication that a great number of agricultural inputs have been bought to use in rainfed-crops. Fertilizers and improved seeds have been provided by SONADER to the farmers working within its irrigated perimeters.
Implemented changed recommended by the review before 1988/89 harvest.	Since no review has been done, no recommendations have been made. But the issue, discussed at high level of authority, led to the change in supply of agricultural inputs in Government controlled projects.

4) Reduction of free food distribution and encouraging the use of food assistance as a development resource.

Benchmarks:

Reduction of free food distribution to 35.000 MT in 1987, to 20.000 MT in 1988.	Fully met. Free dist. : 16.261MT in 1987, and 12.162MT in 1988.
Determine criteria of eligibility for distribution recipients.	Not met, well defined criteria not used. It was stated that free distributions go to sedentary indigent groups (windows, orphans, and those incapacitated from working, nomadic and catastrophe victims etc..), regions etc..
Suspend free food distribution in producing areas one month to the expected harvest and resume when locally produced cereal is unavailable in producing areas.	Not met. Free food has distributed almost throughout year even in three harvest periods: 1986, 1987 and 1988.
GIRM will encourage the development of FFW as renumeration to productive effort in rehabilitation or to create infrastructure.	Met, three FFW projects carried out: two FFW seminars held in 1987, UNDP-Multidonors/FFW-Unit and recent agreement for WWP (UM38 millions) was signed in July 1988.
GIRM will actively encourage international donors to provide indigenous cereals (sorghum, millet, maize) through direct or triangular purchase arrangements (third country produced cereals) or locally produced cereals.	Met, WFP bought local cereals. French bought third countries produced cereals. Sorghum was also used in emergency free food distribution.

III. BENCHMARK ANALYSIS

3.1 Overview
3.2 Cereal Price Policy Reform
3.3 Private Sector Promotion in Cereal Marketing
3.4 Liberalization of Agricultural Input Marketing
3.5 Reduction of Free Food Assistance

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III. BENCHMARK ANALYSIS

The United States Congress is concerned that the U.S. food aid program make more important contributions to helping developing nations overcome constraints which contribute to shortages of staple foods. Food aid made available under Title II Section 206 of P.L.-480 can be provided to qualifying countries on a grant basis, through a multi-year commitments, if those countries are willing to address basic constraints restricting increased agriculture production.

The Mauritania Section 206 program specifies four areas where constraints exist, primarily of a policy nature, to increasing agricultural production. The following sections of Chapter 3 review the achievement and impact of each of the four categories of benchmarks in TA 6620 that attempt to respond to these constraints. These are, first, a policy overview in Mauritania (3.1), and then each set of benchmarks: cereal price policy reform (3.2), private sector promotion (3.3), market liberalization (3.4), and reduction of free food distributions (3.5).

3.1 Overview.

Mauritania has traditionally been a country with a rural economy in which, until recently, significant contribution to growth came from agricultural production and livestock. Two-thirds of the Mauritanian population, or 1.3 million out of a total population of 1.9 million, draw their main income from the rural sector.

Since the early 1970s, Mauritania has been unable to grow sufficient food crops for its population. Even in the best years, it can only produce fifty percent of food needs. The remainder must be provided by international donors and by commercial imports. The adequacy of the domestic supply situation in Mauritania is highly dependent on the regular provision of food aid to close the gap between production and need. The gap is very large even in good years of rainfall (1986-88). For example, in 1988/89 the net total production in Mauritania after harvest and processing losses is approximately 160,000 MT, the highest ever attained in its history. The gross food deficit--before food aid and commercial imports--, however is still about 168,000 MT. At the time of this writing, this deficit is still being debated by the GIRM and donors.

Indeed, while gross domestic production during the last fifteen years has steadily increased, from 12,000 MT in 1972/73 to 128,000 MT in 1987/88, the GIRM has continued to import a considerable amount of food, from 30,000 MT in 1972/73 to 93,700

MT in 1987/88, and rely heavily on hundreds of thousands of metric tons of food aid during the same period.

The context of food deficits and the search for food security colors the macroeconomic policy-making environment in Mauritania. The GIRM has put into place two major policy adjustment vehicles. In order to make progress toward an improved balance of payments, the GIRM has implemented a budget austerity program, reinforced by tightening monetary policy to curb the growth of consumption, and originated a long run program "the Program de Redressement Economique et Financier" (PREF,1985-1988). This was followed by an adjustment plan, the "Plan de Consolidation et de Relance" (PCR,1989-91) serving to increase domestic production (agriculture, livestock, fisheries and iron ore mining).

The PREF 's objectives to increase agricultural production can be resumed in two main points:

- a policy of progressive liberalization of prices and marketing in order to make the adjustment of approved prices to their real cost automatic;

- adoption of sectoral strategies and investment programs giving priority to the productive sectors (agriculture, fisheries) and to rehabilitation of current projects.

The PCR, while giving to macroeconomic policy the primary role of stabilizing the economy, has not changed the long-term objectives assigned to the agricultural sector. They include reinforcing food security, improvement of the natural environment, and curbing rural migration. The policy is aimed at:

- increasing farm produce to cover 55% of cereal demand by 1991,
- restoring livestock production,
- improving the quality of production support services,
- improving the viability of farring systems,
- developing the productive and basic infrastructure projects needed for the full development of private business.

The third policy framework put into place by the GIRM is a statement on food policy. To a large degree this statement was co-authored by the World Bank, under it structural adjustment negotiations. Adopted in June of 1988, its most relevant points include:

- a price policy which gives sufficient incentive to producers and protects national production;

- an efficient marketing policy which would assure the promotion of private sector by appropriate renumeration of its services;
- a private sector incentive program to encourage it to participate not only in all stages of production but in post-production phases as well.

From these policy statements it is clear that the promction of agriculture and the private sector are important elements of the on-going policy dialogue. Agriculture has been given a key role not only to promote growth, but also to assure food security.

Agricultural land is estimated to be approximately 200,000 ha. for rainfed agriculture, 70,000 ha. for recessional agriculture and 15,000 ha. for irrigated crops. Because most cultivated and potential agricultural land depends absolutely on rainfall, the GIRM has maintained a large-scale investment policy, based primarily on irrigated perimeter projects. Unfortunately, these large-scale projects are costly and have not been as successful and economically sound as expected. The Government has only recently begun to modify its policy and strategies away from major investments by giving producers more incentive, encouraging private management and changing the pricing policy to close the food security gap.

3.2 Cereal price policy reform.

3.2.1 WHEAT. The TA states that the GIRM will maintain the policy of import parity pricing for wheat established during the FY 83-85 Section 206 program period, and develop producer and consumer pricing policies for imported and paddy rice which encourage local production. Imported sorghum price will be removed from the price parity system so as to help promote consumption of indigenous grains and provide a self-targeting cereal affordable to very poor consumers. TA 6620 also fixed the official consumer price for imported milled broken rice in 1987 at 27 UM/kg.and the official producer price for paddy rice at 18.5 UM/kg.

Import parity pricing is a concept that has been a keynote of policy reform in both Section 206 projects, although its definition is somewhat elusive. The evaluation team interprets this concept as follows. Import parity pricing assesses the cost of commercially importing a commodity and then pegs its in-country price to that cost. In this case, the concept is used to derive a price for donated food aid, mainly wheat. In essence, it is a theoretical price, since no commercial imports of whole grain wheat are brought into the country.

The Team would like to draw attention to the fact that import parity is a neutral concept. That is, simply achieving import parity does not guarantee that 'prices are right' in an overall context, since they are derived without respect to any other policy or economic issues. It is a pricing technique rather than a policy; it will not be a policy until a purpose is ascribed to it. The use of this concept without a clear purpose or goal--other than achieving import parity itself--has placed OAR/M in a difficult negotiating position. The situation is essentially this: import parity for wheat has been achieved in Mauritania, and yet the official price of wheat is lower than the retail price of local cereals (21.5 UM/kg. v. 24 UM/kg.). This contradiction obviously places local cereals at a competitive disadvantage.

What the team has found is that the import parity price has declined dramatically from what was projected during the planning phase of the current project. This is due primarily to a decline in the price of European wheat. Heavily subsidized, it can be purchased at $109 per ton, far below its price in 1987. It is also very important to note that in creating an import parity price, it is not entirely logical to use U.S. cereal or transport prices. Apart from the European subsidy, transport costs are much lower from European ports (est. $37 v. $84). Since import parity should be based on <u>commercial</u> costs, the large price differentials in favor of Europe indicate that U.S costs should not be used, since U.S, cereal would not be imported. This will again contribute to an import parity price lower than had been than had been expected.

A second factor which has lowered import parity is the new port in Nouakchott. Previously, all cereal shipment came in through Dakar and were transported overland to Nouakchott. This added considerably to handling and transport costs.

Since the initial price was set up at 20.5 UM/kg. eighteen months ago, the wheat price has increased only 1 UM/kg. to 21.5 UM/kg. in Nouakchott and to 20.5 UM/kg. in rural areas in 1988. This price increase was principally in response to the World Bank. The team calculates that at 21.5 UM/kg. import parity has been reached. The following table demonstrates how this is derived:

Table 3.1: IMPORT PARITY PRICE FOR IMPORTED WHEAT, 1988

		Price per MT Wheat
(1) FOB Price, 1988 (Europe,$)		109.00
(2) Ocean transport ,handling and insurance		37.20
(3 CIF Price (3)= (1+2)		146.20
(4) CIF price, 1988(UM) (4)= (3) x 75 UM		10,950.00
(5) CSA handling costs (UM):		10,550.00
- Custom tax 45%	4,927.00	
- financing fee	270.00	
- transit	520.00	
- port fee	1,053.00	
- miscellaneous fees	3,780.00	
(6) Import parity price (European mark t):		21,500.00 UM/MT

Source: World Bank Agricultural officer /Nouakchott Mauritania.

The following explanatory notes are in order. As stated above, import parity must be based on an approximation of commercial costs. At the same time, costs incurred by the CSA, as the proxy manager of wheat for the private sector must be also taken into account. Therefore, the most accurate projection of costs will be an amalgamation of private and public costs, as well as assumed and real ones. The idea is to derive the most realistic cost possible.

Line one uses the an average FOB price of European wheat at European ports based on World Bank projections. Line two includes all ocean freight and handling. This includes sea freight, bagging, wharf loss, demurrage and detention, and insurance. The sum of these costs is the CIF price. Line four then converts this cost to Mauritanian currency at a rate of $1.00 = 75 UM. Thus the CIF price in Mauritania is 10,950 UM.

Line five is extremely important. Since commercial imports of wheat are prohibited, a series of assumptions must be made to approximate the commercial cost. The first assumption is that if whole grain wheat were imported commercially, it would be subject to the same custom tax that currently applies to commercial wheat flour imports. Thus 45% is added to the CIF price. Financing, transit and port fees are additional costs that any importer would incur. Finally, additional transport, overhead and administrative costs that the CSA incurs in managing wheat shipments are included as miscellaneous costs.

The sum of these costs equals the current price per ton of wheat sold by the CSA, 21.5 UM/kg. The result of this calculation obviously places cereal pricing in Mauritania into disarray. With imported cereal considerably cheaper than domestic, no incentive is offered to producers to increase their production. The team feels strongly that over time the producer price response is relatively elastic. Although by far not a unique determinant of supply, price must be considered a factor, both in the amount produced and the amount marketed. The effect of price on supply is one that has to be seen in a relatively long time-frame, and take into consideration the deficiencies in communication and infrastructure that exist in the market.

Given this situation, OAR/M needs to move beyond the import parity concept and work toward a food price policy that includes all grain staples, and is aimed at supporting defined policy goals and objectives. Although, technically, the price benchmark is fulfilled, the spirit of the TA is not. This gives OAR/M the right to place further conditionality on future allocations of cereal.

CSA officials agree in principle that the price of wheat should be incorporated in a comprehensive price policy, not an isolated one. A gradual increase that places the price of wheat between imported and local cereals is an acceptable concept. To implement this type of price structure additional, updated information would be needed on actual producer cost to help align marketing margins. Despite the need for additional data, current prices give an indication of acceptable price ranges for an overall price policy.

A harmonious price schedule would take into account rice, sorghum and wheat. The prices for imported and local rice were set by the GIRM on January 12,1989 as the following:

31 UM/kg. in 1988/89,
34 UM/kg. in 1989/90,
and 37 UM/kg. in 1990/91.

The GIRM also set the selling prices for local sorghum, millet and maize on the same day at 24 UM/KG. It is generally felt that these prices allow sufficient margin for both traders and producers. In fact, some believe that the price of sorghum might actually be too high. The current market price of wheat averages 27 UM/kg., almost directly in the middle of rice and sorghum. Thus, a target of 27 UM/kg should be considered. However this should be considered a `soft' number. The actual price would depend on a number of other policy and economic issues including whether or not the private sector is playing a direct role (discussed separately).

The evaluation team strongly believes that the gradual increase of wheat price will provide greater incentives for domestic coarse grain producers, reduce imports of food and eventually stabilize grain prices for both producers and consumers.

The issue then becomes one of impact. Can a price increase be absorbed without serious adverse impacts on the population? There are some indications that price increases are feasible in Mauritania. The most important indicator is quite recent. Normally, imported broken rice is about 10 UM/kg. higher than locally milled rice. While the team was in Mauritania, however, the market price of imported rice flared to almost double its usual price. And yet, according to SONIMEX, the sole importer of rice, demand for imported rice declined only 10%, implying that the demand for rice is fairly inelastic. While it is granted that rice consumers are not necessarily wheat consumers, this experience does seem to indicate that there is a margin of latitude in setting consumer prices.

A similar experience occurred in 1983 when the GIRM implemented an IMF induced increase in the price of rice. Post-increase analysis indicated a price-elasticity of .3, again confirming demand for rice is inelastic. This suggests, if purchasing constraints are similar for rice and wheat, that at least some increase in the price of wheat could be bearable.

3.2.2 RICE. TA 6620 states that "the official consumer price for imported milled broken rice will increase from 26 UM/kg. with an objective of moving to 30 UM/kg. over time; (b) the official price for paddy rice will increase from 14 UM/kg. to 18.5 UM/kg.".

The GIRM has met or exceeded these conditions. The official consumer price for imported broken rice from Thailand is 30 UM/kg.and the GIRM plans to progressively raise the consumer price of broken rice (imported and local) incrementally to 37 UM/kg. by 1990/91. This measured time table was adopted by the GIRM in its Food Policy Statement of June, 1988. The GIRM also met the second condition (b) as the CSA began to pay rice producers 19 UM/kg. at CSA purchasing centers. This is not a net increase, however: the farmers must now manage and pay for their own ex-farm transport. The purpose of the price increase was to help compensate for lost services.

The GIRM has paid particular attention to the development of the country's rice producing potential. In the new statement on food policy, the GIRM envisaged (a) a policy which gives sufficient incentives to producers and protects national production, (b) a policy of efficient marketing to promote and encourage the private sector to participate in the processes of production. To achieve these objectives, the following measures have been taken. Briefly, they included:

Incentives:

--Land was given free to farmers through a redistribution program.

--The GIRM assured deliveries of gasoil for machines used for rice production.

--Tax breaks were offered to rice farmers.

Marketing:

--Official producer prices for paddy rice has been increased from 18.5 UM/kg. to 19 UM/kg. at CSA buying centers.

--The CSA is in principle to buy stocks of paddy rice that could not be marketed privately (in 1987/88 they bought 30% of total production). In reality, however, their purchases have been constrained by cash flow difficulties.

--Four rice mills operated by the GIRM were put up for auction on the open market.

--The private sector is encouraged to participate in the transportation of paddy to the mills. It now performs almost 90% of paddy transports.

These incentives and reforms have contributed to a major increase in the production of rice in the country. Overall, the area of land devoted to rice farming has increase from 3,100 hectares to over 12,200 in seven years. In the same time-frame production has jumped from 12,700 MT to 50,959 MT.

Interestingly, despite increased production, commercial imports of rice (through SONIMEX, the only authorized importer) have increased over the last three years. Rice imports have doubled since 1986, moving from 31,000 MT to 62,330 MT. It is most likely that a number of extraneous issues, beyond the need for a given amount of rice, enter into the import decision. Most importantly, the sale of these imports are a major source of revenue for the GIRM. It can be envisioned that a major policy conflict will arise as the GIRM, in essence, competes with its own farmers. Both local and imported rice are sold at the same price.

The marketing of domestically produced rice is a major cause of budget deficits, and the World Bank has been intensively involved in restructuring prices. Currently, the following prices are in effect for local production:

Table 3.2: Price Schedule for Rice

CSA purchases paddy rice at:	19 UM/kg.
Processing rate (63%) 19*63/100:	12
Processing fee:	3
Storage fee:	1

CSA cost of rice	35 UM/kg.

CSA then sells to SONIMEX at exactly the same price. Obviously, this places a deficit on the CSA since no indirect or overhead costs are reimbursed to them. SONIMEX then takes the rice it buys for 35 UM/kg and sells it for 30 UM/kg., engendering a substantial loss. For the next two years (1988-89 and 1990-91), the GIRM anticipates gross losses on local purchases of 221.6 million the first year, and UM 317.8 million the second. Assumed imports of rice will compensate to a degree, bringing the loss amounts to 86.6 million UM and 167.8 million respectively.

In 1991, if the target price of 37 UM/kg. is reached, the purchase processing and sale of local rice will be at the break even point. The calculations on this program are presented in Annex C.

An important issue that could be over-looked here is that fixed prices are the antithesis of market liberalization. Floor and ceiling prices should be sought rather than market prices. Fixed prices do not provide stability either to farmers or consumers, since they are usually derived politically, and not through the functioning of a market. Paradoxically, it is far easier for farmers to forecast market prices than to forecast official prices, because official prices do not always react in harmony with supply and demand, and because they do not have reliable access to government price information. Most producers are not even interested in the security of stable prices. Stable revenues, on the other hand, are of major importance. Stable prices can actually destablize revenues, because the same price is paid, no matter the quality or quantity offered.

3.2.3 SORGHUM. Sorghum price is not a key issue in the TA. The Team concurs with a previous evaluation that felt import price parity was not relevant to U.S. sorghum because no commercial imports can be envisioned. The price of U.S. sorghum has been set at 17 UM/kg. in order to create an inferior, `self-targeting' commodity to assist the poorest stratum of Mauritanian society. The price has not been adjusted during the life of the current TA. The team feels however the OAR/M has no latitude to make beneficial price changes at this time. The use and price of sorghum is discussed in detail in Section 4.1

3.3 CSA Center Closing and the Private Sector.

The second self-help measure addresses how to develop and increase the role of the private sector in managing food security. The project broaches this issue by attempting to reduce the role of the CSA in cereals marketing. Specifically, 2 actions are required. The first is to develop an information management system that can monitor market prices around the country. Under this sub-project, a system of short-wave radios has been put into place in 54 of the 63 centers. Aside from general management use, one principal purpose is to feed weekly price data into the CSA main office in order to provide continual analysis on supply, demand and price of local and imported cereals in out-lying markets.

This system has been put into place, and local cereal market prices are radioed to Nouakchott. To date,the team has seen one analytic report on market price fluctuations issued by technical assistance at the CSA. It is also understood that this data is currently being collated at the CSA for future analysis.

At first glance it may seem strange to include a radio link as part of a private sector promotion component. However, one purpose of this link is to enable the CSA to accomplish the second action required of it. The particular use intended for this price information is to support experimentally closing specifically chosen CSA sales centers in order to allow the private sector to function more freely. Centers would be closed during the harvest season and reopened when market data indicated that cereal prices had gone above a pre-determined level. In principle, the CSA is responsible to provide on-going analysis of the results of this experiment.

Three CSA centers in sorghum producing zones were closed in 1987/88. Unfortunately, results were ambiguous at best. No data was made available on producer prices, and it is unclear what, if any impact was achieved. Market (consumer) prices were monitored more closely and a CSA report analyzed the movement of cereal prices in each of the three closed centers, principally concluding the commodity most directly affected was wheat. No final report or other analysis seems to be available.

In discussions with those most closely involved, it became clear how tentative any conclusions or comparisons must be from the price data available. By only closing three geographically separate centers, the availability of cereals from other centers in close proximity was not taken into account. Also it was noted that of the three centers closed, one practiced recessional agriculture to a greater extent than the others and should have had a later closing date to correspond with a later harvest. As well, it was found that free distributions and FFW activities conflicted with the center closing by allowing substantial amounts of imported cereals onto the market.

In reality, this operation took considerable discussion and time to find appropriate implementation policies. Procedures, dates of closing and reopening, center location, methodology for tracking information, price trigger levels for reopening, and explanation of policy to those affected (CSA agents and local authorities) all had to be developed and agreed upon. Particular emphasis was placed on defining a new role for CSA agents. They would be the primary data collectors for this activity. This would include not only price data but also inventories of economic actors and their activities during closure.

In 1988/89 this experiment has been continued on a grander scale. Of 64 centers nation-wide, 15 have been chosen for closure. Closing dates are keyed to whether the area principally practices rainfed or recessional agriculture. The rainfed agriculture centers will be closed for purchases from Jan. 12,1989 to April 30. The recessional areas will be closed from March 1, 1989 to June 30, depending on market reaction.

At this point, the Team has serious reservations about this activity. We feel that there is no agreed upon purpose for this experiment. That is, the desired impact has never been stated. Possible purposes suggested include increasing producer prices, discouraging consumption of wheat, and data collection on the cereal market importance of the CSA. What ever the purpose, the requisite data is not being collected to validate this experiment, which leads to certain ethical dilemmas. How can one run an experiment which affects local cereal markets--people really-- without having a pre-determined methodology and control to analyze the results?

Apart from the lack of adequate data collection or overall purpose, in running this experiment a fundamental question remains unanswered. Which social groups are expected to be affected, and why? This is an extremely important point in terms of social justice. Farmers are selling mainly sorghum, the CSA is selling wheat. When the CSA withdraws from the market, the direct and primary impact is on the price of wheat. The price of sorghum is affected only secondarily in that it becomes a substitute for wheat and will be subject to increased demand. The question becomes, is the penalty paid by wheat consumers worth the benefit received by sorghum producers? These questions becomes even more sharp in considering that this is in no way a direct transfer from one group to the other. Rather, the transfer is intermediated by the commercial sector. That is, 100% of the marginal increase in the price of wheat goes to the trader, who can then pass on part or all of this increase to producers when he purchases sorghum. It is more than possible that windfall profits are accruing to the trader. Obviously a great deal of data collection is necessary to ascertain what the real costs and benefits of a center closing policy are, and to whom the costs and benefits accrue. As well, it is necessary to know whether the policy purpose is to tax wheat consumers for the benefit of sorghum producers and why this method has been chosen.

If increased producer prices is the purpose of this policy, it is important to note that this is an indirect effect of closing centers, and that closing centers may not always guarantee a producer price rise. The team feels there are multiple determinants of marketing patterns, and availability of CSA cereals is not always the most important factor. Although this is a highly complex subject, some examples can be given of other factors that could have more effect on cereal price that the CSA. The first is credit. If farmers are indebted to traders before the end of the rains, there could well be a previously agreed to price, which would negate the impact of any current increases. A second is transport. If distances are long, farmers may need to use traders as intermediaries to get their product to market. When shielded from actual market prices, fluctuations upward are not likely to be as noticeable. In fact, this appears to be happening this year. The CSA buying campaign has been `liberalized', which means the CSA is no longer assisting farmers with transportation. As a result most farmers seemed to rely on selling directly to traders, who then sell to the CSA. Certainly, then, there is an intermediary price for producers lower than the official CSA purchasing price. A third factor is harvest results.Certainly, good harvests will lower prices and increase volume of sales.

The point is, if raising rural incomes is the purpose of the activity, then closing centers might not be the appropriate tool. In discussions with local farmers we found they were highly motivated to sell cereals to the CSA. This was true because the CSA offers high prices and because it pays cash. Sales to traders often involves bartering for merchandise, in which the cash value of the merchandise is less than the cash value of the grain. The team suggests that direct methods are superior to indirect because there are fewer external impacts. The more appropriate tool to increase rural incomes would appear to be a higher level of direct purchases by the CSA from the farmers.

Closing centers temporarily also impacts on the commercial sector. Merchants plays an important role in supplying Mauritanians with food at the local level. Given the cumbersome process of purchasing from the CSA--it requires considerable paperwork and visits to two separate offices--it becomes apparent the principal clients of the CSA are cereals merchants. A primary concern is what information from the CSA is available to the traders. The team could find no clear policy on withholding or disclosing the center closing date. Information is a double edged sword. Withholding it creates a climate of uncertainty where the trader does not know what changes the policy environment will bring. This uncertainty lessens economic activity. In visiting one town with its center closed, the team asked local traders why they were not doing everything they could to supply wheat to the market. The answer was they were not certain how long the center would stay closed. They hesitated to bring large quantities of more expensive wheat into the market without some sort of assurance that they would not have to sell it at a loss if the center suddenly opened. On the other hand, if the closing date is publicly available, it is in the trader's interest to buy as much as he can, hold it and sell it at a large profit when prices skyrocket.

Hopefully it becomes clear from this discussion that cereal marketing is a complex activity. Interventions require both data support and a clear conception of objectives, intended impacts and spillover effects. The team strongly recommends that more complete data analysis be performed in order to justify continuing with an experiment that materially affects the well-being of a wide variety of people.

The Team's recommendation is that policies should be put in place that clearly define toward what goal this activity is working. Secondly, a local consulting firm should be hired immediately to begin providing the sociological and economic framework necessary to run an experiment. If this cannot be done in a reasonable time frame, the experiment should be dropped.

3.4 Liberalization of Agricultural Input Marketing.

In TA 6620, the GIRM agreed to review the current system of supply for agricultural inputs, including the regulations and administrative procedures applicable to the importation and commercialization of such goods, and to change those aspect of the system which restrict private sector involvement in agricultural importation and marketing.

The GIRM, through the PCR, has brought about the following changes (page 9, PCR, 1989/91):

- Price policy is based on gradual and controlled liberalization;

- Subsidies to farming inputs and consumers have been suppressed;

- Prices of ALMOST all products have now been liberalized and the list of certified and controlled prices will be gradually reduced.

In addition, the SONADER, under donor pressure (primarily the World Bank and the EEC) put into place a four year plan for reducing subsidies (1984-88). Since January 1987, fertilizer and seed have been sold at full cost price. In a " Projet de lettre de Politique de Development Secteur Agricole, Restructuration de la Sonader", a policy was stated that "the Government has rationally reduced the direct or indirect subsidies to inputs by encouraging the SONADER to apply the full cost price on inputs and agricultural equipment." Pursuing this new policy, the Government reorganized the relationship between SONADER and the CSA and transferred some of the CSA's activities to SONADER, to share responsibilities in improving the marketing system. The SONADER was also restructured to adjust it to its new role of supplying agricultural inputs only to those working in SONADER irrigated perimeters, rather than the country at large.

In addition to institutional improvement, the GIRM has also re-organized the agricultural credit system. There are three separated credit systems: (a) SONADER which was considered merely a system of subsidies of inputs to the recipients in its projects, (b)the farm "MPOURIE" credit which was supervised by Chinese development assistance, and (c) the agricultural credit system of UBD (Union des Banques de Developpement). Recently, two banks giving agricultural credit-- The Mauritanian Bank for the Development & Trade and the National Fund for Development which included West German funded small farmer credit--have been consolidated under the UBD. On November 17,1988 an agreement was signed to permit the UBD to take over the SONADER 's agricultural credit system.

The sum of policy reforms coupled with the reorganization of CSA and SONADER has led to a degree of liberalization of input marketing. It should be clearly noted, however, that liberalization is only one aspect of creating a viable market for agricultural inputs. There are several issues both on the demand and on the supply side that will need continuing attention.

On the demand side the Team believes that modern agricultural inputs such as fertilizers, pesticides, animal traction, agricultural equipment, improved seed and other commercial products are not widely used by the majority of farmers. As in other Sahelian countries there are questions concerning the cost effectiveness of many of these techniques in a subsistence environment. Related to low demand is the lack of substantial amounts of small farmer credit, even with the reorganizations that are occurring. An effective delivery mechanism is still being sought. Without additional credit, demand for inputs will remain low. As well, extension techniques are very weak and unable to provide considerable assistance on new methods of growing food crops. Finally, because communication, competition, and infrastructure are still nascent in this market, costs are high. For example, in Rosso, a farmer told the Team that he pays 14,000 UM/hour for use of a tractor on his rice field. The cost of machine plowing was at more than fifty percent of total production cost.

The supply side poses equally difficult problems. While certainly there are some traditional farmers using fungicides for the treatment of seed and fertilizer, or other modern inputs, supply is irregular due to a lack of significant private sector participation. Late delivery of inputs can cause dramatic consequence for irrigated crops which are subject to a very precise agricultural calendar. If the inputs are unavailable at the right moment, the production could be severely damaged. This additional risk could well make the reward of further input use un-economic.

The typical example is the lack of diesel fuel or spare parts for motor pumps just when irrigation is needed. Crops then suffer greatly and the yield is very low. To avoid this risk traditional growers hesitate to use new equipment and agricultural inputs. They continue their old practices until price, risk and reward are in balance.

In terms of commercial infrastructure, a recent World Bank study indicated there are only two firms operating: one sells pesticides (CIPROCHIMIE), the other sells agricultural tools (Tolerie Abdallahi). Both are located in Nouakchott.

Until there is full liberalization, and until the private sector can respond, the measures taken to date will be inadequate to bring about a viable market. Increase of food crop production requires a regular, active market for inputs such as fertilizer, improved seeds, spare parts for irrigation systems, and machinery and equipment. Policies based on gradual and controlled liberalization make it difficult for the private sector to provide these inputs profitably. Certain imports and sales are subject to controls on margins and some cases, prices. These margins are still set relatively low . This creates considerable difficulty in profitably serving more remote areas. Another particular problem for importers are delays in obtaining licenses and foreign exchange that may be six months or more.

Continued progress in market liberalization will require further reforms. Particularly, policy as it affects the operations of the private sector needs to be reviewed. Continued existence of monopoly franchises entrusted to governmental or parastatal organizations (SONIMEX for importing rice,sugar and tea), SONADER (for agricultural inputs) also needs to be reviewed.

However, as with price policy, which is only one part of a package for increased production, market liberalization is only one aspect of market development. If OAR/M wishes to pursue the development of a market for agricultural inputs, the following recommendations may be in order.

-improve infrastructure and communication networks

-work toward complete liberalization of agricultural input marketing, possible tax exemption for agricultural small equipment vendors and immediate eliminate of unnecessary controls,

-the GIRM should study, the removal of government restrictions and ease regulations for the access of license within a brief deadline.

- The GIRM should give priority for using foreign exchange to buy agricultural inputs and providing necessary loan to producers.

- An increase in farm credit, particularly for small farmers should be considered.

-Consumption and marketing patterns should be reviewed to shed light on the potential size of an agricultural input market.

Experience has proven that direct governmental intervention into markets without the assistance of the private sector is unsuccessful and ineffectual, and is sometimes counter-productive. Overbearing state control in the agricultural sector through inefficient organizations, coupled with unrealistic policies in pricing, are a disincentive to production and principal areas for policy reform. The goal is for governments to provide assistance to market development, not perform marketing services.

It is also important to realize that the issue of market development goes far beyond the issue of liberalization. Without interventions of considerable depth, little genuine impact can be expected.

3.5 Reduction in Free Food Assistance.

The fourth set of benchmarks concerns the amount and use of cereals for free distribution. The particular concerns of the TA are that overall levels of free distribution be reduced, greater planning and targeting of free distributions be implemented, distributions during harvest period be eliminated, FFW or other replacements for free distributions be promoted, and that wheat be discouraged as a good for free distribution.

Overall, the concerns of the TA echoes the concerns of the GIRM. Countless official documents refer to 'habits developed during the long years of drought'. As policy, therefore, this set of bench marks is endorsed at the highest levels of government. In practice, however the record is extremely uneven. Successes will be started with first.

Overall free distributions have declined as harvests have improved. While much of the reduction may be attributed to donors limiting the use of their stocks to sales and to a lessening of the overall volume of food aid, GIRM policy plays a role as well. The political pressure to continue distributions to those who see this as an entitlement cannot be underestimated. Facing this pressure takes a high degree of political will. The trend in free distributions (including FFW) is as follows:

1985:	73,068 MT
1986:	51,297 MT
1987:	12,730 MT
1988:	15,017 MT

The decline measured here is precipitous. It appears, though, that further reductions will be hard fought. Free distributions have been effectively institutionalized, both for the government and the population. This becomes quite clear in traveling throughout the country. Scores of new villages have been created in non-agricultural zones, close to main roads. Little income generation is possible, and it appears that one purpose of these new villages is to benefit more readily from food aid.

The second area of success is mixed. Since May of 1985 increasing Food for Work has been a high priority and policy of the government--and one, at least partially of its own initiative. The stated purpose was to attenuate the negative effects of free distribution and bring about positive development impacts. The GIRM created a FFW cell in the CSA to plan, coordinate and control FFW activities throughout the country. The GIRM launched its 'Chantier Urbain' (Urban Worksite) FFW program which led to dramatically cleaner streets in Nouakchott. This project was put in place by an inter-ministerial committee in the name of the President of the Republic and was supplied through re-programmed amounts of food aid.

Donors have been moving the GIRM in this direction and contributing to the overall strategy. In 1987-88 the OAR/M funded two national policy seminars on FFW through local currency. The first was a pre-seminar to devise a national strategy with 35 participants from donor agencies and ministries. The second was a national conference to explain and ratify the strategy with those who will be involved. A complementary FFW cell, funded by the U.N.D.P. and the donor Common Fund, has been put in place at the CSA to support planning and control. U.N. Volunteers have been placed at many of the sites. Current U.S.A.I.D. support is for the complementary costs of FFW programs, principally purchase of tools and transport of both tools and cereals to the work sites, as well as an agro-forestry FFW initiative in conjunction with the Peace Corps.

Unfortunately there is not a high level of satisfaction with the implementation of FFW activities. Donors are being called upon to increasingly support the Chantier Urbain, and yet questions remain as to the choice of projects, the target population, the ration composition and overall management. FFW activities in general do not seem to receive strong support from the CSA, which is much more interested in managing commodities for sale. It is, after all, sales of commodities that provides the CSA with its operating funds. Recently, however, the CSA has announced a restructuring of the Chantier Urbain to bring it in line with national FFW policies.

From this point, in terms of achieving bench marks, success is limited. No accomplishments have been made in improved targeting or planning of free distribution. The CSA continues to use a system of documented decisions to allocate cereals around the country, rather than creating an overall planning process. Each year the CSA makes over 250 programming decision, both for sales and free distributions. This clearly opens the way to political pressure being applied from the various regions of the country for greater attributions of cereals. No new methodology or targeting mechanism for indigent populations has been put forward. Compounding free distribution problems is the fact that the CSA appears to have its own priorities in transhipping food, with wheat for sale receiving the emphasis.

For example, the CSA requested in August, 1988 that 3000 MT of U.S. sorghum be used for free distribution. This was agreed to under the proviso that all distributions be complete by Oct. 15. As of January, 1989 approximately half of the commodities have been transhipped and in many places free food distributions went on well through the harvest. In others the distributions are still on-going. Although the OAR/M has not requested that the campaign be stopped, in response to a Team question the CSA stated that it could not be canceled, asserting that recipients have been notified and that they must be provided what has been promised. The CSA also noted that on-going distributions were in non-harvest regions. This anecdote gives the flavor of CSA-run distributions. It should be mentioned, however, that OAR/M does substantial monitoring of free food distributions, and there is a strong conviction that corruption in the distribution of free food is not at a high level.

It is uncertain whether the amount of wheat used for free distribution is declining. All numbers, with the exception of U.S.A.I.D. monitoring, are highly suspect. U.S.A.I.D. indicates that in 1988, of 15,017 MT distributed, 2,233 MT were wheat. No historical data from previous years could be found. The problem lies in the CSA planning process. Many of the decisions to attribute cereals are actually a reshuffling between donors and purposes. For example, if sorghum is desired for free distribution, the CSA might take EEC stocks originally for sale, demonetize them, and replace them later with another donor's sorghum. In practice decision is made on top of decision, and the same stocks gyrate wildly between purposes. The end result is that nobody is certain of the final disposition of stocks. It should be noted that U.S.A.I.D. stocks are not treated so cavalierly, due primarily to the quality and demands of its monitoring system.

Currently the CSA does not have large stocks of wheat for sale. Thus many donor stocks planned for free distribution are monetized and sold, and replaced with other commodities, usually locally purchased sorghum. As long as this shortage of wheat exists none or little will be distributed freely.

IV. ANALYSIS OF SPECIFIC ISSUES

4.1 The Self Targeting Concept
4.2 Local Currency Generation
4.3 The Common Fund
4.4 Private Sector Potential in Cereals Marketing

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IV. ANALYSIS OF ISSUES

4.1. The Self-Targeting Concept.

The most significant change in approach between the first Mauritania Section 206 project and the second is the change in commodity mix. The original project called forward 20,000 MT of wheat each year; the current project calls forward only 6,667 MT of wheat, but 13,333 MT of sorghum. The purpose is to provide a lower priced good (sorghum) to the market, thereby reducing the need for free distributions. By pricing a less preferred good lower than substitute cereals, those who have only limited means are assumed to be granted entry into the market place.

There is evidence that this part of the program is succeeding to a limited degree. However, many aspects of sorghum use in Mauritania are generating controversy and the team questions the overall validity of its use.

The self-targeting concept is fairly simple, in economic terms. The idea is to subsidize an inferior good (one whose consumption goes down when income goes up) so that the subsidy reaches uniquely the target group--the poor. It is assumed that the more income a person has, the less likely he is to take advantage of the subsidy through purchasing the good. Thus the impact of the subsidy accrues only to the lowest strata of the economy. The concept is sound and has been used successfully in various countries around the world. Its application, however, in Mauritania, has brought about a wide variety conceptual, operational and impact issues.

In Mauritania, the intended beneficiaries are not the poorest of the poor, but rather a middle layer of consumers who have some purchasing power, yet need assistance to reach an adequate caloric level. The most significant problem in aiding this middle level is the absence of the data necessary to periodically assess its size. As a result it is not really possible to know how much sorghum needs to be sold at a subsidized price. Although the TA states that "The U.S.A.I.D. and GIRM will monitor sorghum sales and market behavior very closely to determine whether this policy is having the desired effect of providing low-cost sorghum to low-income consumers", there is no real inference that the quantities of sorghum imported should be adjusted each year. As such, for two consecutive years, 13,667 MT have been brought in for sale.

In reality, increasing harvests over the last three years indicate that this middle layer is nowhere near the size anticipated. Basic rural indicators such as market activity, food availability, absence of vitamin-deficient (red haired) children are strong. Sales of sorghum are far below 13,666 MT per year. The following table demonstrates the overall patterns of sorghum sales.

TABLE 4.1: Quarterly sorghum Sales (MT)

FY	1984	1985	1986	1987	1988	1989
Q1.	0	601	114	92	78	385
Q2.	0	293	85	60	926	
Q3.	0	198	150	0	1714	
Q4.	620	652	86	0	1107	
TOTAL	620	1744	434	152	3825	385

Source: OAR/M

This data needs to be interpreted carefully. Over this time-frame the supply of US sorghum increased and its price decreased. Coupled with increasing harvest amounts, changing rural incomes, differing levels of free distribution, stockouts, and varied purchasing requirements by season, it is difficult to identify the cause of trends. Nevertheless, two important facts stand out.

First, the price decrease caused a major upswing in demand for US sorghum. Quarterly volumes after the price decrease are almost double any other quarters. Assuming that these sales are for human consumption (discussed below), this market response indicates that to a certain degree US sorghum is palatable, and Mauritanians are price sensitive.

Secondly, even with a price decrease, the rate of sales is vastly inferior to that of wheat (average ratio 3:1), and in relation to overall U.S.stocks of sorghum. This implies two things: sorghum is indeed an inferior good, and the market for this commodity--people who wish to take advantage of the subsidy-- is much smaller that anticipated.

Stocks of sorghum are currently 18,000 MT. At the current rate of sales, it would take over 4 years to sell these stocks. Naturally, other interventions would be planned for them long before this time passed. But the inference that can be drawn from the rate of sales is that the need for an inferior commodity is much lower than the 13,666 MT per year envisioned. Even more concern must be shown in looking at the preliminary results from the most recent quarter. It estimates sales declining to pre-price decrease levels. After three years of improving harvests, the possibility of further declines in purchases bears monitoring.

The apparent over-abundance of sorghum is the principal reason why the Team recommends that FY 89's call forward contain no sorghum. But other issues as well call into question its inclusion in the program.

The most important issue is the evidence that a large part of the subsidy intended for the poorest is actually accruing to the most privileged Mauritanians. Although it is impossible to quantify the amounts, every person questioned on the subject will state that US sorghum is used for cattle feed as well as human consumption. The low price of sorghum makes this an economic use, most particularly for city dwellers who invest in cattle. The official price is approx. 3 UM less per kilo than industrial by-product fodder. The transfer of a subsidy from the poor to the rich is problematic. It obviously calls into question the effectiveness of the program. As well, the establishment of grain intensive livestock industry as an unanticipated side effect might not be desirable. This particular issue makes it difficult to see how self-targeting with U.S. sorghum can be used effectively in Mauritania. Because of the animal feed issue, there is no latitude to adjust the purchasing price to assure the subsidy arrives only to the poor. Any upward adjustment would lower the number of purchasers, and not decrease the amount used for cattle feed until the price went beyond 20 UM/kg. Downward adjustments would increase both human and animal consumption. The reality is Mauritanians, like Americans, feed grain to their cattle. Thus, in this context, sorghum is not an appropriate vehicle to carry a subsidy.

A second issue is whether or not a subsidy on sorghum actually exists at all. Purchaser of cereal are buying it for processing into meal, or coarse flour. Some observations can be made here which are not conclusive, but serve to demonstrate the type of analysis needed on processing costs. First, consumers indicate that more meal is received from wheat than from sorghum. Although this experiment was not repeated by the Team, one local trader was himself curious about the difference and put the yield ratio at 3:2 in favor if wheat. If, in fact, this is true, sorghum could actually be more expensive to use than wheat. Secondly, it appears that sorghum requires more oil to make an acceptable plate than does wheat, again changing the economics. Thirdly, many Mauritanians are not prepared to hand-pound cereals into meal. Wheat is transformed in Mauritania exclusively by machine. However, no adequate machines exist to transform sorghum into meal. Some hand-pounding must be done, and if local machines are used to further refine sorghum, a consumable ancillary product is lost. Thus, there appears to be an opportunity cost in purchasing sorghum. Related to this is the effort involved in hand-pounding. If the cost of the calories burned in hand pounding is greater than the cost of machine processing wheat, then the subsidy on sorghum is reduced. A final issue is cooking time. If one product takes longer, the cost in additional fuel must be considered. A significant portion of a home budget in Mauritania is for charcoal.The combination of these factors could well make U.S. sorghum an uneconomic choice.

It should be noted that subsidizing a commodity assists only those who have funds to purchase it. That is, it does not increase the number of people who enter the market. Rather, it gives those already in the market a marginal increase in the amount of food they can purchase. Thus, self-targeting does not appear to be replacing free distributions.

In spite of these issues, the team feels there has been a limited degree of success in self-targeting. This is self-evident since some sorghum has actually been sold to and consumed by humans. It appears that there is a particular group that would benefit from self-targeting.

The cereal market in Mauritania seems to be segmented. One segment is those who do not have agricultural backgrounds and are now consuming increased amount of cereals. Their immediate choice in coarse grains will be wheat. This preference is due to traditional familiarity with wheat, and an unfamiliarity with cooking and processing of sorghum. For them, sorghum is a less preferred good, in comparison to the price and benefits of wheat, and US sorghum not preferred at all. The other market segment is composed of agriculturalists who continue to appreciate sorghum, both by growing and consuming it. It is with this segment that self-targeting has had its limited success. As stated above, however, this segment is vastly smaller than anticipated, as evidenced by low rate of sales.

One of the reasons why this group is smaller than expected is that they are both producers and consumers at the same time. As such, regardless of the actual numbers in this group, their absolute purchasing requirements are lower than any non-producing group. While it is difficult to generalize from the few interviews the team had, it appears that this group is not self-sufficient in cereals, but still commercializes part of its production. Thus many in this group are in the unfortunate position of selling at one part of the year and buying back (at a higher price) later. This was confirmed by both traders (who thought of the farmers as irrational) and by farmers themselves.

In practice this is probably less irrational than it seems. Farmers commercialize in order to have current consumption (tea, sugar, condiments, clothes, etc.) rather than have the implied gain from holding cereals and selling them later. And since the farmer is not self-sufficient, he will be purchasing in the market at a later time anyway, using funds he will have earned at a later date. Thus the farmer is simply maximizing the use of his current resources. This explains why two farmers indicated to the team that increased producer prices were not in their interest. If they received more for their crops now, they were certain it would take a greater portion of future earnings to buy cereals later. Thus, a self-targeting commodity would tend to assist this population.

The Team also perceived a high level of animosity toward US sorghum as a commodity for sale in Mauritania, primarily from those who are in the non-agricultural market segment. There appears to be a strong dislike for American sorghum. It might well be that American varieties of sorghum differ so dramatically from local varieties to the Mauritanian palate in terms of color, taste, and quality, that it is not an inferior good but a famine food. That is, American sorghum might be something that is consumed under duress, and almost never any time else. Low levels of sales, with a portion going to animals, coupled with general acceptance as a food for free distribution might indicate this is true. This would imply that sorghum is not generally acceptable for a sales program.

The recommendation the team wishes to make is unfortunately not based on a strategic sense of the Section 206 project, but on operational necessity. No further sorghum should be imported in the final year of this program. The current stock assures that the self-targeting concept will be available to the Mauritanian purchasing public for some time to come. This surplus also dictates the composition of the FY 89 OAR/M call forward.

1. No emergency aid should be considered. Rather any free food distribution needs and FFW programs should be allocated from surplus sorghum stocks. Demonetization of additional quantities of sorghum will adversely affect local currency generations, but it is a superior choice to allowing this sorghum to age and be eventually destroyed or sold as animal feed at a substantially reduced price.

2. No intra-regional purchases should be considered due to the surplus of US sorghum. The team questions whether bringing in Malian sorghum would negatively effect local producers through competition.

3. The team recommends OAR/M develop a plan to finish remaining stocks within a 12 month period. This plan can include increasing sales centers and demonetization.

If self-targeting is considered for future programs, the team does not recommend sorghum. A possible alternative is bringing in complements such as butter-oil and NFDM. These complements, at a subsidized price, would actually increase the demand for cereals in the country by freeing additional family budget resources. However the teams questions the strategic effectiveness of combining price subsidies with price policy reform.

4.2 Local Currency Generation.

Monetization of PL-480 commodities has been an integral, almost dominating, part of Mission strategy in the 1980s. Parts of two emergency programs have been monetized, as well as the commodities of two Section 206 projects. The total local proceeds generated from these 4 TAs are expected to reach $33.0 million. Generation of all currencies from the three previous TAs is now complete, and deposits under the current TA are underway. This section reviews 2 issues central to local currency use: the procedures, management and controls used in the generation of funds, and their subsequent programming and use as development assistance.

4.2.1 Deposits. Over the life the current TA monitoring and management of commodity sales activities has played an increasing central role in terms of program focus and dialogue with the GIRM. Baldly stated, OAR/M's capacity to track sales has significantly increased, while the timeliness and clarity of CSA's accounting has not.

In 1987, OAR/M attempted to significantly tighten currency management procedures for both oustanding funds under TA 3616 and for future proceeds from the current project. The principle concern did not appear to be misappropriation of funds, but rather the timeliness of deposits into the joint USAID/GIRM bank account, and the lack of transparency in CSA operations. Delays of up to a year were common, which caused significant management difficulties and compromised local currency programming through an irregular cash flow. Particularly important, the Sahel Regional Financial Management Project began to provide substantial assistance in accounting and budgeting.

Simultaneously to cash flow difficulties, the results of an Inspector General audit in Mauritania and other countries using PL-480 local currencies gave further impetus to OAR/M to focus its efforts on managing the financial aspect of the program. This audit found that deposits lagged significantly behind sales: the OAR/M-GIRM account had received only 67% of proceeds generated to date (1986). To rectify this the Inspector General made 3 recommendations:

1. That "the Director, USAID/Mauritania, request that the Government of the Islamic Republic of Mauritania immediately deposit outstanding P.L.-480 Title II Section 206 sales proceeds in the special account".

2. That "the Director, USAID/ Mauritania establish an effective system to periodically monitor compliance with P.L.480 Title II Section 206 program provisions."

3. That "The Director USAID/Mauritania establish a policy to delay commodity shipments until sales proceed from previous shipments are fully accounted for and deposited in the special account.

All three recommendations were acted upon and considered closed. The first step the OAR/M took was to tighten reporting requirements from quarterly to monthly. A timetable was established to place all due deposits in the accounts. The negotiated procedure is quite clear, best illustrated step by step:

Days 1-30.	CSA Center sells American stocks.
Day 60.	A report on Day 1-30 sales must be submitted.
Day 120.	A financial report and a check must be issued on Day 1-30 sales.

Thus, after 120 days the accounting is complete for one month. Thirty days later, the same process brings Day 30-60 accounting to completion, hopefully providing a regular and manageable cash flow. This time frame serves two purposes in principle: it allows the CSA time to complete rational and complete financial accounting, and it also attempts to take into account liquidity issues in the banking system.

In practice, however this schedule has not been respected. CSA, immediately upon signing the TA and receiving commodities in Oct., 1987, went several months with no reporting whatsoever. On March 1, 1988 the acting Mission Direction wrote personally to the CSA Commissioner, noting this lack of compliance. While eventually all reports were issued, ultimately the OAR/M found that a full fiscal year accounting was a necessary tool. Sales through Sept. 30, 1988 were finalized and closed in January 1988. This closure brought the CSA relatively close to schedule.

Considerable management time has gone into satisfaction of the second recommendation, concerning account tracking. Several new staff have been put into place. A budget analyst has been hired to document systems and transactions, and track and account subproject expenditures. A program assistant has been hired to to provide policy asssitance, and monitor and analyze data flows from this project. A Section 206 monitor is responsible for tracking the sales volume at each USAID center in order to forecast revenues. Two additional monitors are responsible for tracking shipments throughout the country.

All staff are computer literate, and actively use computers. Beyond this, a complex set of systems have been put into place that can track and verify CSA sales as well as--or better than--the organization can itself. This implies no redundancy: the quality of information from the CSA is such that it must essentially be constructed autonomously in order to verify it.

The third recommendation, concerning leverage, can be considered policy. The present TA was delayed well over a year before signing due to outstanding deposit issues. As stated in other sections, American leverage in this project is now used principally to generate timely deposits.

The OAR/M has made its best efforts to manage the inflow of currency. In can be confidently stated the FFP office usually knows quite accurately how much should be in the account. Despite this information, problems persist in making timely deposits. There are two principle problems. First, there are significant constraints on the CSA as an organization. Despite considerable technical assistance, skill levels are rudimentary below the senior officers, and low levels of production are standard. Thus reports, accounting and disbursements are often simply late.

Secondly, the CSA has no incentive to release monies at any time. They are not funded in a coherent manner, possibly run a considerable deficit, and must produce regularly a very visible service--providing food to the country. They clearly need substantial amounts of working capital. The US requirement of depositing gross, rather than net, proceeds into the U.S. account is a particular disincentive to compliance with deposit requirements. The CSA spends real money as it manages commodities. Yet, when it issues a financial report it must not only deliver net proceeds, but the money it has already spent as well. Obviously this can come from only three sources. Either other donor counterpart funds are used--robbing Peter to pay Paul--, or the CSA must establish a line of credit at interest to make this payment. The third option is the most financially responsible from CSA's point of view: to delay payments to creditors (i.e. USAID) as long as possible. This however, creates a downward fiscal spiral. The US, due to the late deposit problem, refuses to make reimbursements of legitimate expenses until the account is up to date. Surprisingly, despite the lack of incentive, the CSA's performance has improved over that documented in the 1986 audit. The CSA has deposited, or more precisely ordered deposited, 87% of funds.

Even with the improved performance of the CSA, the special account is actually receiving funds less regularly than previous to the audit. Only 46% percent of total funds generated is actually available--a significant drop in achievement. This has been caused by a problem that is apparently intractable for the OAR/M, despite intensive oversight and interaction.

The Mauritanian banking sector is currently squeezed by a lack of liquidity. Despite apparently good faith ordres de virement'--deposits--by CSA, the Mauritanian banks are not implementing the transfers from one account to another. Especially problematic are inter-bank transfers. The cause of this problem goes far beyond PL-480 and into Mauritanian development strategy. In sum, Mauritania has maintained a high degree of public and private investment. Most of this investment has been financed by a banking system that is both newly created and extremely active. The result is most of the banks are now saddled with non-performing loans, some up to 50% of their total portfolio, and they find themselves in a permanent cash squeeze.It is hard to see how local currency funds can be liberated in a timely fashion without fundamentally altering the Mauritanian banking sector.

In summary, the financial position of TA 6620 is as follows:

Table 4.1: Financial Position of T.A. 6620

Sales through September 30,1988	13,684,296 MT
Value of Commodities sold	248,019,232 UM
Amount of deposits authorized by CSA	175,459,650 UM
Project costs financed directly by CSA	29,500,000 UM
Percentage of funds made available by CSA	83%
Amount cleared through banking system	85,459,650 UM
Percentage of funds actually made available	46%

4.2.2 Programming. A key issue in the monetization of PL-480 commodities is that local currency is usually available long after the commodities have been sold. Receipt of cash comes a minimum of four months after the date of sale, and often much later. The programming and expenditure process is usually not seen to be as critical or rigorous as processes for OYB funds. As a result, local currencies tend to accumulate. OAR/M is now actively managing the currency proceeds generated from 4 TAs. Figure 1 shows both the current surplus and the projected surplus of local currencies for the life of all 4 TAs.

Several important facts can be drawn from the tables in figure 1. The overall amount of local currency to be generated under these TAs is approx. $33.1 million. This represents the allocation of 110,000 MT of cereals. The average generation per year is almost $5.0 million. By any standards--including current OYB--these are substantial sums.

Figure 1 breaks the programs into past and future. It can be seen in table I of this figure that $23.0 million has already been banked under these programs and $14.0 million spent, or 64%. Commitments have been signed for another $7.2 million, leaving $.9 million unprogrammed. Thus, the unprogrammed portion of funds already generated is 4%. Given that many of these funds have cleared the banking system only recently, the team feel that the OAR/M is doing an adequate job in programming the volume of resources available. This is especially true when one realizes that the original programming and sale of commodities is often several years back, and often no longer relevant, due to changing circumstances over the intervening years. In retrospect, the OAR/M has done well to program local currency down to 4%, given the irregular cash flow it has received.

Future proceeds are a different story. As can be seen in table II of figure 1, there is a substantial surplus of local currency expected to be generated. In fact, 65% of future funds are not yet earmarked. This is due, and this is an important point, to the OAR/M policy of not attempting to obligate funds until they have been generated and the cash received in the account. This is an extremely conservative policy, but, under the circumstances one that may be appropriate. Although these are GIRM monies, they are in many ways seen to be AID funds due to the high level of management and oversight AID provides. Should contracts be issued and then funds not materialize in time, the fallout would be equally heavy on OAR/M as on the GIRM. OAR/M's appreciation of the CSA after 6 years of working together allows them to feel that discussion for potential projects and actual obligation is proceeding as fast as prudence dictates. A second significant policy of OAR/M is to not intermix funds. That is, funds are disbursed only from the bank account and TA that is designated in the agreement. If there is a shortfall in the account, it will not be made up from another. This again is a rather conservative policy, but in fairness to the Food for Peace Office, combining funds could cause significant tracking problems. This policy does, however result in slower programming.

As far as actual use of the funds, overall policies governing the expenditure of local currency generated by P.L.-480, Title II have been clearly stated. There are two principle uses. The first is to fund the in-country costs of food programs in order to increase their efficiency and effectiveness. The

FIGURE I

TABLE I: CASH GENERATION, EXPENDITURES, COMMITMENTS AND SURPLUS (UM, 000)

	SALES	EXPENDITURES	COMMITMENTS	SURPLUS
TA 1616 2615	431,258	396,594	34,664	0
TA 3616	1,051,035	669,756	345,051	36,228
TA 6620 (TO DATE)	248,020	48,987	162,975	36,058
TOTAL	1,730,313	1,115,337	542,690	72,286
DOLLARS (000)	$23,071	$14,871	$7,236	$964

TABLE II: EXPECTED CASH FLOW AND EXPENSES

	FUTURE SALES	EXISTING SURPLUS	FUTURE EXPENDITURES	AVAILABLE FOR PROGRAMMING
TA 1616 2615	0	0	0	0
TA 3616	0	36,228	36,228	0
TA 6620	750,010	36,058	266,000	484,010
TOTAL	750,010	72,286	302,228	484,010
DOLLARS (000)	$10,000	$964	$4,030	$6,453

TABLE III: PROGRAM TOTALS

	SALES	EXPENDITURES	COMMITMENTS	FUTURE COMMITMENTS	SURPLUS
UM	2,480,323	1,115,337	542,690	302,228	556,296
DOLLARS (000)	$33,071	$14,871	$7,236	$4,030	$7,417

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second use is to fund programs and projects that reduce the need for food assistance. The OAR/M follows these policies.

The priority use of local currency is relatively straight forward. All U.S. Government-to-Government food grants are handled by the CSA. Under the terms of the TA, direct costs incurred through the sale of these commodities will be reimbursed. As well, a portion of overhead, or indirect costs, will also be reimbursed. Activities can also include infrastructure development for cereals handling. As stated above, the reimbursement mechanism has been difficult to use with CSA requests running extremely late. The mechanism is both cumbersome and financially important. CSA incurs costs of roughly 7,600 UM per ton, which is considered high.

The second use of funds, for projects and programs that alleviate the need for food aid, is somewhat more complex. As stated previously the OAR/M is managing funds that have accrued over several years. The uncomfortable truth about monetization is that the need for cereals and the amount of local currency generated are usually not in proportion. That is, sales of a reasonable amount of food in relation to a cereal deficit will bring about unreasonably large sums of money.

The OAR/M has made its best efforts to productively use local currency according to guidelines. What follows is a rapid summary of the types of projects engaged in.

1. TA 1614/2615 (1981-1982).

Expenditures were made in 6 categories, of which three concerned the CSA. Operating costs for U.S. cereals were reimbursed to the CSA and, as well, an infrastructure development program was launched and the first investments in a radio system for the CSA were made. Non-CSA projects include an Emergency Water Supply Project, Rural Roads, and spraying of locusts. Spraying of crickets is the final allocation of funds from these TAs (both pre-1983). When these funds for spraying are spent, the books will be closed on them. It should be noted that additional funds beyond the remaining 36 million UM might be required for additional emergency locust spraying and would come from other sources. No project other than spraying is current.

2. TA 3616 (1984-1986).

This TA budgeted four activities: CSA operating costs, CSA infrastructure, a bulk grain handling facility and an addition component to the rural roads projects. Only a small sum remains to be paid to the CSA for its operating costs, which will be released when final documentation is received. Infrastructure projects are primarily warehouse construction. Thirty-eight warehouse have been planned for construction, each with a capacity of 200 MT. Construction has been in three phases of 12 to 14 projects. The first 2 phases are essentially complete and the third is beginning this year. The bulk handling facility has not been started or even envisioned. The is due to semi-permanent negotiations between Continental Grains and its Mauritanian partners on the creation of a wheat milling complex which would include bulk handling facilities. At the time of this writing the Mauritanian partners are in New York for final consultations. The addition to the previous rural road component has been completed.

Recent programming decisions have been principally concerned with funds remaining under this TA, many of which have only been recently banked. In general, OAR/M programming has been quite consistent in direction. Support has gone primarily for Food for Work and improvement of data collection. Counterpart funds have supported a FFW pilot project, which completed 6 projects around the country. Based on this experience 2 seminars on FFW have been supported, and administrative costs of an FFW office in the UNDP have been assumed.

Data collection has involved 3 projects. The first, the USAID Agricultural Research II, is geared towards agronomic and economic research along the Senegal River. Local currency is used primarily to pick up the local costs incurred by the project for on-farm testing, rather than overall funding. The second, The Agricultural Statistics Service, is the principle Mauritanian data collection entity, co-financed by the United Nations. This funding is considered interim by the mission. The third data collection project is co-financed with the World Bank, called the Living Standard Measurement Survey. Although no results have yet been delivered to USAID, in principle this project should provide data for future Section 206 programming.

Three activities outside of data collection and FFW have also been funded. An audit of the CSA, paid from interest accruing from the funds, was completed in 1987. Also, funding for printing of various inventory cards and other paper needs of the CSA, as recommended by the Sahel Regional Financial Management Project, was allocated. A third use has been funding all local costs of the Food for Peace Unit in OAR/M. Finally, a contribution to the Common Fund (discussed separately) was disbursed in December of 1987.

Almost all remaining funds under this TA are earmarked for additional rural roads.

3. TA 6620 (1984-1986)

Few expenditures have been made to date and programming is not far advanced. An agro-forestry project with Peace Corps has been signed for 30 million UM. Anticipated operating costs of the CSA are 152 million. The primary earmarking of funds under this TA is for the Dirol Plain Project, should it be approved.

It can be seen from this brief outline projects chosen by the OAR/M generally conform to policy guidance on Title II local currency generation. The team, however, feels that a much tighter link between program objectives and local currency use is needed. Greater program impact could be gained through concentrating resources through a cohesive strategy. Every part of the program should support the others. Simply supporting investment opportunities as they crop up may provide some good projects, but it is questionable whether these projects materially assist in achieving project goals.

4.2.3 Addendum: Changes in Projections. On of the recommendations of the team is to cease bringing in sorghum, demonetize part of the remainder and call forward 20,000 MT of wheat. Previously 3,000 MT of sorghum have been demonetized; an additional 9,000 MT are expected to be transferred to FFW or free distribution. What follows is an illustration of probable effects on local currency.

Table 4.3: Change in Program Value.

Sorghum	
Total sorghum shipped:	27,344 MT.
Expected value:	464,848,000 UM
Amount demonetized:	12,000 MT
Value lost:	(204,000,000 UM)
New value:	260,678,000 UM
Wheat	
Value of sales to date:	183,025,522 UM
Value of current stocks:	
In Nkckt @ 21.5/kg.	1,659,475 UM
Rural areas @ 20.5/kg	62,586,500 UM
Future sales at @24/kg	480,000,000 UM
Total wheat local currency:	727,352,447 UM
Total, TA 6620	988,030,447 UM
Value previously expected:	1,137,896,000 UM
Net loss:	(149,866,000 UM)
Dollar Value:	($1,998,213)

4.3 The Common Fund.

A principal use of local currency envisioned in TA 6620 is to make contributions to a Common Fund, supported by the major donors. In essence this is a WFP sponsored plan, modeled on similar plans in Mali and Senegal. Contributions come from portions of food aid sold through the CSA, which are then pooled and used for development projects which enhance food security. There has been little success to date in using the Common Fund.

This Fund was established on November 19, 1986, by decree of the Presidency of the Republic. The document is essentially weak, concerned more with the management procedures for disbursing funds rather than with objectives and purposes for effective use of a Common Fund. In no place does this document refer to why a Common Fund would be established at all. Thus the Common Fund, hampered by the lack of a common strategy, got off to a slow start.

The original decree consists of nine articles. In summary, it creates a Common Fund to which Donors are invited to contribute local currency accruing from food aid sales, cereals themselves, or any other form of financial contribution. The use of these funds are limited to :

1) Development actions conforming to the Program de Redressment Economique et Financier (PREF), and specifically to actions related to food security.

2) Operating costs of the CSA from its approved budget.

As well, the decree gives donors the right to place four members on the CSA's Conseil de Surveillance, essentially its Board of Directors. All funds generated under this project are placed in a common account, and released only with the signature of the Commissioner of the CSA and the representative of the donors.

Also created is a `commission paritaire', responsible to manage and monitor the investment program financed by the Fund. This commission would meet at a minimum every three months. Their tasks include:

1) Monitoring and controlling project activities.
2) Maintaining fund accounts.
3) Evaluation of projects.
4) Approve financial reports.

What is significant about this document is what is not said. In addition to not defining what benefits are expected to accrue from pooling resources, it does not properly define the investment objective. By simply specifying consistency with PREF, and a food security orientation, no focus is generated to synergize the contributions. In fact, donors are placed in an extremely passive role, reduced to approving and funding projects submitted to them by the GIRM. In short, the mechanism put in place had no real advantage over bilateral funding.

Another particular point is the document's bias for project rather than program financing. Given the volume of development assistance in Mauritania as well as the high levels of bilateral and multilateral counterpart funds available, in conjunction with fairly limited investment opportunities, it is hard to see how Mauritania can continue to offer projects that can promise an acceptable social of financial rate of return. By contrast, a program orientation--gared toward overall reform of particular sectors would open a door to increased dialogue and concertation, and allow a more active role for the donors. It appears to the Team that the project orientation of the Common Fund is directly caused by the lack of an effective strategy or raison d'etre, which prohibits taking a program view, and in fact substitutes itself for a strategy.

Apparently, donors were not satisfied with this document. It took two years to negotiate (1984-86) and yet donor commitments were not put into place until June of 1987. That is, as soon as the decree was approved, donors began to renegotiate it. But rather than create a strategy for this project--establish a framework which relates the purpose of a project to its external environment and to its policies--, donors went in the opposite direction and established a sub-committee with the GIRM to more clearly define the procedures internal to the fund itself. The particular concern was to make the project selection process more rigorous. These concerns were direct enough that the GIRM issued a more detailed procedural note that was adopted by CSA Conseil de Surveillance in April of 1987. This note restated much of the original decree, but defined further the sectors in which to look for projects, and how proposals should be written. Also, to get things moving, it put into place a schedule for funding, project approvals and initial disbursements. A particular request of U.S.A.I.D. was to rank projects according to some criteria, but this was refused by the GIRM. With the results of the sub-comittee discussions in place, donors made their contributions.

The results of the 1987 process were not acceptable. A total of 300 million UM were placed in the account, including 50 million UM from the US. Co-incidentally requests for funding also totaled exactly 300 million UM. It became clear that a substantial misunderstanding was underway. The requests for funding submitted by the GIRM were principally for operating costs of on-going projects--in effect replacing GIRM spending with donor funds. Donor's were united in feeling that this was an unacceptable use of counterpart funds. After a series of meetings with no results, donors wrote directly to the CSA Commissioner expressing there discomfort with the proposed use of funds. They had, however, no success in changing the composition of projects submitted. With only responsibility to approve or disapprove, the donors were boxed in, released the funds and the first year of operation was happily over. No accounting has yet been received for these expenditures. Assurances arrive routinely that it is available.

The natural result of this process is that the level of contributions made to this fund has not attained commitments. In particular, the U.S. is withholding all contributions until a more acceptable role for the Common Fund can be found.

In reaction this state of affairs, donors made a further attempt to develop a strategy. Titled 'Terms of Reference for for a Study of the Strategy of the Common Fund', it posits the Fund's objective to be greater focusing of resources in order to improve their development impact. Secondly the fund is to serve as a vehicle for increased dialogue for donors and the GIRM. Principle policies include having a long term perspective, focusing on food policy and dialogue, and concentration of efforts and resources on food security.

In general this document provides a much better start--at least in terms of setting some policy guidelines. However the objectives are hardly concrete and most certainly open ended. And again, it doesn't define why the fund exists and to what ends it serves. Most importantly it doesn't define the purpose of dialogue that it invokes. In all honesty, a strategy that says a dialogue on food policy will be held is weak. It appears this opinioon is held by most donors and that a further iniative is needed.

The newest donor initiative has the appearance of actually putting together a strategy. The preliminary notes indicate that it would see the Common Fund as a means rather than an end in itself, or more precisely as one of many tools available to implement a strategy. This initiative envisions putting together a Program to Support Food Security. The Common Fund would then be one aspect of this program. The goal would be to create a framework through which donors spoke with one voice, overall resource planning would be achieved and coordinated, and most importantly, resources would be linked to progress in achieving pre-defined measures. Significantly, this initiative would be aimed at putting forward concepts, or strategies, of which the broad outlines would be agreed upon. Only when the strategy was agreed upon would the development and application of both bench marks and resources begin.

This initiative is still in the discussion stage among donors. However even in simple conversation it is clear that the scope and quality of this type of intervention far exceeds that of pooling funds and approving projects. It is interesting to compare possible objectives of the new initiative with those that have been written for the Common Fund. Four objectives are proposed:

1. Protect the country from low priced agricultural imports.

2. Protect farmers.

3. Do not protect consumers.

4. Liberalize the cereal market over time.

Whether or not these proposed objectives will be ratified remains to be seen. The important point is that this is the type of framework or strategy into which a Common Fund would best serve. Project funding would be reduced, and funds would be used in a programmatic sense to help ease in the necessary policy changes this strategy would require. One of the most important aspects of strategy is that it concentrates resources and attention. The purpose of the Common Fund would be quickly transformed to supporting the achievement of overall goals of a Common Strategy. This would be its proper place: used as a tool rather than a program in and of itself. Pooling resources would then have the effect of committing each contributor to the strategy.

The Team recommends that as the situation stands now, contributions to this fund should be held in abeyance, as OAR/M cannot guarantee the quality of investments.

However, it is most important to see in what ways the strategy of a future 206 program can mesh with a Common Donor strategy, of which the Common Fund can be a part.

4.4 Private Sector Potential in Cereals Marketing.

The team strongly believes that there is a high degree of potential for private sector involvement both in the Mauritanian cereals market and a future Section 206 project. At the national level the team can envision both increased commercial imports of wheat and the possibility of direct sale of Section 206 wheat to the private sector.

It must be stated from the outset that many West African countries have a strong reputation for commerce. Few, however, have achieved the concrete results that can be found in Mauritania. Achievements include:

--Almost complete upper and middle level Mauritanian management of the iron ore industry. Although there is little private investment in this sector, the "Mauritanianization" can be considered a success.

--The fisheries industry since 1979 has a high local investment component, and a good degree of success, which is providing surplus funds for investment in other sectors. A significant point here is that as soon as the GIRM put in policies which favored private sector activities, Mauritanians responded rapidly with both capital and entrepreneurship. In a space of 15 years the number of private firms engaged in fishing and fish processing has increased from 2 to well over 60.

--Dramatic growth has occurred in agribusiness, again as a result of a change in government policies toward the private sector. Paddy production has risen from 8,000 MT to 38,000 MT in the last 2 years, while government run rice perimeters have increased from 7,000 to 9,000 MT.

Clearly these types of achievements demonstrate that supplies of entrepreneurial talent, financial sophistication and resources (often liquid), and technical competence exist in Mauritania.

On the negative side, there is a strong perception that the commercial mentality in Mauritania is geared toward rapid recovery of investment cost rather than long-term growth and stability. For example, many people interviewed for this report project declines in both fishing and rice production due to this investment mentality. That is, in both rice farming and fishing the easiest and highest production amounts have been already attained. As yields begin to slip there is question as to whether investment will be maintained.

In terms of the cereal market, this negative might not be as strong as in other sectors. In both farming and fishing yields can decline. However the cereal market grows as a function of population, and therefore has a much more stable nature. Even if the overall percentage of commercial imports declined in terms of the total market due to increased harvests,it is hard to see a reason for shifting funds out of a major, continually profitable sector. Importing cereal is much more along the lines of traditional commerce in Mauritania than is fishing or farming. Thus it might be assumed that fewer investors would be looking to skim from this market and then pull out.

The most significant private sector activity to date in the cereal market is the finalization of the Continental Grains-Mauritanian flour mill investment. An agreement in principle has been reached between Continental and the Mauritanian investors, offering Continental 51% ownership. The total cost of the planned complex will be approximately $15-17 million dollars. The agreement is now being reviewed by the government and should soon be ready for signature. This investment will constitute the largest single direct foreign investment currently in Mauritania and the largest U.S. investment in the region (Mali Senegal, Mauritania), according to the lead Mauritanian partner. Construction will take about 2 years.

The complex will serve three functions. It will have the capacity to produce 40,000 MT of wheat flour per year, with eventual expansion to 50,000 MT. Secondly, it will produce animal feed from the by-products of milling operations. Thirdly, the complex will have bulk handling capacities and warehousing for cereals and other cargoes.

Some of the assumptions of this project are quite interesting. Currently, the market demand for wheat flour is estimated to be 33,000 MT. In planning for a capacity of 40,000 MT, the investors are implicitly planning to capture the entire Mauritanian wheat flour market and export (clandestinely or not) some of their production. Certainly, they would expect to run their factory as close to capacity as possible to achieve necessary economies. They feel their product will offer significant advantages in terms of quality and freshness. However, they freely admit that they are not competitive with subsidized imported wheat flour. They plan to put flour on the market at a loss, and re-coup through the sales of animal feed and the rental of the bulk handling facilities. Animal feed is expected to be sold profitably at 15 UM/kg., 25% cheaper than its current price.

While this at first sounds shocking--building a flour mill to market flour at a loss--it can only be stated that the project has been studied by Continental for over four years. It is doubtful that either party would go with this project unless there were immediate profits to realize. Continental is planning on being an active partner. In addition to their return on capital, for 5% of the profits they will be providing wheat purchasing services as well as permanent and emergency technical assistance.

An appealing part of this project is that it will help develop a local milling industry. This is critical to Mauritania's continued agricultural development. Already the Mauritanian partners in this milling venture are looking to additional opportunities, and are actively considering purchasing rice mills to profit from the new levels of rice production. As well, hopefully, new milling activities will provide a catalyst for aspects not yet developed. No milling technologies yet exist in Mauritania for coarse grains. Many observers commented to the team that Mauritanians do not purchase sorghum because they are reticent to hand-pound sorghum into flour. Appropriate milling technologies might be key component of increasing demand for local cereals.

There are other interesting aspects of this project. Part of the Government review of this project will include a waiver to import whole grain wheat. Currently, only the CSA is allowed to import wheat. This break in the monopoly would be a positive step and offer potential for further liberalization of the cereal market.

For the moment the project plans to imports uniquely European wheat. This is a question of both price and preconception. As discussed in the section on pricing, European wheat is more competitive than American in terms of price and transport. The lead investor for this project also indicated that there is a preference for European wheat for bread baking--the principle use of flour in Mauritania. This is a preconception that appears to be strong in W. Africa. Continental Grains in New York City feels, however, that there is no real difference between European and American wheat of the same variety, and in fact considerable amounts of American wheat are used in Zaire and Cameroon.

However, there is considerable interest on the part of the lead partner in purchasing PL 480 wheat. The principle reason for this is that purchase could be made in UM, thus saving hard currency expenditures on a considerable scale. There might also be a perception that these imports could be had at a bargain price, although this was not mentioned.

Selling Section 206 commodities to the private sector--to the future mill or to traders directly-- is an idea of considerable interest, especially for generation of local currency. Commodities sold to the private sector would generate 100% of proceeds at the time of sale, rather than stringing out deposits over a series of years. This makes a significant managerial difference by reducing the accounting burden, and a significant financial improvement if one considers the time value of money. Another advantage relates to the CSA. Sales to the private sector would cut out both CSA management and CSA management costs. This not only makes life easier all around, but significantly increases the amount of local currency available. As stated previously, CSA management costs are roughly 7,600 MT per ton. This is more than a million dollars on a 10,000 MT shipment. Sales of this nature are also in line with plans to reduce the role of the CSA.

An important consideration, though, is the legitimate role the CSA plays in price and stock regulation. The CSA should always have a sufficient stocks on hand to assure national food security for a measured length of time, and to have a weapon in stock with which to combat over-zealous price speculation. In practice, this would mean that a share of each shipment would probably be allocated to the CSA.

The impact on foreign exchange of sales to the private sector is also important. A reduction in hard currency expenditures for wheat flour, combined with the expected reduction in commercial imports of rice due to current surplus production could lead to a significant improvement in the current account of the balance of payments.

There are some negatives, however, in involving the private sector. The most important is the risk of arbitrage. As soon as a price differential is perceived in 2 locations for the same commodity, it will start flowing towards the higher price. Exports of PL 480 Title II cereals are a major problem, since obviously exports increase the cereal deficit. Particular to Mauritania is a currency problem. If there is a differential between the official exchange rate for CFA and its market rate in favor of CFA, then commodities can be sold even at a nominal loss, and yet profits made when the CFA is re-exchanged into UM. Given the propensity for trade in West Africa, it can only be assumed that PL-480 commodities would be entering into a very dynamic market.

This dynamism can be seen in the market for wheat flour. Currently, wheat flour imports are estimated to be as high as 120,000 MT. With a national market of about 40,000 MT, clearly the major portion of imports is being transported out of the country, primarily toward Mali. This indicates that the new port in Nouakchott is having a positive impact on regional trade. The confluence of a new and functional port, improved road for all but a few hundred kilometers between Nouakchott and Bamako, and continued poor performance of the Dakar-Bamako railway, demonstrates a significant opportunity to increase trade between

Mauritania and Mali. It also demonstrates the ease in which trade in PL-480 commodities can begin.

The Team recommends that the possibility of auctioning wheat in lots be considered for a future 206 project. We also note, however, a new set of systems would be required to monitor this type of transaction. Payment would most likely be made using irrevocable letters of credit. Advice should be sought on the management of this type of financial instrument. The capacity of the local banking system to service these transactions should also be considered.

ANNEXES

A. List of Persons Contacted
B. Glossary
C. Data and Charts
D. Scope of Work

ANNEX A

Program U.S. Project
A.I.D/Washington

Emmy Simmons	AFR/DP
Pat Rader	AFR/DP
Nancy McKay	AFR/PD
Vera Lafoy	AFR/PD
Carolyn Weiskirch	PPC/PD
Donald McClelland	PPC/PD/PR
Richard Hough	FFP/AFR

Embassy

William Twadell	Ambassador
John Vincent	DCM

OAR/Mauritania

Glenn Slocum	Representative
Walter Boehm	A/Rep/Program Officer
James Bednar	Food for Peace Officer
Son Hoang Nguyen	Agriculture Office
Andrew Gilboy	Human Resources
Jeff Coupe	Famine Early Warning System Consultant (FEWS)
Cameron Garthe	Assistant FFPO
Sidi Mohamed Khalil	206 Food Monitor
Mohamed O/Abdellahi	General Food Monitor
Thiam Tidiane	Food Monitor 206 shipments
Thiam Mohamed	Budget Analyst
Youssouf Abdel Jelil	Program Analyst

Mauritanian Government

CSA - Commissariat a la Securite Alimentaire

Dr. Mohamed Sidya Ould Bah	Commissaire
Mohamed Ould Babetta	Commissaire Adjoint
Mohamed Ould Hamdane	Directeur Aid d'Urgence FFW
Zeidane Ould Sidi Boubcar	Directeur de la Commercialisation
Mohamed Ould Mahfoud	Chef de Service de la Comptabilite
Moustapha Ould Dide	Directeur de Transport et de Logistique
Jean Michel Courbois	Ministry of Rural Development

CSA - Assistance Technique:

Alan Chissick	Sahel Regional Financial Management Project II (SRFMP II)
Hans Bleyer	PSA -- Programme Securite Alimentaire (RFA)
M. Zahroui	FAO Appui au CSA

Major Donors

World Food Program

Kasser Badaoui	Director
Willem Van Milink	Project Officer

World Bank

Demba Bah	Agricultural Officer

EEC

Hans Van Bieler	Food Aid Officer

France

M. Pommeret	Food Aid Officer

Germany

Conrad Kleefeld	Conseiller Principal du PSA

ANNEX B

Glossary

A.I.D.	Agency for International Development
CSA	Commissariat a la Securite Alimentaire (Food Security Commission)
GIRM	Government of the Islamic Republic of Mauritania
MT	Metric Ton
SONADER	Societe Nationale de Developpement Rural (National Rural Development Company)
SONIMEX	Societe Nationale de l'importation et de l'exportation (National Import-Export Company)
TA	Transfer Authorization
UM	Ouguiya Mauritaniens
WFP	World Food Program
EEC	European Economic Community
UNDP	United Nations Development Program
FFP	Food for Peace
FFW	Food for Work
PREF	Program de Redressement Economique et Financier (Economic and Financial Reform Program)
PCR	Program de Consolidation et Relance (Consolidation and Growth Program)
OAR/M	Office of A.I.D. Representative
P.L. 480	Public Law 480, the Agricultural Trade and Development Act as Amended
UBD	Union des Banques de Developpment

FOOD POLICY STATEMENT
June 1988

SELLING AND PURCHASING PLAN FOR SONIMEX

(Annex)

	1988/89	1989/90	1990/91
1.Consumer sale price (UM/KG)	31	34	37
2.SONIMEX wholesale price (UM/KG)	30	32	35
3.Cost price of milled rice (UM/KG)	35	35	35
4.Difference between cost/SONIMEX prices (4) = (3)-(2) (UM/KG)	-5	-3	0 .
5. I.M.F (UM/KG)	-1.08	-1.08	
6.SONIMEX 's Management costs (UM/KG)	-5	-5	
SONIMEX'LOSS/UM/KG (4) + (5)+(6) =	-11.08	-9.08	
7.SONIMEX 's COST PRICE (UM/KG)	41.08	41.08	
8.Tonnage of local rice will be purchase by SONIMEX (MT)	20,000	35,000	
9. Loss in Marketing local rice (UM Million) est.	221.6	317.8	
10.Quantity of imported rice (metric tons)	45,000	30,000	15,000
11.Profit margin on imported price (UM/KG)- 1987 price.	3	5	8
12.Total profit margins on on imported rice (UM million)	135	150	120
13. Total net margin (balance) (UM million)	-86,6	-167.8	120

Source: GIRM/Ministry of Finance & Ministry of Development, Food Politique, June 1988.

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MAURITANIAN FOOD SUPPLY AND DEMAND

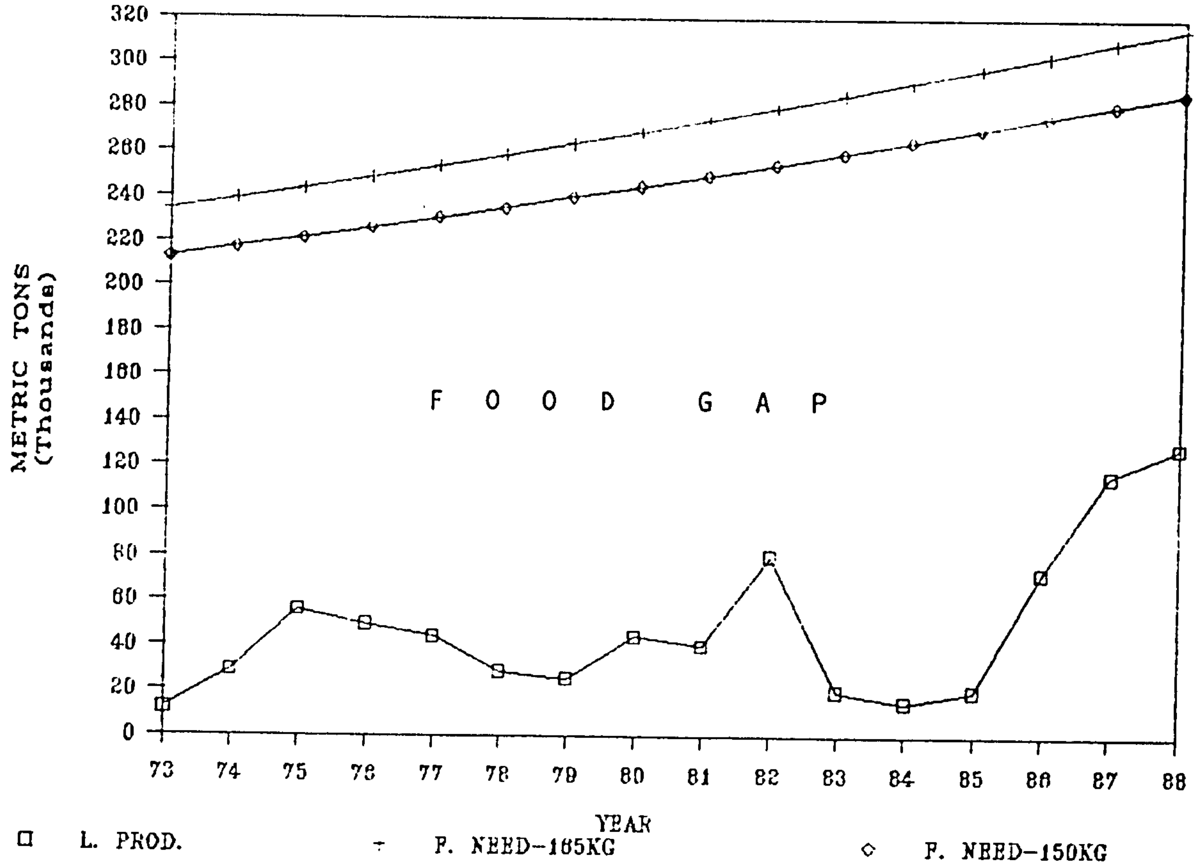


TABLE PRICE OF INPORTED RICE
(Estimated by WB office in Mauritania)

$UM

		Price per kg imported rice		
Hypothesis:	SONIMEX	L.BERGER	HELIOS	TAR.=45%
(1) FOB Price, 1988	15	15	15	15
(2) Freight	2.4	2.41	2.41	2.41
+ insurance	.39	.39	.39	.39
(3 CIF Price (3)= (1+2)	17.8	17.8	17.8	17.8
(4) Miscellanous charges				
- Custom taxes	.11	.11	.11	.11
- Consumption tax	5	5	5	5
- Financial charges	.27	.27	.27	.27
- Transit fees	.52	.52	.52	.52
- Port fee (wharfage)	1.53	1.53	1.53	1.53
- SONIMEX general fees	6.70	1.62	4.00	3.78
(5) Production price at SONIMEX (5)=(3)+(4)	31.9	26.8	29.2	31.9
(6) Wholesale price at SONIMEX. 1988	27	27	27	27
(7) Loss margin/UM/KG	4.93	2.15	2.23	4.91
(8) Wholesale price at SONIMEX , 1989	29	29	29	29
(9) Loss margin in 1989	2.93	2.15	2.23	2.91

Source: Section Agriculture, Work Bank office in Mauritania, 1/89.

NV

MAURITANIAN FOOD SUPPLIES AND DEMAND

YEAR	AIDALIM	IMPORCO	IMPORTOT	PRODLOCA	SUPTOT	FN 165	FN 150	POPULATION
73	102520	30000	132520	12000	144520	234168	212880	1419203
74	116822	40000	156822	29000	185822	238852	217138	1447587
75	85100	40000	125100	56000	181100	243629	221481	1476538
76	40379	40000	80379	49240	129619	248501	225910	1506069
77	24426	60000	84426	43960	128386	253471	230429	1536190
78	60000	60000	120000	28600	148600	258541	235037	1566914
79	53605	79183	132788	25500	158288	263712	239738	1598253
80	23403	80011	103414	44000	147414	268986	244533	1630218
81	59267	89039	148306	40000	188306	274366	249423	1662822
82	65806	72862	138668	80000	218668	279853	254412	1696078
83	88632	72000	160632	20000	180632	285450	259500	1730000
84	141583	80000	221583	15000	236583	291159	264690	1764600
85	151722	80000	231722	20000	251722	296982	269984	1799892
86	65230	59189	124419	73000	197419	302922	275383	1835890
87	53490	100409	153899	115800	269699	308980	280891	1872608
88	111200	93700	204900	128424	333324	315160	286509	1910060

SALE PRICE OF WHEAT AND SORGHUM
AT CSA CENTERS
****

(UM/KG)

Year	Wheat		Sorghum	
	In-country	Nouakchott	In-country	Nouakchott
1983	14	15		
1984	13	14		
1985	16	17		
1986	19,5	20,5	17	17
1987	19,5	20,5	17	17
1988	20,5	21,5	17	17
1989	20,5	21,5	17	17

Sources: (a) USAID/M, FFP program, January 1989
(b) GIRM, Ministry of Commerce & Transport, 1989.

TABLE VARIATION OF PRICES OF CEREALS 1981-89

(UM/KG)

YEAR	81	82	83	84	85	86	87	88	89
RICE:									
Official producer price	12,5	12,5	12,5	12,5	14	18,5	18,5	19	19
Official selling price	15	17	17	22	28	28	30	30	31
Average of price on retail market	18	21	23	25	32	32	33	35	35
OTHER CEREALS									
Official producer price (millet & sorgho)	10	14	14	14	14	14	21	21	22
Average price on market (millet)	26	24	32	32	32	30	32	34	34
Average price (US sorghum	16	17	19	18	22	22	22	23	25
Selling price (US sorghum)			13	14	21,5	19,5	17	17	17

Source: USAID/N, average price gathering from 1981-1984.
GIRM/CSA , 1984-88.

Table RICE PRODUCTION AND IMPORT

1982 - 1988

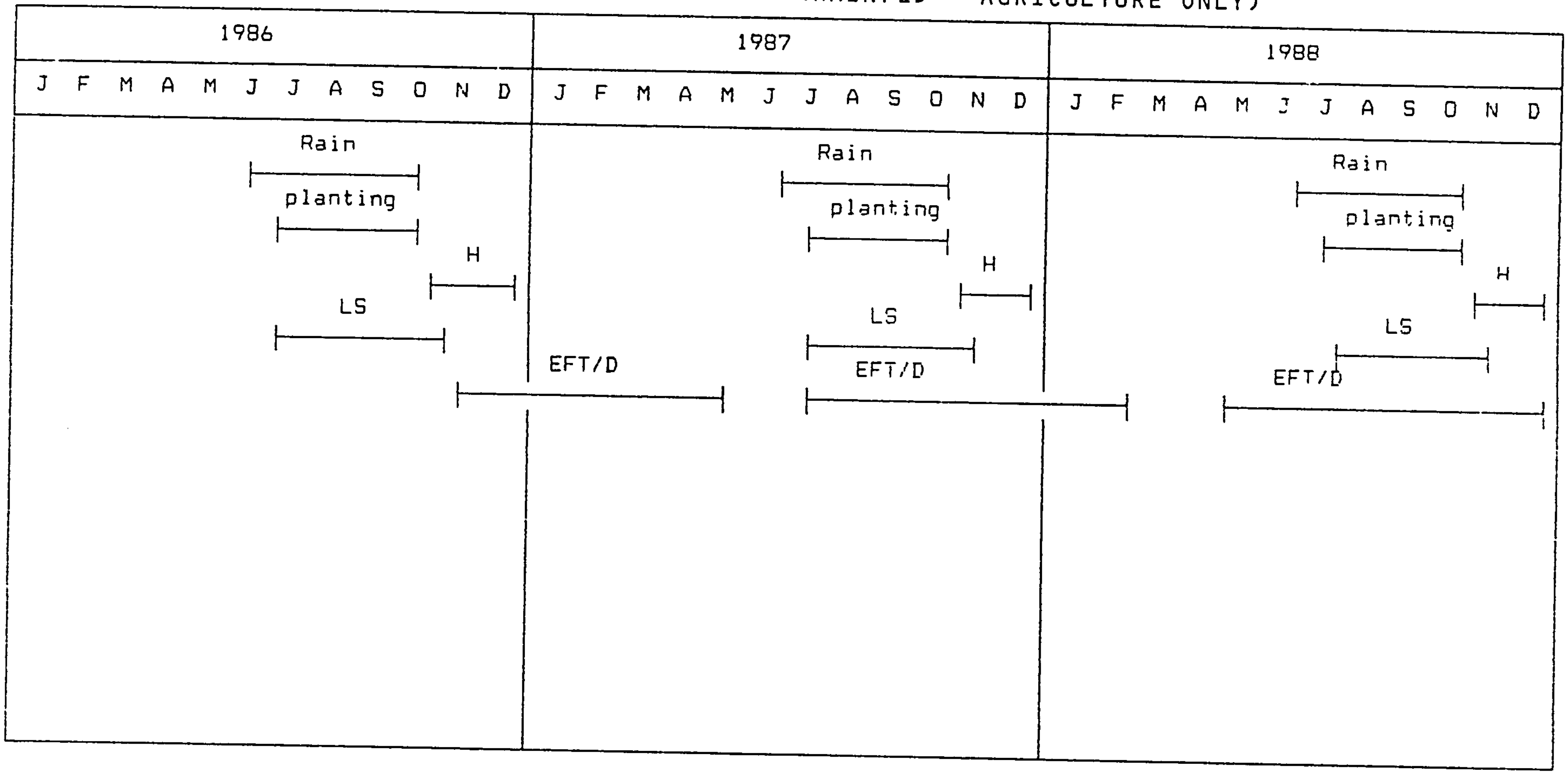
(Metric tones)

Year	Production (a)	Import (b)
1988	50,950	62,330
1987	50,915	47,600
1986	33,000	31,860
1985		47,389
1984		106,000
1983		45,736
1982		65,466

Sources: (a) FEWS/USAID Nouakchott, January 1989

(b) SONIMEX, Directorate of Marketing, Jan.1989.

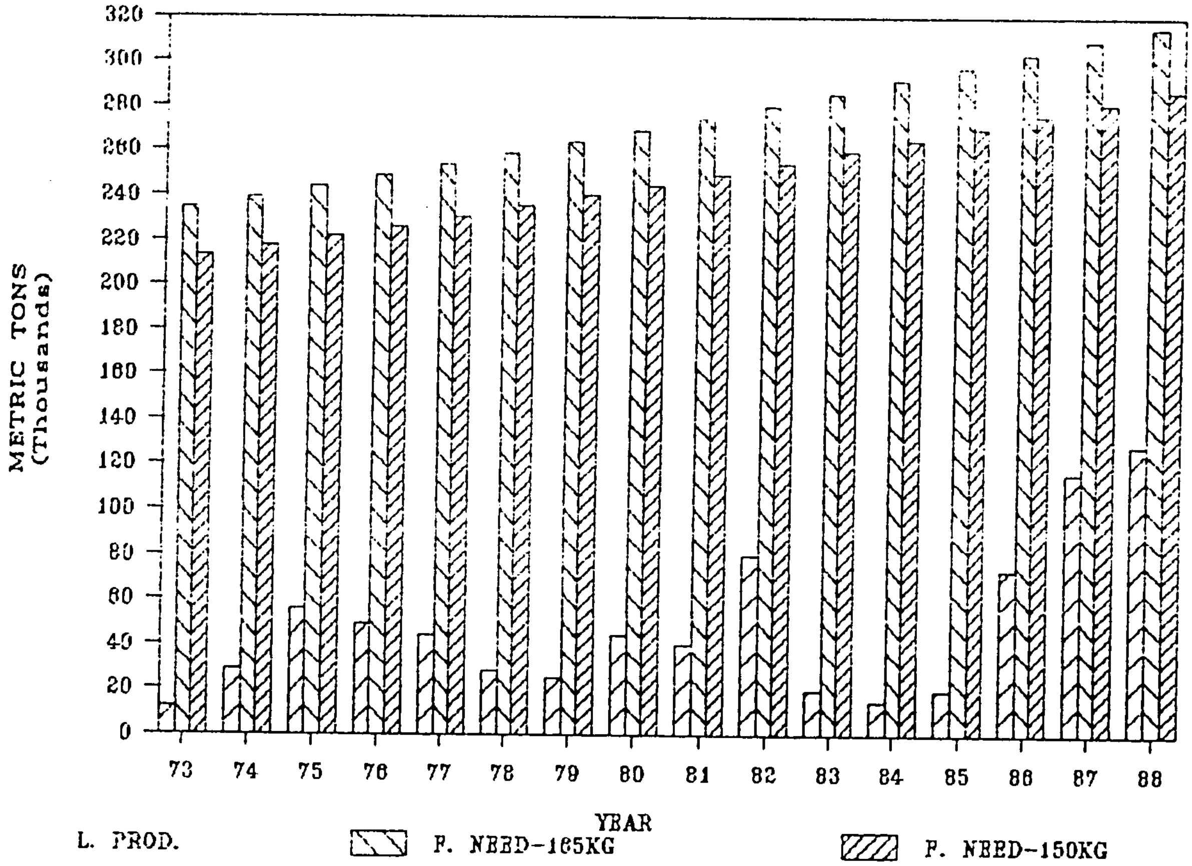
History of Agricultural Cycle and Free Food Distributions 1986) 1988
(RAINFED - AGRICULTURE ONLY)



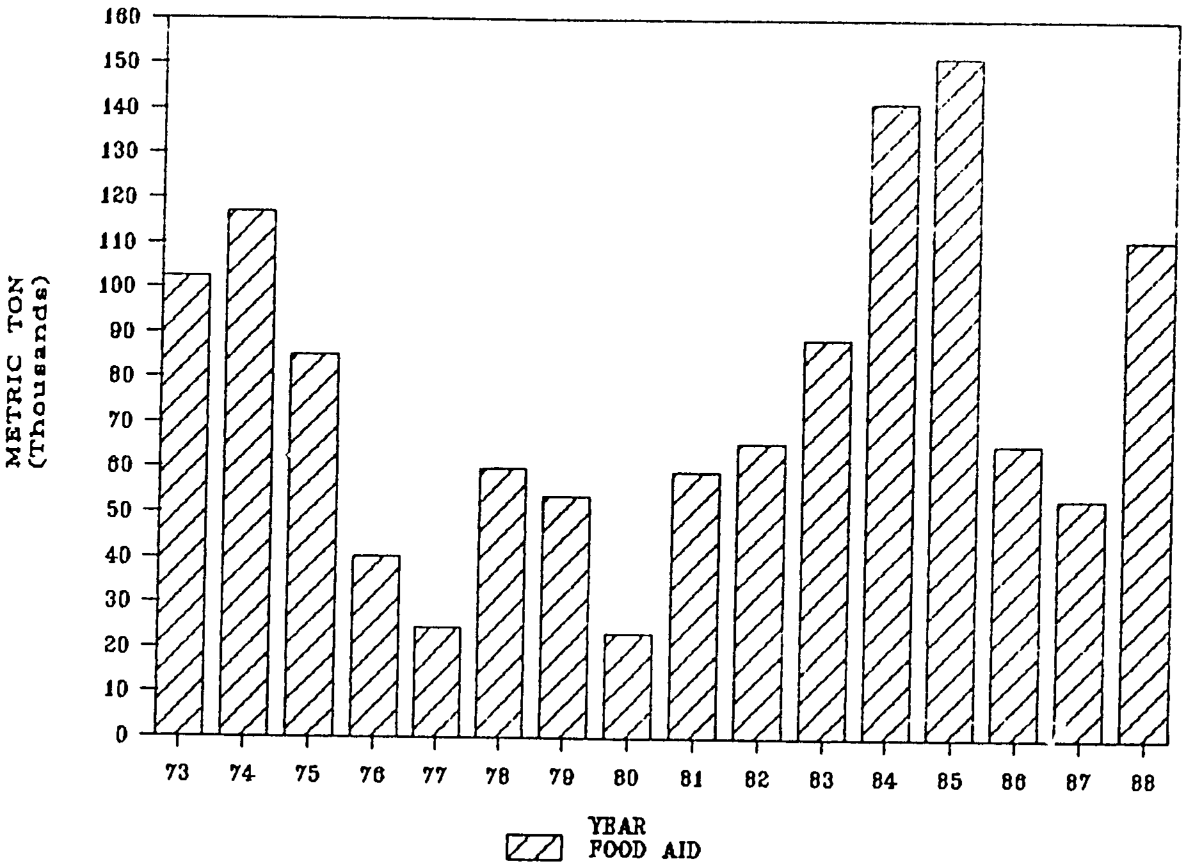
H = Harvest period
LS = period of lowest on-farm stocks
EFT/D = emergency food transport/distribution

Transport during rainy season is delayed because of impassable routes, distribution is spotty in areas.

MAURITANIAN FOOD SUPPLY AND DEMAND



FOOD AID



METRIC TON (Thousands)
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88
YEAR
FOOD AID

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Background

The PL 480 Title II, Section 206 program is the second three-year Section 206 program in Mauritania and will be completed in FY 89. A follow-on program is to be designed in March 1989. Commodity sales have been on-going for over one year. The FY 89 shipment is pending. The design of a follow-on PL 480, Section 206 program is scheduled for the end of March 1989.

A December 1984 evaluation of the first Section 206 program recommended:

--Continuation of the Section 206 pricing policy initiatives to improve food security but to include all grain staples not just wheat and sorghum, consideration of rice subsidies and commodity distribution practices;

--Completion of a food consumption and income at the farm gate distribution survey;

--Continuation of local currency-supported activities to increase food production and/or increase foreign exchange; and

--Improvement of financial reporting practices of local currency generations and commodities.

As a result, the Program Paper for TA 6620 recommended:

--An increase in the proportion of sorghum in all U.S. support to Mauritania;

--Continuation of efforts to achieve and maintain average import parity pricing for wheat and to establish U.S. sorghum as a self-targeting commodity;

--Food Security Commission (CSA) assume primary role in price stabilization to harmonize the objectives of providing protection to consumers and encouraging the production of domestic cereals;

--Limit the free distribution of food and initiate Food for Work Programs;

--Promote the removal of regulations restricting private sector activity in the agricultural input markets;

--Use some portions of the generated local currency to support the CSA, with improved accounting and systems controls;

--Use another portion of the generated local currency to support A.I.D. projects and projects comptible with A.I.D. purposes in the agriculture sector;

--Use another portion of the generated local currency for the "Common Fund."

TA 6620 attempts to address all of the recommendations made by the evaluation and the Program Paper. The development of improved pricing policies remains a primary focus of the Section 206 program. The Government of the Islamic Republic of Mauritania (GIRM) food policy reforms announced in June 1988 indicate some progress in this ares. Through the Sahel Regional Financial Management Project (SRFMP II), OAR/M has provided technical assistance to the CSA to improve its financial accounting and reporting practives, local currency generations are being used to fund the local costs of the World Bank Living Standards Measurement Survey to obtain better information on food consumption and income distribution. A limited number of CSA sales centers are closed during the post-harvest season, reopening when market prices rise to a target price.

While these activities indicate progress, the precise impact of the program is unclear. Neither the evaluation nor the Program Paper recommended methods for measuring the program's impact. Some self-help measures have vague benchmarks. Therefore, it is not clear what the socio-economic impacts of the program are.

ARTICLE I - TITLE

Evaluation of Mauritania PL 480 Section 206 Program

ARTICLE II - OBJECTIVE

The objective of the evaluation is to assess the socio-economic impact of the Mauritania PL 480, Section 206 Program, evaluate the progress in implementing the self-help measures, recommend actions to improve the program impact, identify better methods for measuring and assessing the program impact, and make recommendations for the follow-on program.

ARTICLE III - STATEMENT OF WORK

The evaluation will make specific assessments or recommendations with regard to:

A. The progress made in achieving project outputs, and/or benchmarks, recommending critical benchmarks and performance goals that should be required for further cereals sector progress under a follow-on program;

B. The results of using U.S. sorghum as a self-targeting commodity; its acceptability and use; its economic impact; the implementation of the self-targeting concept such as the commodity levels, the sales center selection and pricing;

C. The conformance of the program's pricing policies with A.I.D.'s policies and strategies; conformity with other donors food or agricultural activities including participation in CSA buying campaigns;

D. The impact of the program on the implementation of policy changes; and its effect on the Mauritanian cereals market, with separate analysis of impact on marketing of rice, imported cereals and coarse grains;

E. The impact of the generation and use of local currency, including the rate of sales, availability of funds, programming mechanisms and programming decisions; accountability of funds;

F. The effectiveness of the Common Fund strategy to influence basic food security policies, and

G. The current and potential role of the private sector in stabilizing the grans market and taking on increased responsibilities in milling, transporting and distributing imported and locally-produced cereals.

Methodology

A. Review program and implementaion documentation including the December 1984 evaluation, the Program Paper, guidance cables, the Transfer Authorization, project implementation reports and other pertinent documentation identified during the course of the analysis.

B. Consult with appropriate AID/W staff including FVA (Vera Lafoy, Hope Sukin, Forest Duncan and Richard Hough); AFR/DP (Patricia Rader, Jerome Wolgin and Emmy Simmons); PPC/PDPR (Donald McClelland), AFR/PD (Nancy McKay) and others identified during the course of the analysis.

C. Consult with OAR/Mauritania personnel including the FFPO (Jim Bednar), A.I.D. Representative (Glenn Slocum), Program Officer (Walter Boehm), FEWS Officer (Jeff Coupe), Agriculture Officer (Son Nguyen) and others identified during the course of the analysis.

D. Consult with World Bank personnel both in Washington, D.C. and in Mauritania on pricing policy and on the Living Standards Measurement Survey. (Survey included questions on use of U.S. sorghum.)

E. Consult with appropriate GIRM officials including the food Security Commission (CSA) , the Ministry of Economy and Finance, and the Ministry of Rural Development.

F. Consult with other food aid donors in Maurtiania, on their food aid activities and policies including local currency policies.

G. During the course of this research, gather and analyze socio-economic data needed to establish benchmarks for assessing the impact of the PL 480, Section 206 program. Recommend appropriate benchmarks.

H. Prepare final report which satisfies the objectives of this delivery order.

ARTICLE IV - REPORTS

Deliverables

A. Prepare a draft outline for the OAR/Mauritania FFPO at the completion of initial consultations, not later than 10 days from the beginning of the contract;

B. Prepare a draft report and a briefing for OAR/Mauritania and GIRM, three days prior to departure from Nouakchott;

C. Prepare a final report of findings and recommendations and submit to OAR/M within six weeks of the contract beginning date. Report will:

-- Outline the socio-economic impact of the PL 480, Section 206 Program in Mauritania;

-- Recommend action to improve the program's impact;

-- Identify improved techniques for assessing future impact;

-- Present analysis of self-targeting commodity concept as implemented under the program;

-- Recommend project benchmarks, commodity mix. local currency uses, policy reform measures and private sector role for follow-on program; and

-- Present historical background of Section 206 program in Mauritania.

Five copies of the final typed, English language report will be submitted to OAR/Mauritania

ARTICLE V - TECHNICAL DIRECTIONS

Technical directions during the performance of this delivery order will be provided by The food for Peace Officer, OAR/Mauritania pursuant to Section F. 3 of the IQC contract.

ARTICLE VI - TERM OF PERFORMANCE

A. The effective date of this delivery order is January 10, 1989 and the estimated completion date is March 31, 1989.

B. Subject to the ceiling price established in this delivery order and with prior written approval of the Project Manager (see block 5 of the Cover Page), Contractor is authorized to extend the estimated completion date, provided that such extension does not cause the elapsed time for completion of the work, including furnishing of all deliverables, to extend beyond 30 calendar days from the original estimated completion date. The contractor shall attach a copy of the Project Manager's approval for any extension of the term of this order to the final voucher submitted for payment.

C. It is the contractor's responsibility to ensure that Project Manager-approved adjustments to the workdays ordered for each functional labor category do not result in costs incurred which execeed the ceiling price of this delivery order. Under no circumstances shall such adjustments authorize the Contractor to be paid any sum in excess of the ceiling price

D. Adjustments which will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 30 days must be approved in advance by the Contracting Officer.

ARTICLE VII - WORK DAYS ORDERED

A. Functional Labor Specialist	Delivery Days Ordered	Fixed Daily Rate	Total
Policy Analyst	36	$465.00*	$16,740
Evaluation Research Spec.	18	$308.44**	$5,552
....			$22,292

*Based on a multiplier of 1.86
**Based on a multiplier of 2.11

B. Subject to the prior written approval of the Project Manager (see Block No. 5 on the Cover Page), contractor is authorized to adjust the number of days actually employed in the performance of the work by each position specified in this order. Contractor shall attach copy of the Project Manager's approval to the final voucher submitted for payment.

C. It is the contractor's responsibility to ensure that Project Manager-approved adjustments to the workdays ordered for each functional labor category do not result in costs incurred which exceed the ceiling price of chis delivery order. Under no circumstances shall such adjustments authorize the contractor to be paid any sum in excess of the ceiling price.

ARTICLE VIII - CEILING PRICE

(1)	For Work Ordered	$22,292
(2)	For Other Direct Cost	$19,464
	Ceiling Price (1) + (2)	$41,756

The Contractor will not be paid any sum in excess of the ceiling price.

ARTICLE IX - USE OF GOVERNMENT FACILITIES OR PERSONNEL

A. The Contractor and any employee or consultant of the Contractor is prohibited from using U.S. Government facilities (such as office space or equipment) or U.S. Government clerical or technical personnel in the performance of the services specified in the Contract, unless the use of Government facilities or personnel is specifically authorized in the Contract, or is authorized in advance, in writing, by the Contracting Officer.

B. If at any time it is determined that the Contractor, or any of its employees or consultants have used U.S. Government facilities or personnel without authorization either in the Contract itself, or in advance, in writing, by the Contracting Officer, then the amount payable under the Contract shall be reduced by an amount equal to the value of the U.S. Government facilities or personnel used by the Contractor, as determined by the Contracting Officer.

C. If the parties fail to agree on an adjustment made pursuant to this clause, it shall be considered a "dispute" and shall be dealt with under the terms of the "Disputes" clause of the Contract.

ARTICLE X - EMERGENCY LOCATOR INFORMATION

The contractor agrees to provide the following information to the Mission Administrative Officer on or before the arrival in the host country of every contract employee or dependent:

A. The individual's full name, home address, and telephone number.

B. The name and number of the contract, and whether the individual is an employee or dependent.

C. The Contractor's name, home office address, and telephone number, including any after-hours emergency number(s), and the name of the Contractor's home office staff member having administrative responsibility for the contract.

D. The name, address, and telephone number(s) of each individual's next of kin.

E. Any special instructions pertaining to emergency situations such as power of attorney designees or alternate contact persons.

ARTICLE XI - LOGISTIC SUPPORT

OAR/Mauritania will provide incountry transportation, office space and secretarial support.

ARTICLE XII - ACCESS TO CLASSIFIED INFORMATION

The contractor shall not have access to classified information.

ARTICLE XIII - DUTY POST

The Duty Post for this work order will be Mauritania

ARTICLE XIV - WORK WEEK

The Contractor is authorized up to a 6 day work week with no premium pay.