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THE
MAURITANIA
FOOD FOR DEVELOPMENT
PL 480 SECTION 206 PROGRAM
- III -
FOR THE YEARS
1990 - 1992

FINAL VERSION
AID OFFICE/MAURITANIA

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The concept, design and contents of this Program Paper are the work of E/DI, Incorporated. The team was headed by Jim Kelly, Director of the Food Security Group of E/DI's International Resources Group, Ltd., and included Dr. Eugene Grasbert, Christine Brown and Grace O'Malley. The AID Office/Mauritania owes the team a debt of gratitude for the superb analysis and clear presentation of the food-security issues in Mauritania.

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LIST OF ABBREVIATIONS

| | |
|-------------|--|
| ASAIP . | Agricultural Sector Adjustment and Investment Program (World Bank) |
| BMDC. . . | Banque Mauritanienne de Developpement et de Commerce |
| BMCI. . . | Banque Mauritanienne de Commerce et de l'Industrie |
| CGEM. . . | General Confederation of Mauritanian Employers |
| CPA . . . | Food Programming Committee |
| CSA . . . | Food Security Commission |
| CSPC . . . | Cereals Policy Monitoring Commission |
| EEC . . . | European Community Commission |
| FEWS. . . | Famine Early Warning System |
| FND . . . | National Development Fund |
| GIRM. . . | Government of the Islamic Republic of Mauritania |
| IBRD. . . | World Bank |
| IMF . . . | International Monetary Fund |
| MRD . . . | Ministry of Rural Development |
| MPE . . . | Ministry of Planning and Employment |
| MT . . . | Metric Ton |
| MIT . . . | Ministry of Trade and Transportation |
| OAR/M . . . | Office of A.I.D. Representative/Mauritania |
| OMC . . . | Mauritania Cereals Office |
| NSS . . . | National Security Stock |
| PACD. . . | Project Assistance Completion Date |
| PASC . . . | Cereals Sector Support Program |
| PCR . . . | Consolidation and Growth Program |
| PREF. . . | Economic and Financial Recovery Program |
| PRMC. . . | Cereals Markets Restructuring Program |
| PASC. . . | Cereals Sector Support Program |
| RAMS. . . | Rural Assessment and Manpower Surveys |
| RFA/FRG . | Federal Republic of Germany |
| SONADER . | National Rural Development Company |
| SONIMEX . | National Import/Export Company |
| SPSS. . . | Small Program Strategy Statement (USAID) |
| UBD . . . | Union of Development Banks |
| UM . . . | Monetary Unit of Mauritania - Ouguiya |
| USAID . . | United States Agency for International Development |
| WFP . . . | World Food Program of the United Nations |

NOTE: During the period of preparation of this paper, the GIRM created a new Ministry of Plan and Employment, which assumed some of the attributions of the old Ministry of Economy and Finance, which became the Ministry of Finance. In the sections of this Program Paper dealing with the Food Programming Committee (CPA) and the Auction Committee, MEF is cited as a member. It is unclear which of the two new ministries will be assigned to the tasks appropriate to membership on the CPA and the Auction Committee, but this will be determined during negotiations on the T.A.

I. EXECUTIVE SUMMARY

Recent events in Mauritania have affected policy-reform momentum. GIRM officials have been heavily embroiled in the issues which led to reciprocal departures and expulsions, in May-June, of Mauritanian and Senegalese residents by the respective governments. Until recently, donors have been reluctant to ratify new aid agreements until the economic and social impact of the widespread expulsions can be discerned. The final impact of these events on Mauritania's development prospects, and notably on the agriculture sector, has to be evaluated over time. The reform hiatus is disappointing because policy dialogue had increased noticeably in 1988-89, resulting in GIRM decree which improved the decision-making structure on food imports and accelerated the liberalization process. We are proceeding on submission of this proposal because: (1) food aid remains A.I.D.'s strongest policy-reform leverage in Mauritania and the time has never been more propitious for achievements of major reforms in the agricultural sector; (2) Mauritania will always be structurally deficit in food production; and (3) we hope that "natural forces" and diplomatic efforts will eventually get the country back on a "normal" development path.

AID has participated in the policy-reform dialogue with the GIRM on agricultural issues for nearly a decade. Two Title II 206 reform agreements have been entered into, calling for cereals pricing and adjustment, increased privatization and a curtailment of the GIRM's heavy involvement in cereals marketing and sales.

Tracing the impact of 206 self-help measures in a cause-effect manner has not always been possible. Crippling drought, IMF/IBRD leverage, other-donor activity, unforeseeable events -- all have affected the target areas of 206 concentration. What has been clear, however, is the government's increasing commitment to 206 reforms -- despite worrisome problems in CSA's operations -- as well as the usefulness of the 206 instrument for galvanizing donor collaboration in Mauritania. Despite the setback of recent intercommunal violence, ethnic conflict and the counterproductive break in relations with neighboring Senegal, very significant progress in agricultural policy reform has taken place with the issuance of decrees in June 1988 and March 1989, the latter setting up within the GIRM the Cereals Policy Monitoring Commission, an inter-ministerial group chaired by the Minister of Rural Development, as well as the joint GIRM/multi-donor Food Programming Committee (CPA), also under the chairmanship of the Minister of Rural Development. To support this new and very important initiative, donors have responded positively by drafting a Cereals Sector Support Program, known by its French acronym, PASC.

The third 206 program (1990-1992) will not be welcomed in all quarters of the GIRM. In addition to sustaining previous progress on cereals pricing, the new program calls for fundamental changes in time-honored sales procedures and a complete overhaul of the customary way of carrying out government/donor transactions. The aim of the third 206 program is to improve the average Mauritanian's chances of gaining access to adequate food on a regular basis. This calls for movement on four fronts: cereals-pricing simplification; more privatization; creating a "living standards" archive; and speeding the formation of a disciplined donor-coordination group.

In keeping with the objective of increasing competitiveness, the wheat imported under the third 206 program will be auctioned in lots once the commodities have been delivered to Nouakchott. Lot sizes will be configured so as to attract a wider spectrum of merchants than is customary in Mauritania. The proceeds from the auction sales will be deployed through a special multi-donor fund in support of cereals-policy analysis, the provision of agricultural credit, and other activities related to the OAR's approved SPSS. A special effort will be made to improve the government's ability to identify "the vulnerable" and address their needs without adversely affecting the country's cereals-marketing system or the efforts of small producers.

OAR/Mauritania believes that the third 206 design is a sound strategy which can contribute significantly to greater liberalization and improved food security. The program should be approved with three conditions precedent:

- (1) that the OAR assess the likely effect of the recent expulsions on 206 III implementation.
- (2) that this assessment be reviewed with AID/W before authorization is given to negotiate the TA.
- (3) that the GIRM provide to the AID Office/Mauritania a copy of the World Bank's acceptance, in writing, of the GIRM's compliance with the land-tenure conditions of the ASAIP.

The possibility exists that approval of the 206 III program, at this time, could send the wrong signal to the GIRM about the U.S. reaction to the recent expulsions. The OAR has discussed this possibility with the Ambassador, who agrees with us that it is offset by: (1) our unequivocal statements opposing the expulsions, and (2) the stringent requirements of the new 206 program.

II. INTRODUCTION

"The overall growth of the Mauritanian economy from 1977 to 1985 could reach 3.5% with iron-ore mining being the main motor of expansion".

IBRD, June 1979

"As the largest source of foreign exchange, only the fisheries sector can provide significant impetus to the economy in the short and medium term".

IBRD, May 1987

"Irrigated production is a key potential source of growth. Other sectors of the economy which were previously engines of growth now appear limited in their prospects".

IBRD, May 1989

"At this time no clear investment path has appeared by which Mauritania can advance toward broad-based and sustainable growth"

OAR, SPSS April 1989

Even before the recent disturbances, which have created uncertainties about the GIRM's future capability in agriculture, donor representatives had become tentative about what areas of development concentration they should recommend to their home offices. With respect to the food-security situation, a strong current of thinking ran along these lines: "prospects of significant increases in local production are unrealistic and chances of substantially improving foreign-exchange earnings not likely.... Consequently, donors should resign themselves to Mauritania's permanent dependency on foreign beneficence by routinely providing the required shipments of free food unencumbered by scruples about disincentives, policy reform, or self-help measures". 1/

Given the twists and turns of Mauritania's economic fate over the past two decades and the sputtering engines of growth, donor inability to detect a clear investment path is understandable. However, tentativeness about development goals and directions can have a paralyzing effect on policy-reform dialogue and programs such as 206-III. If there is no sense of where a country's comparative advantage lies or where its people's energies should be concentrated, how can there be useful discussion on mid-term objectives, needed policy reforms, or "bench-marks"?

1/ The recent up-turn in steel prices and in the value of the dollar had a modifying but not negating effect on this thinking.

A way out of this conundrum is offered by Shapiro and Berg, who suggest that the task of donors is not to try to figure out where the Sahelian region's economic future lies.

"That future can only be perceived and shaped by government planners and their donor partners to a small extent. Individuals, groups of individuals and various types of corporate entities will discover opportunities now undreamt of. The populations of the Sahelian countries have to be seen as the determinants of their region's competitiveness, not as passive victims of technical and economic constraints imposed by history and by nature. The task of governments is to maintain policy conditions and create an institutional environment that will encourage and sustain innovations. Donors can help governments better prepare the Sahelian people to capitalize on whatever options may emerge, or that they may discover, and to create an open, nurturing environment congenial to innovation". *2/

The OAR subscribes to this view of the development task for the Sahel Region and proposes a third 206 program for Mauritania within that context.

2/ See "The Competitiveness of Sahelian Agriculture" p.41. (Emphasis added)

III. THE SETTING

ECONOMIC SLIDE INTO FOOD INSECURITY

Mauritania has become highly dependent on the beneficence of others, over the past two decades, while pursuing an official strategy calling for "greater political and economic independence". In the food area, approximately 30% of the cereals consumed by Mauritania over the past five years has been donated. Such was not always the case. Even with its relatively meager resource base, the country was food self-sufficient during the 1960s. What it could not produce, it was able to import on commercial terms -- or through unofficial border trade.

The food situation was abruptly altered in the early 1970s by a succession of economic shocks from which the country has never recovered. The extended Sahelian drought (1969-75), the costly Western Sahara war and the downturn in the demand for steel in industrial markets -- all occurred roughly in the same timeframe, negating earlier economic advances. Cereal and livestock production declined, rural-urban migration quickened and commercial import capacity severely eroded due to war and reduced iron-ore earnings. These developments -- combined with a doubling of the population between 1962 and 1977 -- caused serious imbalances in food supply and demand. With local grain production meeting only 25% of consumption requirements, Mauritania turned increasingly to food imports in the late 1970s. By the 1980s the annual provision of "emergency food" had become "institutionalized".

Beyond food aid, the country was increasingly turning to donations and highly concessional credits for its capital investments in economic development and social infrastructure, as well as for recurrent government expenditures. Fully 40% of central government expenditures in 1976-1980 were provided by external sources (donations or loans). Only 15% of public investments were being disbursed from the GIRM budget annually. Mauritanian policy makers were caught in a highly equivocal position: calls for greater self-reliance were being overtaken by the reality of increasing economic dependency.

-- AN EFFORT TO RE-STRUCTURE THE ECONOMY

Faced with a rapidly deteriorating economy, the GIRM initiated structural adjustment discussions with the IBRD in 1984. An Economic and Financial Recovery Program, known as the PREF for its French title, Programme de Redressement Economique et Financier, was signed late in 1985, aimed at restoring prudent public finance, restraining the growth of the public sector and inducing greater involvement of the private sector in the country's economic life. Some of the macro-indicator targets -- with actual results were as follows:

- a real GDP growth rate of about 4.0% annually (actual figures turned out to be 3.4% during 1985-1988);
- a reduced rate of inflation from 7.9% to about 5% (actual figure for 1987 was 8.2% - the 1988 figure not available);
- a reduced current external-account deficit from 21.9% of GDP to 10% (it stood at 11.8% in 1987);
- restraint in overgrown public investments and current government expenditure and administrative reform (public investment restrained by some 20%; current expenditure reduced; overall treasury deficit fell by over 60%; administrative reform very slow);
- reform of customs tariff (initiated, not completed);
- expansion of the tax base and enforcement of collection (no progress during the period);
- rehabilitation of the banking system (very little progress);
- liberalization of price policies (minimal relaxation of price controls, certain prices fixed at somewhat more realistic levels).

While a number of important structural reforms were delayed, implementation of the PREF was "generally satisfactory" according to World Bank advisors. An AID consultant suggested that "economic and financial conditions do not appear to have improved sufficiently under the PREF to stimulate broadly-based growth in the private sector. It is clear that greater efforts are required to generate public savings, ensure parastatal rehabilitation, restructuring of the banking sector, and to promote progressive price liberalization throughout the economy". ^{3/} (pp. 20,21).

^{3/} Arthur Young Inc. "Mauritania: Recent Economic Development and Prospects". Nov. 1988 pp. 20, 21

RE-DIRECTING AGRICULTURE

Under the PREF the GIRM agreed, inter alia, to undertake the following initiatives to stimulate agricultural production:

- increase producer prices;
- liberalize marketing and distribution of agro-inputs and products;
- focus and streamline public and parapublic bodies in the agriculture sector;
- implement the land-reform law of 1983.

Producer prices for cereals were increased by 20% to border parity in 1985, with a further 70% increase in 1986. Consumer prices for rice were also increased by 70% between 1984 and 1988.

Fertilizer and pesticide prices, under the PREF, were increased to the point of elimination of subsidies, except for those received as grants from various donors. Prices for other agriculture inputs are now either market-determined or sold by government at real costs. Water charges began to be applied for the first time in 1986 in the publicly-funded and smallholder-managed perimeters constructed and maintained by SONADER (the National Rural Development Parastatal).

With respect to limiting the role of the public sector, the first-phase restructuring of SONADER was carried out and an agricultural-policy-analysis unit set up, on a semi-autonomous basis, in the Ministry of Rural Development (MDR). Nevertheless, the role of public structures (CSA and SONADER) in the agriculture sector remained dominant in 1988 -- inhibiting responsiveness to market forces while failing to provide a workable alternative.

Executive Orders were issued on land-tenure issues in 1985-86 which enabled the Government to distribute large parcels of land in the Senegal Valley. Private investors responded more rapidly than anyone anticipated (see section IV) largely because of the published guaranteed purchase price for rice of 18.5 UM. The resulting increase in rice production, along with a period of relatively favorable climatic conditions, led to a significant increase in domestic cereals production over the PREF period. Critics have pointed out, however, that this did not reflect broadly-based increases in productivity within the agricultural sector as a whole, improvement in the functioning of the agriculture-sector parastatals or a return on the heavy state investment in agriculture over the previous decade. It should also be noted that the increased production was not translated into a reduction of the level of food assistance requested by CSA or a reduction in commercial imports by SONIMEX, which seemed to be benefitting from higher commodity prices in Mali and Senegal.

At the close of the 1985-88 PREF period, the GIRM drafted a new, three-year development strategy, the Consolidation and Growth Program, known as the PCR (for its French title, Programme de Consolidation et de Relance), covering the 1989-91 period. A key component of the PCR is an IBRD \$25 million agricultural-sector loan, the Agricultural Sector Adjustment and Investment Program (ASAIP). Although the PCR first draft was submitted by the GIRM to the IBRD in July 1988 and the ASAIP draft paper in January 1989, the IBRD has put both packages on hold until the impact of the recent civil disturbances can be assessed.

Despite the very uneven GIRM performance under the PREF, IBRD planners detected elements of promise in the favorable -- and unanticipated -- development of private irrigated-rice production in the delta region. The new agricultural-sector loan, accordingly, is designed to effect a broad set of policy reforms aimed at insuring: (a) that the development of rice production becomes fiscally and economically sound; (b) that the cost of production initially needed for this development be equitably shared by producers and consumers; (c) that its benefits are not limited to a small economic and social group but are instead more evenly distributed by a fair implementation of land tenure reform and by broader access to capital for farmers through an improved and sound credit system; and (d) that, through complete liberalization of downstream economic activities, positive economic spillover is generated in sectors other than agriculture.

The IBRD Agricultural Sector Adjustment and Investment (ASAIP) paper spells out detailed strategies for improving private-sector incentives in the areas of marketing and pricing, credit and irrigation promotion. Special attention is devoted to an accelerated schedule for resolution of land-tenure issues. Because of the crucial importance of providing land security to producers and because of past (and present) abuses, approval of this program is conditioned upon, *inter alia*, the World Bank's acceptance of GIRM's compliance with the land-tenure reforms in the ASAIP. These reforms are specified in Annex F. Leverage is also aimed at improving public-sector effectiveness, mainly by continuing with the SONADER re-organization begun under the PREF.

IV. Cereals Production Potential in Mauritania

Mauritania produces sorghum, millet and rice as its main food staples. The bulk of domestic cereals is produced in the southern third of the country along the Senegal River border with Senegal and Mali. Rainfed, recessional and irrigated cropping systems are used. The majority of the producers are sedentary subsistence farmers on small farms ranging in size from 0.5 to 2.5 hectares. Cereals production in recent "good" years has averaged about 100,000 MTs compared with a total consumption requirement of about 315,000 MTs. Remaining needs are met by food aid and commercial imports, each satisfying about a third of total demand.

The issue of Mauritania's potential for grain production has been clarified in recent years. The amount of land devoted to rainfed agriculture in Mauritania cannot be significantly expanded due primarily to low levels of rainfall. The minimum amount of rainfall required to support a dryland crop is 280 mm per year. Average rainfall in the productive areas of Mauritania has fallen below this level frequently in the past 20 years. Most experts believe that farmers are producing as much as they can -- given existing technology and ecological constraints.

With respect to recession crops (mainly sorghum), some improved yields can be made with moisture-conservation techniques and/or fertilizer. However, the major constraint has always been the extent of the Senegal River flood. While the Diana and Manantali dams will remove the wide variations previously recorded, regulation will also limit recession-crop expansion.

Irrigated agriculture represents -- at least theoretically and according to many agricultural experts -- the best possibility for significantly increasing Mauritania's local cereals production. Indeed, the IBRD has concluded that irrigated production is the key potential source of economic growth in the country. "Other sectors of the economy which were previously engines of growth now appear limited in their prospects. This is the case with iron ore, which is dependent on industrial growth in the rest of the world; fishing, constrained by the sustainable level of yearly catch; and livestock, where excessive expansion of Mauritania's comparative advantage could accelerate desertification." 4/

Irrigation prospects in Mauritania were not so favorably viewed until fairly recently. While some studies in the early 1980s suggested the country might be capable of satisfying most of its cereals needs through increased domestic production, 5/ the exorbitant cost and pace of SONADER perimeter

4/ IBRD ASAIP Paper (final version), May 1989, p.7

5/ The RAMS group estimated in 1981 that up to 82% of needs could be met domestically by 1990 ("RAMS Project Rural Assessment and Manpower Surveys Synthesis".) Warren Enger, also in 1981, suggested that up to 67% of needs could be met -- in his "Background Report" for the first 206 design (Annex F).

development along the Senegal River caused planners to view these projections with skepticism 6/. What changed thinking was the dramatic surge in rice production along the lower Senegal River during 1984-1988. Spurred by re-allocation of some 40,000 ha of land and remunerative prices for paddy, new farmers -- many of them traders and businessmen without previous farming experience -- put together rudimentary canals on holdings that averaged about 20 ha. In three years these private owners had succeeded in bringing into cultivation far more hectareage than SONADER had done in fifteen years, apparently at land-development costs ranging from \$700 to \$1,500 per ha. Paddy production jumped from 4,800 MT in 1984 to about 55,000 MT in 1989.

The jury is still out on the sustainability of the paddy production surge. Some believe that the "new farmers" have completely transformed Mauritania's agricultural prospects ... "Self-sufficiency in rice -- once a pipe dream -- for Mauritania -- is now a distinct possibility, as is the penetration of the Senegalese market by Mauritania rice -- also unthinkable a few years ago".7/ Others are not convinced that the recent tripling of irrigated hectareage demonstrated broader growth prospects. "The costs and prices of rice are financially unsustainable; the price protection does not give producers or investors an incentive to reduce production costs. Furthermore, the propagation of an incentive structure to mine the land and further degrade its productive potential is implicit in the present mode of operations". 8/ American food-security experts believe, however, that this experience merits further examination. OAR/M is contracting for Elliot Berg Associates to conduct a study of the dynamic factors behind the sharp increase in rice production in the delta, beginning in January 1990.

Both sides concede that there are undesirable aspects of the new development including arbitrary allocation of land without concern for traditional tenure or equity. Consequently, land rights remain in dispute, land grabs by powerful individuals will have to be modulated and a large-scale rice-producing sector will create new questions about income distribution and equity. (See Annex F for the World Bank's land-tenure-reform conditions, to the compliance with which we are tying approval of the 206-III program.)

6/ Costs of perimeter development in the early 1980s were ranging from \$2,000 per hectare for small perimeters to \$10,000 per hectare for large ones. The IBRD-financed Gorgol project estimated costs at \$25,000 per hectare but this included construction of a dam as well as irrigated infrastructure.

7/ Shapiro & Berg. op cit, p. 40-41

8/ Small Program Strategy Statement (OAR/M) for Mauritania April 1989 p.10-11

V. LEARNING FROM THE OAR 1981-89 EXPERIENCE WITH 206 PROGRAMS

While extended drought had figured prominently in the decline of agricultural activity, in the 1970s it was clear that Mauritania's policy environment was exacerbating that decline. Faced with the prospect of endless, annual food-relief allocations, AID began a dialogue with the government in 1981 hoping to use a multi-year commitment to food deliveries as an instrument to obtain policy reform aimed at increasing agricultural productivity. The first 206 shipment arrived in April 1983, more than two years after the design team had completed the Program Paper. The second program was designed in September 1985 with the first tranche of food arriving in Nouakchott in December 1987. AID has authorized a total of 120,000 MT of grain under the two 206 programs.

-- The First 206 Program (1983-1986)

The 206 program got off to a shaky start -- from a conditionality standpoint. The first tranche of grain arrived in Nouakchott three months before the transfer authorization was signed. This transpired because of "difficulties in negotiating grain-price self-help measures with the Mauritanian government and the country's need for emergency relief food". ^{9/}

The mid-term evaluation concluded in December 1984 that the overall program objective -- the increase in marketed domestic grain -- had not been met. Although the government had increased the wholesale price of wheat and sorghum, as called for in the 206 TA, this had little effect on local farmers "who were producing as much as they could -- given existing technology, resource constraints, and a two-year drought". ^{10/}

The evaluation found the second overall objective was mostly on track -- i.e., strengthening of the government agency responsible for food marketing and distribution -- OMC and, subsequently, CSA ^{11/}. The CSA had become "an effective and appropriately-organized institutional mechanism to distribute and market food". At the same time, CSA was viewed as having slim prospects for becoming self-sustaining, which had been a 206 goal, because "it sells food for less than it would cost on the international market". Finally, the 1984 team noted that local currency generated under the 206 program had not been allocated to support directly productive activities as has been envisioned.

^{9/} Second 206 Evaluation, Louis Berger, Inc. Mar 1989 p.3

^{10/} In spite of no "marketed grains increase", the evaluators felt that AID 206 price stipulations had been justified by bringing consumer prices closer to world prices while setting the stage for the removal of price distortions. See First 206 Evaluation Report, Dec.1984 p.8.

^{11/} OMC = Mauritania Cereals Office, the predecessor agency of CSA

By 1986, issues related to the GIRM's management of local-currency funds far overshadowed policy reform issues on the OAR program agenda. A U.S. Inspector General's report in 1986 urged that future call forwards be delayed until fund deposits, "which are running over a year late, are made current". This issue was resolved in late 1987.

-- The Second 206 Program

The second 206 program was designed in 1985 at a time when the IBRD had begun comprehensive structural adjustment negotiations with the GIRM. As the 1989 evaluation team noted, "it soon became apparent that the Bank's lending resources and analytical depth went far beyond the [capabilities] of the 206 program, tending to overshadow it on the macro-economic level. As a result, the new 206 program became focused on sectoral issues as well as the operational requirements of funding local-currency activities."

Negotiations on the second 206 Transfer Authorization took well over a year because of AID's insistence that outstanding counterpart funds be deposited before the inception of a new program. Once underway, the "achievements impact was not highly concrete", in the words of the evaluation, "because the program attempted to accomplish too much in too many sectors". The insistence on import-parity pricing was criticized because parity pricing had declined dramatically since the program-design stage.

The wisdom of urging that selected CSA sales centers be closed was also questioned. While the objective of replacing these CSA operations with private-sector operators was laudable, the evaluation team observed that the CSA analysis of the effect of the centers being closed "lacked seriousness".

Using U.S.-donated sorghum as a self-targeting commodity to help meet consumption needs of the poor -- on the grounds that sorghum was a less preferred food in Mauritania -- was also questioned. "A high degree of antipathy is being generated by both the nature of the commodity and by its price, which is substantially below the donor/government-agreed price for coarse grains". With respect to the remaining major self-help measure -- the liberalization of agricultural input marketing -- "no review of the current system before the 1987/88 harvest was carried out by the GIRM, as called for in the TA."

The evaluation team found OAR doing a creditable job in programming local currencies and believed that CSA had only somewhat improved its performance, notably in reducing free distribution of cereals. At the same time, note was taken that the special 206 bank account receives funds less regularly than prior to the 1986 IG audit. (Only 46% of the funds generated were available, largely because of liquidity problems in the GIRM banking system).

On the issue of the sales-generated Common Fund, the evaluation felt "it was not an effective vehicle either for policy dialogue or the funding of development projects.... Until there is a strategy for the use of this fund, it will not be useful for American interests."

Despite the ambiguous results of the second 206, the evaluation team recommended a) that the OAR consider a third program -- "with considerable re-structuring", (b) that AID/W or REDSO furnish senior-economist assistance in support of the policy-dialogue component of the 206 program, and (c) that "all involved recognize the leadership role of the IBRD in structural reform by focusing the new 206 program on sector-level goals".

Finally, the evaluation team suggested that the processes and analyses begun under the aegis of 206 were as important as any impact achievements. "The 206 program is recognized by the government and other donors as one of the principal forms for negotiating cereals issues."

-- Some Conclusions From The 206 Experience in Mauritania

Overall the 206 programs were difficult to monitor or assess because of the mixed nature of the self-help measures. Some conditionality was aimed at policy reform (raising prices), some was of an analytical nature (undertaking studies) and the rest addressed the need for institutional change (strengthening the CSA). The policy-reform and study requirements were easier to assess because they were one-time, specific and quantifiable. Institutional requirements, on the other hand, involved changes in procedures or processes which take time to achieve and are not readily quantifiable. Deciding whether institutional change has taken place can be very subjective. Having said this, some conclusions can be drawn about how the 206 experience unfolded in Mauritania:

- Few macro-level reform measures were negotiated under the first two 206 programs.
- Where macro-level measures were identified (e.g., pricing), the lack of economist support inhibited OAR/Mauritania from fully engaging in policy-level discussions.
- In the case of parity pricing as a self-help measure, the 206 requirement was met -- two years ahead of the prescribed schedule -- largely because of IMF conditionality.

- The absence of a participant from the GIRM central planning ministry during AID/GIRM 206 discussions for the period 1982-86 did not facilitate movement on self-help measures.
- The bulk of OAR/Mauritania's 206 leverage (i.e. using "call forwards" to effect government action) was expended on wringing counterpart deposits from the government to support implementation activities, leaving little energy for policy-reform lobbying.
- Some 206 self-help measures contained surveillance implications which may not have been foreseen. For example, "closing selected CSA centers during the harvest period" seemed to make good sense in 1986. The evaluation in 1989, however, concluded: "whatever the purpose behind this recommendation, the requisite data are not being collected to validate the experiment. This leads to an ethical dilemma: how can one run an experiment which affects local cereals supply -- people, really -- without having a predetermined methodology and control to analyze the results?"
- The first 206 program was carried out over a six-year period (i.e., from design through distribution of commodities). The second 206 program will also span a period of six years. The self-help measures for these programs were formulated and negotiated only once during these six-year periods. OAR/Mauritania has concluded that self-help measures should be reviewed, appropriately revised and re-negotiated before each separate call forward.
- The present autonomous structure of the CSA separates it from the agricultural-policy framework, creating an institution whose principal goal is to maximize the amount of concessional food aid coming in to Mauritania without reference to local food-production incentives. The GIRM's June 1989 establishment of the Food Programming Committee, known as the CPA, subordinates for the first time food-aid policy issues to a national agricultural- and food-policy decision-making framework, with both inter-ministerial and donor membership and participation. (USAID is a member of the CPA.) This is a very positive step forward. For these reasons, the PASC envisages a greatly-reduced CSA whose functions are limited to management of a national security stock (NSS), coordinating emergency-food deliveries and food-for-work programs, though it must be emphasized that further negotiations among the five PASC members and with the GIRM are required before arriving at final decisions on CSA's future role.

-- Applying Conditionality in the Third 206 Program

Conditionality is the heart of any reform program. In the case of 206 activities the assumption is that the policy environment in country X is constraining productivity. Furnishing Title II commodities without conditions can sustain wasteful programs or inappropriate institutions -- and delay needed changes.

In the case of Mauritania, the eight-year experience with 206 programming suggests that the following guidelines be used in framing self-help measures for the third 206 program.

- Be specific: Imprecise objectives or indicators make it difficult to measure progress and hence ensure adherence to conditionality. The search for precise self-help measures can have a disciplining effect on OAR's planning processes.
- Don't try to do too much: Broadening the range of conditions makes it difficult to bring resources to bear on key obstacles in the way of progress. When it comes to conditionality, comprehensiveness is not necessarily praiseworthy.
- Be realistic about institutional changes: As Batchelder and Berg point out, "policy reform" and "institutional change" are not the same kind of animal. "Institutional changes involve not a one-time change but procedures... which exist not because of wrongheadedness or ideology, or history, but rather are rooted in the condition of underdevelopment. These are not matters subject to remedy in 5-7 years... they will change only gradually and are advanced by slow and prudent steps." 12/
- Be modest: Some of the conventional wisdom about pricing and other constraints has been overturned in recent years. "Reformers" should be modest and tentative in providing advice in areas where it is not clear what should be done.
- Cultivate dialogue: Reform will come only with sustained dialogue at the working level. There has to be an honest exchange between donors and GIRM technicians not only of general principles but details. Self-help measures should engender the kind of dialogue that helps change minds.
- Work within a multi-donor framework: (This approach is discussed in Section VIID)

12/ "Structural Adjustment Lending -- A Critical View". (Prepared for the IBRD) 1984, P 34. Several insights from the Batchelder - Berg paper have been used in preparing this section.

VI. 206 III Program Goal, Purpose and Constraints

A. The Program Goal for 206 III is:

To assist the GIRM move forward toward food-security objectives

Food security, of course, refers to access by all people, at all times, to enough food for an active and healthy life. According to the World Bank, 25% of Mauritania's population is food-insecure.^{13/} Two conditions are required to ensure food security. First, adequate food supplies must be available through domestic production or imports. Secondly, households whose members suffer from undernutrition need the ability to acquire food either by producing it or having the income to purchase it.

Within the framework of structural adjustment, the GIRM is attempting to liberalize its economy to take better advantage of local productive capabilities. In time, this should lead to increased employment opportunities in several sectors -- particularly agriculture -- and a reduction in the numbers of food-insecure. The 206 III program will assist, by: (a) freeing up foreign exchange for needed inputs, (b) helping to create an environment in which private initiative can flourish, and (c) generating funds to be used in support of agricultural expansion.

It is important to realize that food aid will continue to be a crucial element in the country's food-security effort for the foreseeable future. Without significant infusions of grain into the Mauritanian economy the grain market will not clear at a price that permits the average citizen to purchase enough food. In other words, it is not simply a question of allowing the grain market to set a price level at which supply and demand are equal; currently, there is not a price at which the Mauritanian grain-production system will produce enough grain to feed the country.

The challenge of the 206 III program will be similar to the first two programs -- how to help Mauritania meet its basic food needs without at the same time creating a situation that discourages increases in local production, in the short term, and prevents achievement of food security in the longer term.

B. The specific purpose of the third 206 for Mauritania is:

"Through the provision of Title II commodities, help to create a GIRM policy framework which stimulates increased local-cereals production through more competitive private-sector participation in the agriculture sector".

^{13/} See "The Challenge of Hunger in Africa:: The World Bank, 1988, pIV.

OAR/Mauritania will assist the GIRM move toward this 206 III objective in four ways:

- by helping the government strengthen its policy framework for dealing with cereals pricing, sales and marketing issues;
- by enhancing the government's effort to devolve more responsibility on the private sector for the production and marketing of cereals;
- by reinforcing the government's ability to meet the pressing needs of its vulnerable citizens; and
- by accelerating movement toward food-security objectives through improved government/donor interfacing.

C. Constraints: Purpose achievement will be constrained by the following factors:

the shortage of consultants with the skills needed to assist the OAR frame, negotiate and monitor policy reform measures. It is one thing to suggest the price of wheat is low. Saying what the price should be at a given time during a 206 program period is quite another thing. Many will join AID in lamenting excessive government intervention in the economy. But locating the individual(s) who can devise technically and politically feasible alternatives is not easy. As Elliot Berg suggests: realistic reform measures are not likely to flow from "the typical short-term, project-design mission which is often brought together on short notice, staffed with people who happen to be available when needed". There is only a handful of advisors who have the area experience, technical insight, delicacy and language skills to get the job done in the Mauritanian context. (See section VII.A).

- groups in the Mauritanian community who will resist efforts to increase private-sector participation in the economy. Some of these groups are high-minded and well-motivated; they see their mission as "protecting the little person from the clutches of greedy merchants". The major resistance, however, will come from vested-interest groups that enjoy special privileges under the current system -- civil servants, favored importers, subsidized consumers, etc. Leverage (conditionality) will be needed to neutralize these groups -- as well as good horse-trading skills, charm and patience. (See Section VII.B).

an inchoate understanding on the part of donors and government planners about what transpires at the household level in rural and urban Mauritania. Without better-quality data from the household level on growing, purchasing and consuming patterns, little progress can be made on the food-security front.^{14/} This is without doubt the most severe obstacle to program achievement. Other constraints will become less troublesome as improved information systems come on stream (see section VII.C).

the fragility of the new framework for donor collaboration in Mauritania. The emerging PASC coordination mechanism intended to promote dialogue between (and among) donors and the GIRM carries much promise. The five principal donor participants -- France, the Federal Republic of Germany (RFA), the European Community Commission (EEC), the World Food Program of the United Nations (WFP) and the U.S. -- are in general agreement about cereals-sector issues, the role of food aid and approaches for dealing with local production constraints. At the same time, there are understandable differences in perspective about modalities and the desired implementation pace for specific needed changes. The group's cohesiveness will be tested, and, it is hoped, strengthened, by its ability to adopt the 206 III program as one component in the overall PASC strategy. The group's success will depend on the participants' ego-restraint, their ability to deal with subtle, technical issues without getting lost in the woods, and a commitment to successful achievement of PASC's agreed-upon objectives. (See Section VII.D).

^{14/} As pointed out in "The Competitiveness of Sahelian Agriculture": "On the micro-level, policy preoccupation should be less focused on cereals, or even crop production, and more on the household as a set of enterprises."

VII. PROGRAM STRATEGY

The strategy for advancing on the four fronts -- policy reform, privatization, information systems and donor collaboration -- is discussed in this section along with the constraints outlined in the previous section. The anticipated role of CSA under the 206 III program is also discussed.

A. Helping to Strengthen the Cereals Policy Framework

Cereals constitute a large part of the diet in Mauritania. Consequently, cereals-sector events -- rainfall, production, yields, sales prices, etc. have a significant impact on the daily lives of Mauritians as well as the national economy as a whole.

In the late 1970s the GIRM started to experiment with regulated prices for various cereals to address ambitious, sometimes inconsistent, objectives such as: promoting domestic production, creating security stocks, stabilizing producer prices and keeping consumer prices low. Beginning in 1982, the OAR, other donors and the World Bank engaged the GIRM in a dialogue aimed at rationalizing cereals policies in keeping with economic-adjustment imperatives. For example, the first 206 agreement, signed in 1983, contained a commitment by the GIRM to gradually increase prices at which the 206 commodities would be sold. The objective, parity pricing for wheat, was achieved in 1975 ahead of schedule at the insistence of the IMF. The second 206 agreement, signed in April 1987, stressed the need for sustaining price reforms on cereals imports to encourage local production.

Until recently, the movement on cereals-pricing reform has been fitful and fragmentary in nature. The fixed prices for rice -- at the various stages of production, processing and marketing -- illustrate the problem. While the price paid the grower for paddy has been increased, there is still a ceiling on the price for the consumer. The margin between these two prices is not sufficient to cover the costs and leave a reasonable profit for the intermediate functions of transportation, milling and marketing. These functions have to be performed at a loss by CSA and the commercial parastatal SONIMEX with their losses being reimbursed from the state budget.

Fortunately, a more coherent and simpler approach to cereals pricing is now emerging. This approach was announced by the GIRM during IBRD/GIRM negotiations for the upcoming agricultural loan, formally known as the Agricultural Sector Adjustment and Investment Program (ASAIP). As the Aide-Memoire put it, "the Government recognizes that a liberalized production, processing and marketing system can best insure efficiency. Ultimately, it will, therefore, stop participating at any level in the price-formation system. The Government's role with regard to prices will be to protect local production by means of a reasonable customs tariff." (Draft Government Statement, Annex 4, the Bank report No. P-4988-MAU, May 1989).

Under the new policy, the Government will regulate the entry price of food commodities when they arrive at the border. A "reference price" ^{15/} will be based on the border price and the customs duty (in the case of commercial imports) and a floor price (in the case of food-aid commodities). For example, the reference price on rice imports will be set as a three-year moving average of the CIF price of imports at the port of Nouakchott plus a customs duty of 45% together with a fixed charge per kilogram to cover costs of the exclusive importer, SONIMEX.

The new formula does away with the patchwork of administrated prices at various levels of production, importation and distribution of cereals. The size of profit margins is determined by the free market. The new approach forces domestic producers, processors and intermediaries to be more efficiency-conscious. If the price of a foreign product drops, lowering the 45% protective wall in absolute terms, domestic agents will have to respond to the challenge by becoming more efficient and cheaper. Thus, some degree of free-market discipline is maintained even with the protective wall.

The 45% tariff ceiling was arrived at through detailed negotiations between the World Bank ASAIP design team and the GIRM. The rationale for the level of protection is based on a number of considerations: (1) world market prices, though certainly lower than Mauritania's production costs, do not reflect all the domestic production costs, since most exporting countries provide some measure of producer and/or export subsidies; (2) price variability due to speculation on primary products; (3) broken rice, the most-imported coarse grain, is much more volatile in price because it is a by-product; (4) the price structure for grains is not always logical: for example, it can happen that the world market price for wheat flour is lower than that of wheat; (5) local (in Mauritania) production costs are inherently higher because of the higher cost of inputs, higher water-control costs and lower yields; (6) local food-security and revenue-producing objectives are better served; and (7) foreign-exchange savings.

Over the course of the 206 III program, the OAR will assist in strengthening the new cereals-policy framework in several ways. First, by backing the World Bank, along with other donors, on the need for the new price simplification strategy and counseling against any reversion to a multi-tiered approach. GIRM agreement to a revised policy on "agricultural and food prices", along the lines discussed with the IBRD in May 1989, will be a condition precedent to reaching agreement on the TA for 206 III.

^{15/} The reference price can be compared to assessment of property for purposes of taxation.

Next, the OAR will encourage the GIRM to take a major step to increase competitiveness within the cereals sector by co-sponsoring a new auctioning process for the sale of donated food commodities. This will not only open sales bidding to more merchants, but also help protect the efforts of local growers through a minimum bidding price set for all auction participants. To this end, the opening auction bid price for the 206 III wheat commodities will be set on the basis of one of the following two calculations -- whichever results in the higher price: 16/

- (a) the average wholesale price of sorghum over the last 12 months as recorded by the Ministry of Rural Development plus ten per cent plus the cost of auction;
or
- (b) the price of wheat under Title II of P.L. 480, as established by cables of the U.S. Department of Agriculture, plus the cost of transportation and insurance from European ports which are used by European donors or exporters for shipment to Mauritania, plus the customs duty of 45% (as foreseen by the customs tariff) and the cost of storage, handling and auction.

Another element of the OAR strategy is to help the GIRM improve its capability for statistical and economic analysis as well as practical application. The system of collecting, recording and analyzing costs of production and prices of important agricultural commodities needs upgrading. A part of the proceeds from the sales of section 206 food aid will go toward strengthening the existing Agricultural Statistics Project within the Ministry of Rural Development. The funds will be used for personnel training along the lines suggested during by the FEWS field representatives during 1987-88.

Finally, OAR/M's effectiveness in the cereals sector depends on an upgrading of AID's analytical capability for dealing with complex pricing, production and marketing issues in Mauritania. As pointed out in 206 evaluations, the lack of economist assistance has constrained OAR performance in the past. To remedy this, OAR intends to recruit two economists -- one to serve on the CPA/PASC secretariat and advise AID and the GIRM on economic-analytical aspects of food-policy choices; the other to research and advise on agricultural policy in the OAR agricultural division. Both economists will be required to be proficient in French.

The food-policy economist will be a Ph.D.-level economist with some experience in the Sahel (or Masters-level with greater Sahel field experience). S/he will work out of the CPA/PASC secretariat as the OAR representative in that group (see Annex D for a full job description). Both staff economists will be supervised by a (third) senior economist associated with an economic consulting firm familiar with the evolution of economic

16/ As of June 1989, the price, as calculated according to formula (a) would be about UM 25 per kilogram of wheat. The price calculated according to the formula (b) would be about UM 27 per kilogram of wheat. Accordingly, the opening auction price of wheat would be set at the higher one of the two, i.e. at UM 27 per kilogram.)

thinking in the Sahel over the past two decades. This senior advisor's visits to Mauritania -- probably four over the 206 III period -- will be scheduled to coincide with key CPA/PASC policy discussion sessions and will reinforce the economists' -- and OAR's -- analytical capacity to participate in the policy dialogue.

One of the principal tasks for these two economists will be the design and monitoring of a series of studies to be undertaken during 206 III implementation. These studies, executed within the PASC framework, will range from identifying specific macro-level policies for reform to determining how to encourage increased private trade in food-deficit zones. Policies beyond the cereals-marketing area will also be analyzed to the extent they have an inhibiting effect on private marketing of cereals; for example, gasoline pricing, import tax on spare parts, commercial licensing, etc.

B. Devolving Increased Responsibility onto the Private Sector

Mauritania's private sector has traditionally controlled the production and marketing of the country's farming, herding, small-scale fishing and trading activities. However, increasingly interventionist State policies in the 1970s made deep inroads into the economy and the way "business" is transacted in Mauritania.

While the country's livestock ^{17/}, poultry and vegetable activities remained free of government control, the large cereals sector came under increasing regulation with the creation of State enterprises. These agencies (principally SONIMEX, SONADER and CSA) tend to be overstaffed and lack the management, administrative and financial skills needed to operate efficiently. Their active presence continues to inhibit Mauritanian cereals farmers, importers, millers, and traders.

An effort was made under the 1985-88 PREF to create a more accommodating environment for price initiative through such measures as a new investment code, with incentives designed to increase competitiveness, and the re-structuring of the country's moribund banking system. Some public-sector divestiture has also taken place over the past two years. The SONADER-owned M'Pourie rice mill was sold to the private bank, BMCI ^{18/}. CSA's rice mills were auctioned off, and UBD assumed responsibility for SONADER's credit and extension operations. The private sector now transports most of the rice paddy, handles wheat-flour imports and is involved in retailing operations for both imported and domestic rice.

17/ Livestock activities are not included in the OAR 206 III strategy even though livestock is an important element in Mauritania's economy and food system. The rationale for this non-involvement, first cited in the USAID/Mauritania 1980 CDSS, is as valid now as it was then: "the current traditional [livestock] system 'works' and to our knowledge there is no cost-effective method of modifying the system which would result in substantial improvements in herder health and welfare or in improvements of the range given the existing political, social and economic climate."

18/ This bank, formerly a state enterprise, was sold off in 1986 as "a loser". Thanks to excellent private management it has flourished in the past two years -- gaining guaranteed lines of credit to the Banque Nationale de Paris, Credit Lyonnais and Manufacturer's Hanover Trust.

In April 1989, the GIRM issued another decree on modalities to implement the June 1988 Cereals Policy (Annex D), including pricing, food aid, commercial imports and other forms of policy implementation. This commits the government to a three-year program aimed at liberalizing trade and transportation, limiting the state import monopoly of rice, and sub-contracting all or part of CSA's food-aid activities to private organizations. It remains to be seen, of course, whether the stated objectives will actually be carried out -- and at what implementation rate. Tentativeness in the liberalization drive will create uncertainty within the private community, which now seems poised to assume many of the public-sector operations.

Recent discussions with public-sector officials and businessmen were very supportive of two initiatives which the OAR intends to undertake in the new 206 program -- sales auctioning of the AID-sponsored commodities and provision of agricultural credit.

The sales auction will have the effect of increasing competitiveness within the trading sector -- hitherto, a fairly closed and exclusive fraternity. Lot sizes will be configured so as to attract a wider spectrum of applicants than that which normally participates in the sales of imported cereals. The private sector will assume responsibility for storage, transportation and retailing of the donated cereals. The contrast in efficiency over the previous handling of donated imports is bound to create a favorable impression within the community and a demand for increased experimentation along the same lines.

Auctioning is not an unfamiliar idea to Mauritians. There is actually an Auctioning Commission within the Government, composed of representatives from several agencies. However, the process recommended for use in the third 206 program will be new -- and untested in Mauritania. Furthermore, the process will be scrutinized very closely by other donors in the expectation that a similar approach could prove useful under their food-aid programs. Any serious missteps during the actual auctioning process would be a setback for continued liberalization within the cereals sector; undoubtedly, voices would be raised in favor of a return to public-sector handling of imported donated grains.

In preparing an auctioning strategy, (see Annex A) the OAR has drawn on other AID country-program experience in the sub-Sahara -- particularly USAID/Somalia's successful two efforts in the past three years. Nevertheless, given the high stakes, the OAR intends to take two additional steps to ensure a smooth functioning of the 206 auction scheduled for enactment later in 1990. A local consulting firm (with non-resident assistance) will be retained early in 1990 to: (1) analyze all conceivable obstacles to a successful auctioning; and (2) develop a detailed plan for carrying out each phase of the process. In addition, the OAR intends to retain a U.S. auctioning advisor, with African experience, to assist OAR staff during the actual auctioning process.

With respect to the need for an improved system for extending agricultural credit to Mauritania's producers, it is estimated that less than 7% and perhaps as low as 2% of the country's total credit is directed to agriculture. This is partly due to the usual problems associated with small-producer credit in the third world, i.e., high risks, costs and lack of collateral. But the minimal amount of agricultural credit on the books has also been a function of the poor administrative and financial capability of the three state development banks (FND, BMDC, and SONADER). With IBRD assistance and guidance, these three banks have been slowly consolidated into one (Union of Development Banks -- UBD). In 1987, the total agricultural credit distributed by UBD (\$3.4 million) was 15 times the amount distributed in 1985.

The IBRD is carefully nurturing the UBD as the most promising vehicle for improving credit in Mauritania. One of the primary objectives in the upcoming IBRD agriculture sector loan will be to help UBD develop a viable, consistent approach to financing smallholder schemes. (See IBRD Report No. P-4988 MAU for a complete discussion on lending criteria, interest rates, down-payments, etc.)

The OAR intends to monitor closely IBRD's effort to strengthen UBD. If planned assessments of UBD performance during 1990-91 reveal a reasonable degree of success, OAR intends to earmark a substantial portion of counterpart funds from 206 III to assist in the multi-donor effort to capitalize the IBRD-guided UBD credit system. In the meantime, an advisor from the successful, smallholder credit scheme in Kaolack, Senegal has been asked to assess the prospects of a similar undertaking in the delta region of Mauritania. If the feasibility conclusion is positive, OAR will solicit PVO interest in implementing a pilot effort, with counterpart capitalization, during 1991-93.

C. Improving the Quality of Household-level Data Collection and Analysis

The urgent need for better household-level data had been recognized in 1981 in the first 206 program design, which called for a "Food-Consumption and Income-Distribution Survey" during the first year of program implementation. Unfortunately, no dollar funds were reserved for the survey. The mid-term 1984 evaluation urged that high priority be given to the all-important survey in any follow-on program, because "basic consumption and income distribution data are scarce to non-existent" 19/. The 1985 design paper for 206 II indicated that "the consumption and expenditure survey, identified as a priority under the previous program, is now in the design phase".

In the meantime, because of the lack of good micro-level data, the GIRM was still using the "methodology" which had emerged from the 1969-73 drought disaster to estimate the number of families and individuals at risk in country. This came down to the Regional Governor's estimate of how many needy resided in his area. The system "opened the way to political pressure ... being applied greater allocations of food".20/

19/ Of course, other countries in the Sahel suffer from the same data gap. See Mali 206 Design (4/24/89) Annex p. VIII

20/ (See Louis Berger Evaluation, op. cit. p41.) In 1975, to preclude becoming unwitting accomplices in a massive production-disincentive program, donors in the Sahel had backed an annual FAO-sponsored effort to estimate the size of the harvest, the number of stocks on-hand, how many people might be caught short when supplies dwindled during the hungry season, and what the minimum amount of food aid would be to close the need gap. The multi-donor teams visited each Sahel country for about 10 days in October/November examining government documents and taking 2-3 days to visit the interior. In time, the brevity and superficial nature of these annual expeditions led to a discrediting of multi-donor assessment "methodology"-- and the term "wind-screen survey" came into usage. In Mauritania, these donor/GIRM assessments became known as "the Agro-Sylvo-Pastoral Mission". An individual who served on the last annual mission, carried out in 1987, characterized the effort in this way: "the planning was impromptu, the goals sufficiently vague, and the methodology undefined... The resulting reports were not highly regarded by the donor community at large. The commentary often overemphasized the needs, lacked objectivity and served only internal political ends."

By 1983-84, eighty percent of the country's food needs were being distributed through government channels -- two-thirds of it free. Along with a sense of satisfaction in having warded off famine (which had claimed so many lives in the 1970s), there was a growing unease, in government circles, about the institutionalization of a "hand-out" mentality. Donors, too, were becoming uncomfortable about the inevitable effect of massive donated grains on in-country production capabilities.

In referring to the need for better "targeting" of food aid, the January 1989 evaluation pointed out that "no new methodology or targeting mechanism for indigent populations has been put forward ... no accomplishments have been made in improved planning for free distribution". A senior GIRM official also suggested recently that the government's ability to assess the size or whereabouts of its vulnerable population had not improved over the years. While such candor is refreshing, it tends to overlook some very significant progress made in Mauritania on the vulnerability assessment front in the last two years.

The AID-sponsored FEWS activity has demonstrated that a multitude of diverse data from existing in-country information systems (GIRM, donor, PVO, private) can be patched together to profile vulnerability status and trends. While sturdy base-lines have not been established during the brief span of the FEWS activity, a network of information sources has been identified, mined and, to a degree, upgraded in the process of data exchange. The FEWS advisor can play a key role in the coordination task referred to later in this section.

The OAR has also helped to launch the IBRD's effort to shield the vulnerable segment of Mauritania's population from the negative effects of structural adjustment. The "Living Standards Measurement Survey", covering 1600 households in five sampling areas, was initiated in 1987. There have been problems -- such as the vanishing of 32% of the "sedentary" households between the first and second survey rounds. However, this is the first comprehensive, well-funded, properly-staffed survey of consumption-expenditure status ever to be carried out in Mauritania. Realizing that the "Living Standards" survey will yield valuable baseline information for use in policy formulation and program design, the OAR earmarked \$400,000 counterpart to cover the in-country costs of the survey for two years. ^{21/} The IBRD is currently reviewing a \$3.1 million project aimed at establishing the survey/analyses on a permanent footing in the Planning Department.

Privately-sponsored data collection efforts are also yielding valuable insights on micro-level issues. One of these, the U.S.-based Doulos Community Program, is adhering to a low-cost, rigorously-scientific methodology in the nutritional and MCH areas which should be examined for replicability.

21/ This money had been set aside for the household consumption survey called for in the first two 206 programs.

All of which is to suggest that there is a score of uncoordinated activities underway in Mauritania focused, directly or indirectly, on household-level data collection and analysis. Because of OAR involvement in vulnerability assessment, A.I.D. is well-placed to lobby for a better integration of these activities within a first-generation, national strategy for dealing with the micro-data problem. A pre-condition for the first 206 III call forward will be the undertaking of a PASC-sponsored study to: (a) survey the various activities underway, (b) examine how they can be better integrated, and (c) determine what entity in government offers the best vantage point for effecting this coordination. The terms of reference for the study, which will commence no later than January 1990, will be drafted by donor representatives to the PASC for submission to the government for approval. Given the IBRD's heavy commitment in the data collection area, the PASC donors will enlist the Bank's support in undertaking the study and implementing its recommendations.

D. Accelerating Movement Toward Food-Security Objectives By Improving GIRM/Donor Interfacing

The call for improved donor collaboration is not new in Mauritania. Over the years a variety of formal and informal arrangements have been tried to get donors "to speak with one voice" -- particularly on food-aid issues. 1989 has brought together a happy convergence of interests to hasten the pace of policy reform and GIRM/donor coordination.

On April 17, 1989, the Government of Mauritania created the Cereals Policy Monitoring Commission (Commission de Suivi de la Politique Cerealiere - CSPC). The CSPC, headed by the Minister of Rural Development and composed of the Minister of Finance, the Minister of Plan and Employment, the Minister of Industry and Mines and the Food Security Commissioner, to implement the June 1988 Cereals Policy Decree. At the same time, the GIRM established the Food Programming Committee (CPA), made up of the same Ministries but including also the Ministry of Commerce and Transportation, and the five principal food-aid donors - the World Food Program (UN), the European Economic Community, the U.S., France and the Federal Republic of Germany. The CPA's tasks are to assure constant monitoring of agricultural production, conduct the food-needs assessment, determine the amount of the deficit, plan for and request food aid, program food-grain imports and, in general, assure implementation of the national food policy within the context of the overall food self-reliance goal.

Following the issuance of this decree, a CSA Re-organization Committee made up of MDR, CSA, and the five food-aid donors who are members of the CPA was set up. This committee is actually a technical working group of the CPA. In support of the foregoing initiatives, the food-aid donors recruited a consultant to draw up a working document constituting the Cereals Sector Support Program (PASC), as originally envisaged in the World Bank's proposed Agricultural Sector Credit and agreed to by GIRM negotiators. The idea is to harmonize the thinking and operations on issues pertinent to Mauritania's cereals sector, with specific reference to the subordinate role of food aid in Mauritania's agricultural economy. The PASC was formed in light of the World Bank's recommendations, which the GIRM accepted by creating the CSPC and the CPA. Donors have met periodically to discuss the goals, objectives, functions and composition of the PASC, in consultation with representatives of the Ministry of Rural Development, so that it reflects the appropriate support to the cereals policy declarations.

The PRMC 22/ program in Mali served as model for the PASC 23/, which has set the following agenda for itself:

- improve the programming and targeting of food aid for needy groups in ways that avoid disruption of private trade;
- help establish price- and market-liberalization policies and processes aimed at improving incentives for farmers and the business community;
- help reduce GIRM operating costs within the cereals sector while improving overall efficiency;
- help upgrade government analytical capabilities (and information systems) for dealing with cereals-related issues;
- program generated local currencies in line with cereals-policy priorities jointly agreed to by GIRM and PASC.

The PASC agenda is broad, ambitious and a major challenge for donors -- some feel too much of a challenge. The new collaboration experiment comes on the heels of the nearly-defunct Common Fund, a multi-donor initiative launched in 1986 to direct and track the programming of local currency generated by food-aid sales.

The Common Fund was doomed from its inception -- for lack of a clear-cut strategy. Program strategy and project approval guidelines were ill-defined, emphasis being placed only on management procedures for disbursing funds. With time, donors assumed an increasingly passive role, going along on GIRM funding proposals consisting largely of operational costs for ongoing activities. In short, the Common Fund offered no advantages over bilateral programming and compromised some of its strengths.

22/ PRMC = "Cereals Marketing Restructuring Support" Program

23/ PASC = "Cereals Sector Support Program"

These are several reasons why the PASC stands a better chance of success than the Common Fund:

1. Even though the PASC is still in embryonic form, there is already a better road map to guide the group's deliberations. Part of the strategy is derived from the government's milestone decree on cereals policy published in March 1989. This decree (see 89 Nouakchott 02230, Annex C) calls for the complete liberalization of cereals production, collection, milling and marketing. The future role of government in the cereals sector, according to the decree, will be one of "orientation and regulation". Implementation guidelines for the liberalization process are clearly outlined in the March 1989 document. The second seminal document for a PASC strategy is the "platform" statement drafted by donor members of the PASC. This document (see Annex B) clearly lays out the goals, priorities, responsibilities and procedures for government-donor collaboration over the next three years in the cereals sector. Inter alia, the platform statement specifies price-policy guidelines, private-sector incentive approaches, food-aid distribution caveats, security-stock arrangements, as well as counterpart-fund programming procedures. The final draft of the platform statement, which, it is hoped, will reflect the consensus of the five principal food-aid donors, will be completed by December 1989. GIRM concurrence is expected at the same time, though there are deep-seated vested interests which will fight to maintain CSA's autonomous food-aid role separate from the Ministry of Rural Development. Despite this challenge to donors' efforts and solidarity, we believe that this forward movement suggests that the PASC will be "open" and operational before 206 III commodities are called forward. At any rate, OAR/M is committed to an operational CPA/PASC setup before signing the T.A. for 206 III.
2. The cast of donor representatives who will be "on seat" in Nouakchott over the next two years is well equipped to handle the challenge of elaborating and implementing the PASC strategy. The EEC representative was a key player in the Mali PRMC program from its inception. He knows the potential pitfalls and some proven ways for circumventing them. The French, German and WFP representatives are seasoned advisors with a good feel for how to move forward within the West Africa context. Finally, on the U.S. side, AID is fully committed to the achievement of indispensable policy reforms within the context of multi-donor collaboration through the PASC.

3. The PASC group has a vantage point which neither the Common Fund nor the PRMC had -- inasmuch as it can apply important lessons from these earlier experiments. For example, much can be learned from the Mali government's efforts in 1985 to reduce marketing risks by becoming the buyer of last resort of as much grain as farmers wanted to sell. This "resulted in financial disaster for the grain marketing and irrigated-agriculture credit system. The unfortunate effects of this intervention continued to affect grain markets even two years later".^{24/} PASC can also draw on second-generation insights on Sahelian cereals-related issues which have been compiled in the last few years -- e.g. in the CILSS/Club du Sahel's "Beyond Mindelo" document, Shapiro/Berg's "Competitiveness of Sahelian Agriculture", etc. These insights revealed several flawed assumptions in donor strategies, including the belief that farmers were willing and able to bring forth a substantial supply in response to higher average producer prices. The point here is not that PASC now has a "cook-book" manual to turn to for resolution of complex issues, (like pricing levels) but simply that there is a better sense of what to avoid in cereals-sector programming.

The PASC donor representatives are proceeding prudently and with realistic expectations. They realize that there are differences within the group on such issues as the role of parastatals, the usefulness of buffer stocks or import subsidies, and the utility of support prices. But they already have experience in nuancing these differences in the interest of moving on a few important fronts -- reducing free-food distribution, raising prices for imported cereals and interfacing with CSA. They are also placing much stock on improving the quality and quantity of information on how household and markets work in Mauritania. Better data from the household level will be key to upgrading the quality of dialogue within the PASC. (See Section C, above.)

The coordinating group in Mali, upon which PASC is modeled, discovered after two years that effective multi-donor collaboration can make heavy demands on the staff time of each participating donor. These requirements stem from the need for donor consensus on a number of complex and sometimes controversial issues. To obviate the staff strain, CPA/PASC will be served by a technical secretariat consisting of Mauritanian and expatriate technical experts. OAR will finance a contract economist from the ADS project and two graduate-school-level local employees from counterpart funds as its contribution to the CPA/PASC secretariat. (See Annex D for the job description for the AID-financed PASC economist.) In addition, OAR will assign two employees with experience on tracking and monitoring of counterpart funds to the CPA/PASC secretariat to assist in the programming and monitoring of generated local currencies.

^{24/} See 1988 PAAD Supplement for Mali 688-0241 Project, p. 5.

It is anticipated that the bulk of funds generated from the sale of donated cereals will be deposited in a common counterpart fund. These funds will be programmed according to a budget plan drafted by PASC members at the beginning of each fiscal year. The funds will be deposited in a private commercial bank to preclude the kind of problems which arose during previous 206 programs. (See Section XI.)

A final note on PASC: reference has been made to the readiness and suitability of the donor representatives for embarking on the PASC experiment. There is another more compelling reason for moving ahead on PASC now. There is no alternative. Continuing along in the bilateral mode will soon become unconscionable -- given the potential impact of uncoordinated food donations on Mauritania's economy.

E. The Role of CSA under the 206 III Program

There is a consensus that Sahelian conditions call for national cereals agencies to provide security-stock management, coordination of food-aid programs and oversight for public-sector feeding programs (schools, hospitals, military, etc.). Some believe that these cereals agencies should also continue to play a role in grain marketing... "especially since little is known about how markets work, and some market failures are likely. Disagreement remains, however, as to the nature of that role, in particular with respect to price setting, and on the appropriate size of grain agency security reserves." 25/

In the case of Mauritania, the role of the state cereals agencies --- SONADER and CSA -- has been clarified in the last few years. The GIRM Food Policy Decree of June 1988 signaled the government's intention to restructure these agencies "to prepare the way for a reasonable liberalization wherein the private sector can find its proper role". With respect to CSA, the Decree called for a gradual withdrawal from regional sales centers, a reduction in free distribution and the selling off of half of CSA's trucking fleet. A follow-on Decree in March 1989 instructed CSA to progressively reduce its purchase of paddy rice over the next three crop years. While the re-organization of CSA will take time -- and be resisted by CSA incumbents -- the GIRM's intention of reducing the Agency's role in the cereals sector has been made clear.

25/ See chapter IV of Sahel conference compilation.

The OAR-CSA relationship under 206 III will differ from previous 206 programs in two significant ways. First, since CSA will not be responsible for managing or delivering 206 III commodities, OAR-CSA transactions will be greatly simplified. (Management costs for commodity handling -- more than a million dollars on a 10,000 MT shipment under CSA -- will also be reduced.) Secondly, OAR dealings with CSA management will be carried out largely within a multi-donor framework (i.e., the PASC) under the new 206 program. Helping CSA to sort out its new responsibilities will now become a joint donor-government concern as will the allocation of counterpart funds in support of CSA activities. A sampling of PASC member views suggests that there will be a majority in favor of CSA confining its activities to the following areas: managing a food-security stock, in the range of 25,000 MTS; coordinating the delivery of cereals to out-of-the-way market areas using private contractors; and coordinating "targeted" food-assistance programs and food-for-work schemes. Previous CSA interventionist tendencies will not be encouraged under the new PASC arrangement.

VIII. SUMMARY OF SELF-HELP MEASURES

Under the 206 III Program, AID intends to assist the government in meeting four GIRM objectives: strengthening the cereals-policy framework; devolving more responsibility on the private sector; identifying and addressing the needs of the vulnerable; and improving GIRM/donor collaboration.

To assess progress toward these four self-help objectives, the following benchmarks will be utilized:

A. Self-Help Objective: Strengthening Cereals-Policy Frameworks

1. GIRM agreement, prior to 206 III TA signing, to a revised policy on "agricultural and food prices" along lines discussed with the IBRD during May 1989. 26/
2. GIRM concurrence in setting the opening bid price for 206 III wheat commodities on the basis of one of the following two calculations -- whichever is higher:
 - (a) the average wholesale price of sorghum over the last 12 months, as recorded by the Ministry of Rural Development plus ten per cent plus the cost of auction;
 - or
 - (b) the price of wheat under title II of P.L. 480, as established by cables of the U.S. Department of Agriculture, plus the cost of transport and insurance from European ports which are used by European donors or exporters for shipments to Mauritania, plus the customs duty of 45% (as foreseen by the customs tariff) and the cost of storage, handling and auction.
3. GIRM concurrence in designing an updated strategy to strengthen the Ministry of Rural Development's capability for collecting, recording and analyzing costs of production and sales-prices for principal cereal crops.

26/ See IBRD May 1989 Draft Report No. P4988-MAU

B. Self-Help Objective: Devolving More Responsibility on the Private Sector

1. GIRM concurrence in selling 206 III wheat commodities through private-sector channels using a sales-auction procedure as agreed by OAR/M.
2. GIRM concurrence in deferring the first 206 III call forward until there is reasonable assurance that a wide spectrum of merchants will find it in their interests to register and fully participate in the bidding auction process.
3. GIRM agreement, before the signing of the 206 III TA, to a revised Land-Tenure Strategy approved by the World Bank. 27/
4. GIRM concurrence in a joint UBD/donor undertaking, guided by PASC, of a comprehensive analysis of the credit needs and appropriate lending modalities for smallholders (i.e. farmers owning less than 10 hectares of land).

C. Self-Help Objective: Identifying and Addressing the Needs of the Vulnerable

- GIRM Concurrence in a CPA/PASC-sponsored study to: (i) survey existing activities designed to improve household-level data collection and analysis, (ii) examine how these efforts can be better integrated to promote costs savings, (iii) identify data-gathering weaknesses needed to ensure at least minimal household-level coverage and, (iv) recommend the best vantage point, within government, for coordinating future efforts aimed at household-level data collection and analysis.

D. Self-Help Objective: Improving GIRM/Donor Interfacing.

1. GIRM agreement to a regularized exchange (not fewer than three sessions per year) between appropriate GIRM officials and donor representatives, under the aegis of PASC, on

27/ see IBRD May 1989 Draft Report No. P4988-MAU; and Annex F.

issues affecting cereals policy, pricing, marketing, storage, production inputs and research.

GIRM concurrence in the drafting of a CPA/PASC-sponsored strategy which outlines the role of food aid in Mauritania's development planning -- including procedures for determining appropriate commodity mixes, shipping scheduling, pricing formulas, sales processes, and delivery channels.

GIRM concurrence in the establishment of a CPA/PASC-sponsored Common Fund which will contain proceeds from the sale of donated food commodities. These combined proceeds, which will be deposited in a commercial bank in Nouakchott, will be disbursed according to approved PASC procedures and audited regularly by an independent audit firm.

The above benchmarks reflect the need for either specific changes (e.g., more competitive sales through auctioning) or analysis which will lead to specific changes (e.g., a credit study resulting in new lines of credit for smallholders). Progress toward meeting self-help measures will be assessed at the close of 206 III first year and appropriately-adjusted benchmarks drawn up for the second year.

IX. PROGRAM MANAGEMENT

A. COMMODITY SELECTION AND RATIONALE

During each of the previous two 206 programs, a total of 60,000 MT of wheat and sorghum were designated for sale over a three-year period. Under the second program, a decision was made to utilize red sorghum as a self-targeting commodity whereby low-cost grain would be made available to low-income people. This was in support of the program's objective of gradually reducing the amount of grains distributed free. Since red sorghum is considered inferior to other types of grain available in Mauritania, it was thought that only the most needy would purchase it no matter how low the price. This proved to be an erroneous assumption. Sales of the sorghum delivered to date have been very slow (an average of 1,539 MT per year during the period 1985-1988), with the bulk purchased for livestock feed. The GIRM requested the OAR/M to convert the final year's entire allocation to wheat and to demonetize 12,000 MT of sorghum already in Mauritania for use in the free-distribution program. OAR/M concurred in both of these requests.

An analysis of commodity options available to OAR/Mauritania for the 206 III program follows:

- Rice: Approximately one-third of the country's total annual cereals consumption need is being met through a combination of locally-grown and imported rice. Bringing rice in through the 206 program could have a disincentive effect on the burgeoning local rice production -- which has expanded at an average rate of 32% over the past six years.
- Soybean Oil: The Societe Mauritanienne d'Industrie Alimentaire (SOMIA), a Mauritanian wholly-owned and privately-financed oil refinery, began trial production of soybean oil in May 1989 with full production scheduled to commence in July. SOMIA has a five-year contract with a German shipping firm to transport 700 MT of unrefined oil per month to Nouakchott, where it will be refined, bottled and distributed wholesale by SOMIA. While the current national demand is estimated to be 7,000 MT per year, SOMIA's projected annual production is 16,000 MT with the surplus destined for export to Guinea, Mali and the Congo. Estimated production for 1989 will be limited to 4,000 MT due to the current glut in the market estimated to be equivalent to one year's demand. SOMIA plans to expand its operations within the next two years to include the refining of palm and rape seed oil as well. The sale of Title II soybean oil could have a deleterious effect on SOMIA operations, and consequently is not a suitable commodity option.
- Sorghum: As discussed previously, U.S. red sorghum is considered inferior to other types of grain found in Mauritania. Its low rate of sale creates a financial burden on the GIRM, which is forced to store, fumigate and rotate stocks over an extended period of time. Consequently, red sorghum is not a feasible commodity option.

-- **Wheat:** The wheat brought in under each of the previous 206 programs has found a ready market and sales have averaged 900 MT per month. Prior to the drought of 1985, wheat was consumed primarily by the Moor segment of the population with other groups consuming sorghum and millet. Since that time, an average of 41,000 MT of wheat have been donated each year and there has been a growing demand from all segments of the population.

In light of the above analysis, wheat is recommended as the sole commodity to be imported and sold under the 206 III program.

B. RECOMMENDED ANNUAL AND LIFE-OF-PROGRAM TONNAGE

It is recommended that 20,000 MT of wheat be brought in each year for a period of three years resulting in a total program allocation of 60,000 MT. The following factors have been considered in recommending this level:

-- Consumption Needs

Past trends suggest that local production will not meet even 50% of demand during the course of the 206 III program. The percentage of demand met by local production during the past ten years is as follows:

| Year | Popula- tion | Per Capita Cons. needs | Tonnage Needed | Local Prod. | Percent Self-suff. |
|---------|-----------------|---------------------------|-------------------|----------------|-----------------------|
| 1978/79 | 1,505,571 | 120 KG | 180,669 MT | 25,500 MT | 14.11% |
| 1979/80 | 1,543,210 | 120 | 185,185 | 44,000 | 23.76 |
| 1980/81 | 1,581,790 | 130 | 205,633 | 40,000 | 19.45 |
| 1981/82 | 1,621,335 | 135 | 218,880 | 80,000 | 36.55 |
| 1982/83 | 1,661,868 | 150 | 249,280 | 20,000 | 8.02 |
| 1983/84 | 1,703,415 | 150 | 255,512 | 15,000 | 5.02 |
| 1984/85 | 1,746,000 | 165 | 288,090 | 20,000 | 6.94 |
| 1985/86 | 1,786,000 | 165 | 294,690 | 73,000 | 24.77 |
| 1986/87 | 1,830,000 | 165 | 301,950 | 115,800 | 38.35 |
| 1987/88 | 1,870,000 | 165 | 308,550 | 106,900 | 34.64 |
| 1988/89 | 1,926,000 | 165 | 317,790 | 136,591 | 42.98 |

(Source: Federal Republic of Germany Food Security Program with CSA, GIRM Ministry of Rural Development Agriculture Statistics Service and World Food Program)

--Food imports as a percentage of total consumption needs is as follows:

| Year | Tonnage Needed | Donor Assistance | Percent | Commercial Imports | Percent |
|---------|----------------|------------------|---------|--------------------|---------|
| 1984/85 | 288,090 | 151,772 | 52.66% | 80,000 | 27.77% |
| 1985/86 | 294,690 | 65,230 | 22.14 | 59,189 | 20.08 |
| 1986/87 | 301,950 | 53,409 | 17.69 | 100,490 | 33.28 |
| 1987/88 | 308,550 | 111,200 | 36.04 | 93,700 | 30.37 |
| 1988/89 | 317,790 | 62,705 | 19.73 | 97,000 | 30.52 |

(Source: Federal Republic of Germany Food Security Program with CSA)

C. HANDLING CAPACITY OF NOUAKCHOTT PORT

The port of Nouakchott has been operational since December 1987. Up to three ships can be berthed simultaneously with a maximum draft ranging from 9 to 10.3 meters and a maximum cargo size of 30,000 MT. There are two cranes operating on rails, each with a ten-ton capacity, and four pneumatic cranes ranging in size from 40 to 80 MT. There is sufficient lighting and labor to have 24-hour loading and offloading and the port is accessible throughout the year. Though priority berthing is possible during an emergency or for ships carrying perishable goods, the normal mode of operation is first-come, first-serve. A total of 126 ships passed through the port in CY 1988 carrying roughly 351,000 MT of merchandise. Security is provided by the Maritime Police, and port officials claim there have been no thefts since the port's opening. (For a discussion of the port's storage capacity, see the Bellmon Requirement, Section E, below.)

D. SPECIAL ISSUES

--Bulk vs. Bagged Grain

Grain brought to Mauritania under the second 206 program was shipped in bulk with most shipments experiencing significant delays in offloading due to problems with bagging. This, in turn, resulted in heavy demurrage charges. In the final year's delivery of 20,000 MT of wheat, which was offloaded in September/October 1989, automatic bagging equipment was added to the shipping contract, and an average of 1,800 MT a day were offloaded, bagged and transported to warehouses. Under the new 206 auction process it is anticipated that this procedure will continue to be followed. Since the grain is going to be auctioned 2-4 weeks prior to its actual arrival at the Port of Nouakchott, bidders will be out of pocket a minimum of UM 100,000 (US\$1,200) and potentially, up to UM 1,350,000 (US\$16,000) while the cargo is offloaded and the wheat is cleared for distribution. Delays in bagging would significantly hamper the ultimate success of the auction process because it would discourage merchants by forcing them to be out of pocket so much money for lengthy periods of time.

Another improvement is the planned development of a U.S./Mauritanian joint-venture flour mill, bulk-handling facility and feed-processing facility. Negotiations on this joint venture have been going on for four years and final agreement is awaiting the results of market studies and updated cost projections. The most recent proposal called for US\$15 million but subsequent revisions have raised the amount required to US\$19 million. The various parties are now trying to decide whether to: (a) attempt to raise an additional US\$4 million; (b) lease rather than purchase some of the necessary equipment; or (c) scale back the planned installations to remain within the original US\$15 million budget. Consequently, no planned start-up date has been set. Furthermore, the primary focus of the joint venture will be the flour mill with the bulk-handling facility and the animal-feed-production facility being ancillary activities. The principal Mauritanian partner of the flour mill stated that it is unlikely that the bulk handling facility will be operational in time to handle the 206 grain to be brought in during FY 1990.

In view of the above, the entire 20,000 MT of wheat to be brought in during FY 1990 should be shipped with automatic bagging equipment to facilitate offloading at the Port of Nouakchott. A review of the situation will be held prior to the second call forward to determine whether bagging is still required.

Coordination of Shipping Schedules with Other Donor Food-Aid Shipments

Efforts will be made to coordinate arrival times of 206 commodities with other-donor shipping schedules so as to avoid large quantities of grain arriving in the country simultaneously. During CY 1988, 98.5% of cereals arriving at the port (excluding rice which is primarily imported commercially) was offloaded during the period August to November. The breakdown is as follows:

| | | | | | |
|----------|------|--------|--------|-----------|-------|
| January | 9 MT | May | 416 | September | 9,755 |
| February | 0 | June | 0 | October | 3,224 |
| March | 100 | July | 0 | November | 2,204 |
| April | 0 | August | 17,750 | December | 0 |

E. BELLMON REQUIREMENT

In accordance with the Bellmon Requirement as defined in A.I.D. Handbook 9, Appendix B(1), the following analysis is offered.

Storage

The port of Nouakchott currently has 23,724 MT of warehouse storage capacity and 128,046 tons of open-air storage. (Open-air storage consists of cement slabs on which grain is stacked on pallets and covered with tarpaulin.) In CY 1988, only 32,171 MT of merchandise were exported through the port. A total of 496,951 tons of commodities was imported, of which 104,397 MT (21%) was rice and other cereals. Donor food aid to date has

for the most part, been channeled through the CSA and, consequently, has not been stored at the port. SONIMEX has its own storage facilities for rice imports as well.

Since the 206 commodities will be auctioned prior to their actual arrival, it is anticipated that storage time at the port will be minimal. Furthermore, individual shipments of 206 commodities will not exceed 13,000 MT.

Private grain dealers have been purchasing wheat from CSA in wholesale lots since 1982 and have had adequate storage facilities. It can be safely assumed that merchants will limit their bids to lot sizes they can store because they run the risk of ending up with unmarketable spoiled grain.

Disincentive to Production

A combined average of only 2,000 MT of wheat and barley have been grown over the last five years in Mauritania and local production will remain constrained by a dearth of suitable soils. While wheat flour is imported for use in bakeries, there is no commercial importing of whole-wheat grain. The 1988/89 grain harvest was the largest ever recorded but still fell short of total gross consumption needs by roughly 216,000 MT. Despite an anticipated 160,000 MT of commercial imports and food-aid contributions, a net cereals shortfall of 56,200 MT will remain. It is determined, therefore, that there will be no disincentive to local production as a result of the 206 III program.

F. USUAL MARKETING REQUIREMENT

The Usual Marketing Requirement (UMR) is designed to ensure that Title II commodities not displace or interfere with sales which otherwise might have been made. If the recipient country has made commercial purchases of the commodities to be programmed under Title II, it must continue to do so, usually at a level reflecting its average commercial purchases over the last five years. The UMR is not applicable to the Mauritania 206 program since no whole-wheat grain has been commercially imported into the country in the last five years.

G. EXEMPTION FROM CUSTOMS DUTIES, TAXES AND OTHER FEES

The GIRM shall admit all PL 480 commodities into Mauritania free of all customs duties and other fees as prescribed by A.I.D. Regulation II, Section 211.7(B).

H. USE OF 206 III COMMODITIES FOR FREE DISTRIBUTION AND FOOD-FOR-WORK PROGRAMS

No wheat from the third 206 program will be demonetized for use in free distribution or food-for-work programs.

I. RECEIPT AND AUCTION OF 206 COMMODITIES

All commodities shipped under the 206 program will be consigned to the Ministry of Economy and Finance (MEF) and will be for sale solely to the private sector. The MEF will be responsible for submitting outturn survey reports to OAR/M within ten working days of completion of offloading. The survey reports will be accompanied by a detailed statement of allowable receiving, handling and distribution charges.

The wheat will be stored at the Port of Nouakchott for a period not to exceed four weeks or until delivery is taken by successful bidders, whichever is less. The MEF shall be responsible for all wheat lost or damaged in excess of one percent between the time of discharge and the time of sale. Justifiable costs, defined as port handling, storage, transportation and other charges applicable to the sale and distribution of commodities, including auction expenses, will be paid by the MEF to the concerned agencies and deducted from the auction proceeds. Any unforeseen expenses may also be deducted from the proceeds with the written agreement of the Minister of Economy and Finance and the OAR/M Director.

The Auction Committee shall submit to OAR/M a report detailing the auction process, the date of the auction and the highest legal exchange rate in effect in Mauritania on that date, problems encountered, recommended adjustments for the next auction, actual tonnage sold and the cutoff price paid by bidders within sixty (60) days of the completion of the auction. The completion date is defined as the date of posting the list of successful bidders.

J. DEPOSITING OF 206 III PROCEEDS

All proceeds from the 206 III sales program will be deposited in the jointly-managed MEF/OAR/M Special Auction account. Four percent of these gross proceeds will be withdrawn and deposited in the OAR/M Trust Fund Account at the close of the auction procedure. After this 4% and all auction and handling costs have been deducted from the gross proceeds, the residual amount will be deposited in the CPA/PASC multi-donor fund.

K. MONITORING THE CPA/PASC ACCOUNT

In conformity with the 206 program's objective of support to the private sector, the Donor Common Fund will be established in a private commercial bank in Nouakchott. The CPA/PASC Secretariat shall be responsible for transmitting quarterly bank statements to each participant donor verifying the deposit of the net proceeds in the Donor Common Fund.

The CPA/PASC Secretariat will conduct an annual budget-allocation process during which proposals for projects in support of the agricultural development sector will be submitted and reviewed. Project approval will be granted in accordance with a set of criteria agreed to by the CPA/PASC group. For each project ultimately approved, a special account shall be established and the approved amount of funds transferred. Transfers from the Donor Common Fund to project accounts shall be effected by signature of the GIRM Ministry of Economy and Finance representative and the designated PASC Donor Representative.

The CPA/PASC Secretariat will prepare quarterly project financial reports reflecting current balance, deposits and withdrawals and interest accrued for each account. Copies of these reports will be transmitted to each participating donor. The Donor Common Fund and project accounts will be subject to examination or audit at the request of any participating donor agency.

X. IMPLEMENTATION AND EVALUATION PLAN

A. Implementation Plan

| | |
|------------------|--|
| <u>Dec. 1989</u> | AID/W and DCC review and approve program |
| <u>Feb. 1990</u> | Text of TA received Formal negotiations with GIRM begin TA signed |
| March | First call forward |
| May | First shipment auctioned off 2-4 weeks prior to projected arrival date |
| June | Arrival of first shipment |
| July | Auction of second shipment |
| August | Deposit of all proceeds from first auction accomplished; Arrival of second shipment |
| October | Deposit of all proceeds from second auction accomplished |
| November | Year 1 evaluation of auction process, pricing formula, PAS Donor Common Fund, progress to date with self-help measure and effectiveness of program monitoring system |
| December | Text of TA Amendment No. 1 received; Formal negotiations with GIRM begun; TA Amendment No. 1 signed |
| <u>Jan 1991</u> | Second call forward |
| March | Third shipment auctioned off 2-4 weeks prior to project arrival date |
| April | Arrival of third shipment |
| May | Auction of fourth shipment |
| June | Deposit of all proceeds from third auction accomplished; Arrival of fourth shipment |
| August | Deposit of all proceeds from fourth auction accomplished |

| | |
|------------------|---|
| October | Year 2 evaluation of integration of auction process into the cereals sector, effectiveness of auction coordinating committee and actual vs. projected local currency generations. |
| December | Text of TA Amendment No. 2 received; Formal negotiations with GIRM begun; TA Amendment No. 2 signed |
| <u>Jan. 1992</u> | Third call forward |
| March | Fifth shipment auctioned off 2-4 weeks prior to projected arrival date |
| April | Arrival of fifth shipment |
| May | Auction of sixth shipment |
| June | Deposit of all proceeds from fifth auction accomplished; Arrival of sixth shipment |
| August | Deposit of all proceeds from sixth auction accomplished |
| October | Final Program Evaluation |

B. EVALUATION PLAN

Annual program evaluations will be carried out to measure progress in achieving self-help measures, the appropriateness of the auction process as designed, and the allocation of local currency. However, in addition to these basic concerns, special elements of the 206 strategy will be examined each year as indicated below.

FY 1991

The first evaluation, which will be carried out by OAR/M and REDSO/WCA staff, will take into account:

- o the effectiveness of the auction committee in organizing, managing and monitoring the auction process;
- o actual versus projected local-currency generations and the timeliness of the transfers of funds into the joint account subsequent to the auction.
- o the validity of the program's recommended pricing formula and the resultant impact of consumer prices vis-a-vis other cereals;
- o the performance of the PASC in ensuring: facilitating coordination among donors and collaboration of the GIRM.

FY 1992

The second evaluation, which will also be carried out by OAR/M and REDSO/WCA staff, will assess the following:

- o familiarity and acceptability of the second auction process as evidenced by the participation of a wider spectrum of merchants;
- o the value of the auction process as a vehicle for convincing the GIRM that the program goal of privatization of the cereals sector will be beneficial to the economy of the medium and long term;
- o the effectiveness of GIRM/PASC/OAR program management and monitoring systems.

FY 1993

The third evaluation will be an in-depth review of the entire 206 III program and will be carried out by an independent evaluation team. This evaluation will analyze the overall performance of the program in terms of:

- o achievement of the program's self-help measures with special emphasis on progress towards privatization of cereals sales and marketing, and rationalization of cereals pricing policies;
- o links between LC-funded activities and the provision of agricultural inputs to small and medium holders;
- o the effectiveness of the PASC mechanism in promoting policy dialogue and adjustment in the GIRM cereals sector.

XI. USE OF GENERATED FUNDS

A. The funds generated under the 206 III program will be used for the following purposes:

1. OAR Management-Group Fund

Four percent of the gross proceeds from 206 III commodity sales will be deposited in an OAR Management-Group Fund. These monies will be used to cover local costs of OAR operations and ongoing project activities (such as FFP and FEWS) to assure more effective use of the commodities in support of mutual food-security objectives of the GIRM. A similar arrangement was approved by the Regional Legal Adviser in Dakar under the 206-II program.

2. Auction Expenses

One percent of the gross proceeds from the 206 III sales will be earmarked to cover commodity handling (e.g., initial storage) and auction-related expenses (e.g., publicity, banking operations etc.).

3. CPA/PASC Common Fund

The remaining portion (95%) of the generated proceeds will be deposited in the CPA/PASC Common Fund and programmed in accordance with procedures agreed to by the donor and government representatives to the CPA/PASC Committee (see section VIII D). Each donor representative will be expected to propose activities for financing under the Common Fund at the beginning of the programming year. After review by the Committee to preclude overlap, clarify project strategy and ensure the availability of GIRM staff and fiscal resources, activities will be approved for execution.

During the early years of the CPA/PASC operations (which will coincide with the 206 III program), much of the design work for CPA/PASC-sponsored activities will be carried out by the donor proposing the initiative. In time, the CPA/PASC secretariat will become more involved at the design stage and help promote common methodologies and strategies.

During the 206 III period, the OAR will propose activities for Common-Fund financing in six categories: (i) studies in the food-security area ranging from pricing and marketing analysis to consumption and nutritional surveys, (ii) agricultural-research and rural-development activities building on OAR's extensive experience in dryland and recession cropping, (iii) agricultural-credit capitalization for IBRD as well as PVO-sponsored credit schemes, (iv) food-for-work, "safety-net" and "targeted" activities similar to those currently being carried out by CSA and PVOs with OAR assistance, (v) "living-standards archiving," to provide operational support for micro-level data collection, analysis and storage, and (vi) CPA/PASC operational funds to cover partial costs of the CPA/PASC secretariat.

B. The following budget has been prepared for planning purposes. The budget is based on three assumptions related to 206 III-generated proceeds: annual sales of 20,000 MT of wheat; average sales price of 25 UM/KG for the three-year period; and an exchange rate of \$1 to 85 UM.

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|------------------------------------|---------------|---------------|---------------|
| Generated (000s) <u>UM</u> | 500.000 | 500,000 | 500,000 |
| <u>Activities</u> | | | |
| 1. Auction Expenses | 5,000 | 5,000 | 5,000 |
| 2. OAR/TRUST (FFP/FEWS) | 20,000 | 20,000 | 20,000 |
| 3. CPA/PASC-Common Fund | 475,000 | 475,000 | 475,000 |
| a. Studies | 25,500 | 20,000 | 30,000 |
| b. OAR-proposed Projects | | | |
| - SBS | 80,750 | 90,000 | 90,000 |
| - Agric Res/Rural Devel | 88,250 | 80,000 | 70,000 |
| c. Agric Credit | 212,500* | 217,000 | 217,000 |
| d. FFW, Safety-net and targeted | 42,500 | 42,500 | 42,500 |
| e. Improved Household Data | 20,500 | 20,500 | 20,500 |
| f. CPA/PASC Operations | 5,000 | 5,000 | 5,000 |

This indicative budget will be expanded into a summary plan, during February-March 1990, which outlines all anticipated uses of the 206 III generations for the first program year. A detailed plan for the second- and third-year generations will be drawn up prior to the respective call forwards.

*To be programmed in year 2

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

TRANSFER AUTHORIZATION

PL 480 Title II Section 206
Food for Development

A.I.D. No. _____
Program Approval Date: _____

Executive Vice President
Commodity Credit Corporation
U.S. Department of Agriculture
Washington, D.C. 20250

Program Title: S, E, C, 206

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

1. Quantity - metric tons not to exceed

| <u>Previous Total</u> | <u>Increase</u> | <u>Total to Date</u> |
|-----------------------|-----------------|----------------------|
| - 0 - | 20,000 MT | 20,000 MR |
| USG Fiscal Year 1991: | 20,000 MT | |
| USG Fiscal Year 1992: | 20,000 MT | |

2. Commodities to be provided as follows:

| <u>Code No.</u> | <u>Commodity</u> | <u>Quantity MT</u> | <u>CCC Value \$</u> | <u>Export Market Value</u> |
|-----------------|------------------|------------------------|-------------------------|--------------------------------|
| 041-002 | Wheat | 20,000 | | |

3. Estimated ocean transportation costs: \$

All actual ocean expenditures under this program, regardless of the estimate shown above, will be funded from A.I.D.'s Title II, Bilateral Freight Account provided through AID/SER/OP/TRANS. An individual ocean freight transfer authorization will not be issued.

4. Specifications:

Wheat - USDA specifications

5. Shipping Instructions:

a. Delivery Schedule:

7,000 MT in June 1990
13,000 MT in July 1990

b. Port of Discharge: Nouakchott, Mauritania

c. Consignee: GIRM Ministry of Economy and Finance

d. Send copies of bill of lading to:

- 1) Original and two copies and phytosanitary certificate to consignee via airmail;
- 2) Original and two copies of consignee accompanying cargo;
- 3) Original and phytosanitary certificate to Nouakchott (ID), Department of State, Washington, D.C. 20523, Attn: FFPO
- 4) Original and two copies to A.I.D. Transportation and Support Division, SER/OP/TRANS, Office of Commodity Management, Washington, D.C. 20523, Attn: ??

6. Program Objectives, Use of Commodities and Conditions of Transfer

The commodities authorized herein are contributed by the United States Government to the Government of the Islamic Republic of Mauritania (GIRM). Funds generated from the sale of these commodities will be used to: (a) assist the GIRM in strengthening its policy framework for dealing with cereals pricing, sales and marketing issues; (b) support its efforts to liberalize private sector participation in the production and marketing of cereals; (c) reinforce its ability to identify its vulnerable population and address their needs; and (d) encourage close collaboration between the GIRM and the donor community.

Local currency funds generated under this TA will be used to support the self-help measures described in Paragraph 7 below. This TA is, therefore, considered an integral part of the general U.S.-support assistance program, consonant with U.S. and GIRM development strategies. The 206 program is a multi-year program with each new allocation of food commodities conditioned on progress made in the preceding year toward achieving the program's objectives.

Any local currency generated under the previous two TA's (Nos. 682-XXX-000-3616 and 682-XXX-000-6620) which remains unearmarked at the termination of the second 206 program shall be kept in reserve to ensure sufficient funds to cover ongoing project activities in the event of a delay in calling forward subsequent allocations under the third 206 program.

7. Self-Help Measures

Under this 206 III Program, AID intends to assist the government in meeting four GIRM objectives: strengthening the cereals policy framework; devolving more responsibility on the private sector; identifying and addressing the needs of the vulnerable; and, improving GIRM/donor collaboration. To assess progress toward these four self-help objectives, the following benchmarks will be utilized:

A. Strengthening Cereals Policy Framework

Benchmarks

- GIRM having agreed, prior to the signing of this 206 III TA, to a revised policy on "agricultural and food prices along lines discussed with the IBRD during May 1989.^{1/}

GIRM agrees to set the opening bid price for 206 III wheat commodities on the basis of one of the following two calculations - whichever is higher:

- (a) the average wholesale price of sorghum over the last 12 months, as recorded by the Ministry of Rural Development plus ten per cent plus the cost of auction;
- or
- (b) the price of wheat under Title II of P.L. 480, as established by cables of the U.S. Department of Agriculture, plus the cost of transport and insurance from European ports which are used by European donors or exporters for shipments to Mauritania plus the customs duty of 45% (as foreseen by the customs tariff) and the cost of storage handling and auction.

GIRM agrees to draw up a new strategy for strengthening the Ministry of Rural Development's capability for collecting, recording and analyzing costs of production and sales-prices for principal cereals crops. The terms of reference for this strategy will be approved by the CPA/PASC and the study implemented no later than three months after signing this TA.

^{1/} See IBRD May 1989 Draft Report No. P4988-MAU-Annex 14

B. Devolving more Responsibility on the Private Sector

Benchmarks

- GIRM agrees to sell all of the 206 III wheat commodities through private-sector channels using a sales-auction procedure agreed to by OAR/M.
- GIRM agrees that the first 206 III call forward will be deferred until there is reasonable assurance that a wide spectrum of merchants will find it in their interests to register and fully participate in the bidding auction process.
- GIRM agreement, before the signing of the 206 III TA, to a revised Land Tenure Strategy along the lines discussed with the IBRD during May 1982.^{2/}
- GIRM agrees that a joint UBD/donor analysis will be undertaken, guided by CPA/PASC, of the credit needs and appropriate lending modalities for smallholders (i.e. farmers owning less than 10 hectares of land). This study will be initiated no later than four months after the signing of this TA.

C. Identifying and Addressing the needs of the vulnerable

Benchmark

- GIRM agrees to a CPA/PASC-sponsored study to (i) survey existing activities designed to improve household level data collection and analysis, (ii) examine how these efforts can be better integrated to promote costs savings, (iii) identify data gathering weaknesses needed to ensure at least minimal household-level coverage and, (iv) recommend the best vantage point, within government, for coordinating future efforts aimed at household level data collection and analysis. This study will be initiated no later than three months of signing.

D. Improving GIRM-Donor Interfacing

Benchmarks

^{2/} See IBRD May 1989 Draft Report No. P4988-MAU

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- GIRM agrees to a regularized exchange (not fewer than three sessions per year) between appropriate GIRM officials and donor representatives, under the aegis of CPA/PASC, on issues affecting cereals policy, pricing, marketing, storage, production inputs and research.
- GIRM agrees to the drafting of a CPA/PASC-sponsored strategy which outlines the role of food aid in Mauritania's development planning, including procedures for determining appropriate commodity mixes, shipping schedulings, pricing formulas, sales processes, and delivery channels. This strategy will be initiated no later than five months after signing of the TA.
- GIRM agrees to the establishment of a CPA/PASC-sponsored Common Fund which will contain proceeds from the sale of donated food commodities. These combined proceeds, which will be deposited in a commercial bank in Nouakchott, will be disbursed according to approved CPA/PASC procedures and audited regularly by an independent audit firm.

The above benchmarks reflect the need for either specific changes (e.g. more competitive sales through auctioning) or analysis which will lead to specific changes (e.g., a credit study resulting in new lines of credit for smallholders). Progress toward meeting self-help measures will be assessed at the close of 206 III's first year and appropriately-adjusted benchmarks will be drawn up for the second year.

8. Exemption from customs duties, taxes and other fees

The GIRM agrees to admit all PL 480 commodities into Mauritania free of all customs duties and other fees as prescribed by A.I.D. Regulation 11, Section 211.7 (B).

9. Use of 206 III commodities for free distribution and food-for-work programs

No wheat from the third 206 program will be demonetized for use in free distribution or food-for-work programs.

10. Receipt and auction of 206 commodities

All commodities shipped under the 206 program will be consigned to the Ministry of Economy and Finance (MEF) and will be for sale solely to the private sector. The MEF will be responsible for submitting outturn survey reports to OAR/M within ten working days from completion of offloading. The survey reports will be accompanied by a detailed statement of allowable receiving, handling and distribution charges.

The wheat will be stored at the Port of Nouakchott for a period not to exceed four weeks or until delivery is taken by successful bidders, whichever is less. The MEF shall be responsible for all wheat lost or damaged in excess of one percent between the time of discharge and the time of sale. Justifiable costs, defined as port handling, storage, transportation and other charges applicable to the sale and distribution of commodities, including auction expenses, will be paid by the MEF to the concerned agencies and deducted from the auction proceeds. Any unforeseen expenses may also be deducted from the proceeds with the written agreement of the Minister of Economy and Finance and the OAR/M Director.

An Auction Committee will be created, comprised of representatives from the GIRM Ministry of Economy and Finance, the Ministry of Trade and Transportation, and the OAR/M. The committee will be responsible for:

- o Ascertaining expected arrival date of the vessel;
- o Reviewing and approving advertisements of the auction to be transmitted via all available local media (radio, television, newspapers, public notices);
- o Publishing a list of eligible auction participants through all available local media at least one week prior to the auction;
- o Reading, initialling and recording each bid and determining successful bidders;
- o Publishing the names of the successful bidders and the cut-off price no later than three working days following the auction;
- o Ensuring that the appropriate lots of wheat are released to the successful bidders;
- o Submitting a report to OAR/M within sixty (60) days of the completion of the auction detailing the auction process, the date of the auction and the highest legal exchange rate in effect in Mauritania on that date, problems encountered, recommended adjustments for the next auction, actual tonnage sold and the cutoff price paid by bidders. The completion date is defined as the date of posting of the list of successful bidders;
- o Depositing net proceeds from the auction and any forfeited deposits within sixty (60) days of the completion date of the auction.

11. Depositing of 206 III proceeds

All proceeds from the 206 III sales program will be deposited in the jointly managed MEF/OAR/M Special Auction account. Four percent of these gross proceeds will be withdrawn and deposited in the OAR/M Trust Fund Account at the close of the auction procedure. After this 4% and all allowable auction and handling costs have been deducted from the gross proceeds, the residual amount will be deposited in the CPA/PASC multi-donor fund.

12. The CPA/PASC Account

In conformity with the 206 program's objective of support to the private sector, the Donor Common Fund will be established in a private commercial bank in Nouakchott. The CPA/PASC Secretariat shall be responsible for transmitting quarterly bank statements to each participant donor verifying the deposit of the net proceeds in the Donor Common Fund.

The CPA/PASC Secretariat will conduct an annual budget allocation process during which proposals for projects in support of the agricultural development sector will be submitted and reviewed. Project approval will be granted in accordance with a set of criteria agreed to by the PASC group. For each project ultimately approved, a special account shall be established and the approved amount of funds transferred. Transfers from the Donor Common Fund to project accounts shall be effected by signature of the GIRM Ministry of Economy and Finance representative and the designated PASC donor representative.

The CPA/PASC Secretariat will prepare quarterly project financial reports reflecting current balance, deposits and withdrawals and interest accrued for each account. Copies of these reports will be transmitted to each participating donor. The Donor Common Fund and project accounts will be subject to examination or audit at the request of any participating donor agency.

13. Use of 206 III-generated funds

A. The funds generated under the 206 III program will be used for the following purposes:

- OAR Trust Fund: Four percent for the gross proceeds from 206 III commodity sales will be deposited in an OAR Trust Fund. These monies will be used to cover local costs of OAR operations and on-going project activities.
- Auction Expenses: One percent of the gross proceeds from the 206 III sales will be earmarked to cover commodity handling (e.g., initial storage) and auction-related expenses (e.g., publicity, banking operations, etc.)
- PASC Common Fund: The remaining portion (approximately 95%) of the generated proceeds will be deposited in the CPA/PASC Common Fund and programmed in accordance with procedures agreed to by the donor and government representatives to the CPA/PASC Committee. Each donor representative will be expected to propose activities for financing under the Common Fund at the beginning of the programming year. After review by the Committee to preclude overlap, clarify project strategy and ensure the availability of GIRM staff and fiscal resources, activities will be approved for execution.

During the 206 III period, the OAR will propose activities for Common Fund financing in six categories. (i) studies in the food security area ranging from pricing and marketing analysis to consumption and nutritional surveys, (ii) agricultural research and rural development activities building on OAR's extensive experience in dryland and recession cropping, (iii) agricultural credit capitalization for IBRD as well as PVO sponsored credit schemes, (iv) food-for-work, "safety-net" and "targeted" activities similar to those currently being carried out by CSA and PVO's with OAR assistance, (v) CPA/PASC operational funds to cover partial costs of the PASC secretariat.

B. The following budget has been prepared for planning purposes. The budget is based on three assumptions related to 206 III generated proceeds: annual sales of 20,000 MT of wheat; average sale price of 25 UM/KG for the three-year period; and an exchange rate of \$1 to 85 UM.

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|---------------------------------------|---------------|---------------|---------------|
| <u>Generated (000's)</u> <u>UM</u> | 500,000 | 500,000 | 500,000 |
| <u>Activities</u> | | | |
| 1. Auction Expenses | 5,000 | 5,000 | 5,000 |
| 2. OAR/TRUST (FFP/FEWS) | 20,000 | 20,000 | 20,000 |
| 3. CPA/PASC Common Fund | 475,000 | 475,000 | 475,000 |
| a. Studies | 25,500 | 20,000 | 30,000 |
| b. OAR Proposed Projects: | | | |
| - Small Bus. Support | 80,750 | 90,000 | 90,000 |
| - Agric Res/Rural Devel | 88,250 | 80,000 | 70,000 |
| c. Agricultural Credit | 212,500* | 217,000 | 217,000 |
| d. FFW, Safety-net and Targeted | 42,500 | 42,500 | 42,500 |
| e. Improved Household Data | 20,500 | 20,500 | 20,500 |
| f. PASC Operations | 5,000 | 5,000 | 5,000 |

*To be programmed in year 2

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RECOMMENDED GUIDELINES FOR 206 III AUCTION

1. The GIRM will agree to auction 100% of the wheat imported under Section 206 of the Transfer Authorization (TA). The purpose of the auction will be to utilize private sector channels in making food aid available to the Mauritanian population.
2. The auction process will be administered and managed by an Auction Committee comprised of a representative from these entities:
 - the Ministry of Economy and Finance (MEF)
 - the Ministry of Trade and Transport (MTT)
 - the A.I.D. Representative's Office (OAR/M)
3. The Auction Committee will be responsible for the following tasks:
 - ascertaining when the stipulated amount of wheat will arrive so as to ensure that it is initially stored in accordance with properly accepted commodity-handling practices,
 - reviewing and approving the advertisements to be published or broadcast throughout Mauritania in announcing the wheat commodity arrival(s) and process for auctioning,
 - determining the eligibility of merchants who register for the auction. All individuals or collectives possessing valid patents ("quittances"), as determined by the Tax Division of the MEF, will be eligible for participation in the auction,
 - conducting and overseeing the auction,
 - ensuring that the appropriate lots of wheat are released to the winning bidders.
4. The representative from the Ministry of Economy and Finance, Planning Division will act as the primary authorized GIRM representative for the purpose of auctioning the 206 III commodities. Responsibilities include:
 - chairing the Auction Committee,
 - overseeing the auction process,
 - ensuring that no GIRM agency makes changes in the approved procedures or the auction process,
 - being financially accountable for storage or handling losses, between the time of discharge and the time of sale, that exceed losses expected in normal commercial transactions of a similar nature (i.e., up to 1%),

- authorizing, on behalf of the GIRM, the payment of the port handling, storage, and other charges applicable to the sale and distribution of commodities. Such charges will be paid from the 206 auction bank account (to be established at a private bank) jointly managed by MEF and OAR/M,
- posting a minimum price per kilogram, mutually agreed upon by MEF and OAR/M - below which bids will not be accepted,
- having the MEF Tax Division review the names and patent numbers which traders submit to determine validity of the patent, and thus, eligibility for participation in the auction.

5. The representative from the Ministry of Trade and Transport, Internal Trade Division, will act as the secondary authorized representative for the purpose of auctioning 206 III commodities to the private sector. Responsibilities include:

- advertising the auction program through all available local media (radio, television, newspaper, public notices) to reach the maximum number of merchants possible in Mauritania,
- liaising with the CGEM Federation of Commerce and the Chamber of Commerce in advertising the auction and conducting education sessions regarding the auction procedures in major marketplaces,
- receiving the names of interested merchants at district office sites in Nouakchott and submitting the merchants' names and patent numbers to the Auction Committee for review,
- helping to implement the auction procedures.

6. The representative from OAR/M will be responsible for:

- Advising the Auction Committee on the status of the ship's arrival, to facilitate the unloading and proper handling of the cargo,
- reviewing and setting with MEF a minimum price for bidding per kilo/lot,
- reviewing and approving all advertisements announcing the auction,
- monitoring the auction and receiving all required documentation,
- opening and co-managing the joint auction bank account with MEF,

- funding the auction education/extension sessions via the existing grant to the CGEM,
- contracting with an experienced auctioneer, with African experience who will help establish detailed procedures for conducting and monitoring the auction.

7. The following specific procedures will be followed:

- a. In coordination with the Auction Committee, the Internal Trade Division of MTT will announce the auction of PL480 Title II, Section 206 wheat commodities. Announcements will be made through all available local media (radio, television, newspapers, public notices) for a period of at least two full weeks and no less than three weeks before the auction - so as to reach the maximum number of merchants possible. (The cost of these announcements will be absorbed under "auction expenses".) The advertisements will spell out the requirements for participation, amount of deposit, lot sizes to choose from, minimum price, and procedures to be followed.
- b. Eligible merchants who wish to participate must submit their names and patent numbers to the Commerce officers in their respective districts, or directly to the Auction Committee, by the date determined by the Committee.
- c. The list of merchants compiled by Commerce district officers will be submitted to the Auction Committee either directly, or through the MTT representative. The Taxation Division of MEF will verify the validity of the quittance (patent) numbers.
- d. At least seven working days prior to the actual auction, the Committee will publish a list of all registered merchants who are eligible to participate in the auction.
- e. The Committee will establish the period during which registered bidders will make deposits prior to the auction. This period will be not less than one full working day and not more than six full working days prior to the auction. Deposits shall be made in cash and represent 25% of the full bid price. Only one bid will be accepted per patent bid.
- f. The maximum price of bidding will be based on the formula spelled out in the Transfer Authorization. Bids will be made for whole lots only. Minimal acceptable prices for each lot size will be established by OAR/M and MEF prior to the release of the auction advertisements.

- g. On the day of the auction, all bids with deposits will be delivered to the designated office of the MEF between the hours of 8:00 and 15:00. Bids will not be accepted before that day and time, nor after that period has expired. The bids will be submitted in sealed envelopes, each envelope will be serially numbered by the Chairperson, and placed in the safe in the presence of the full Auction Committee. The safe will be sealed, and the seal initialled by each member of the Auction Committee.
- h. At 8:00 the day after the bids are received, the Auction Committee will open all bids. Immediately after opening a bid, the Chairperson will read and initial the bid, and each member will record the bid.
- i. The Committee will determine the successful bidders by allocating the tonnage available for auction to the highest bidders (per their lot size requested), until the amount of tonnage for sale is exhausted. A cut-off line will be drawn below that point, and the bid price for the bid directly above the line will establish the price for all successful bidders at or above this line. All traders will pay the same cut-off price even if their bidding price was higher. Thus, the lowest successful bid will determine the selling price for all successful bidders. The cut-off price is determined by the Auction Committee and shall not be changed.
- j. The amount of wheat requested by those bidders who bid exactly at the cut-off price may be greater than the amount of wheat remaining after allocations are made to those bidding higher than the cut-off price. In this event, remaining lots will be divided among those bidding exactly at the cut-off price in proportion to the number of lots shown on the bid. The amount paid by each purchaser will be adjusted to reflect the amount of lots actually received.
- k. The names of the successful bidders and the cut-off price will be publicly posted as soon as possible, but no later than three working days following the auction.
- l. A jointly managed bank account will be jointly opened by the MEF and OAR/M at a private bank in Nouakchott. This will be the account to which all auction proceeds will be deposited and from which all auction expenses are paid. MEF and the OAR/M will authorize the payment of all ports, storage, and advertising expenses from this account and will deduct them from the gross auction proceeds.
- m. After making full payments to the private bank which is administering the joint MEF/OAR/M account, successful bidders will be issued the necessary documentation to collect their purchase. No other surcharges will be imposed or collected from successful bidders. Bidders are responsible for prompt removal of the commodity from storage, and must physically claim their lots within ten working days following publication of the winning bidders.

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Annex B

Page 5

- n. If successful bidders do not pay the difference between their deposit and the full sale price, or do not claim their lots from storage within ten working days following publication of the auction results, their bids will be declared void by the Auction Committee, their deposits will be forfeited, and they will not receive any of the auctioned commodities. Forfeited deposits will be added to the auction proceeds.
- o. Any forfeited or unsold lots will be allocated first to those who bid at the cut-off price, and were allocated less than their total bid, and next in descending order to those bidders who fell below the cut-off line. Unsold lots will be sold at the cut-off price, and not for less. No bidders will be awarded more tonnage than they bid on.
- p. All unsuccessful bidders will have their deposits returned to them as soon as possible within ten working days following the posting of the auction results.
- q. Auction rules and procedures will not be changed after the date and time bids are to be submitted.
- r. Any changes proposed to the procedures as set forth herein must have the concurrence of OAR/M.

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ANNEX C

**CEREALS SECTOR SUPPORT PROGRAM
(PROGRAMME D'APPUI AU SECTEUR CEREALIER - PASC)**

The attached Common Platform has not yet been put in final form awaiting further discussions among the donors. For this reason, we have not yet had the text translated. It is included here in its draft form, in French.

PROPOSITION. POUR UNE PERIODE DE TROIS ANS,

D'UN PROGRAMME D'APPUI AU SECTEUR CERÉALIER (PASC)

"PLATEFORME COMMUNE" DES DONATEURS D'AIDE ALIMENTAIRE SIGNATAIRESTITRE 1 : RAPPEL HISTORIQUE

- L'environnement difficile dû aux effets cumulés de la sécheresse avait, dans les années 1970, justifié l'interventionnisme de l'Etat, en matière de commercialisation et de politique des prix, sur un marché céréaliier resté, jusque-là, du seul ressort du commerce privé. L'initiative de l'Etat accordait la priorité au maintien de bas prix au consommateur.
- Au début des années 1980, à la suite d'un certain nombre d'études permettant de dresser le diagnostic de la politique céréalière, des réformes furent entreprises par le Gouvernement Mauritanien avec en particulier: en 1982, la création du CSA (issu de la fusion du CAA et de l'OMC) pour réorganiser la distribution de l'aide alimentaire; en janvier 1984, l'application d'une réforme foncière qui reconnaissait la propriété privée et permettait le transfert à l'Etat des terres non exploitées, et enfin entre 1982 et 1985, une augmentation significative des prix de vente du riz ainsi que du blé et du sorgho provenant de l'aide.
- Depuis 1985, le Gouvernement s'est fixé comme priorité le développement du secteur rural, non sans un certain succès, puisque la production du paddy a été multipliée considérablement par rapport à celle de 1980. Ces acquis sont encore fragiles: ils posent des problèmes d'écoulement et de protection des petits producteurs non encore organisés.

Par ailleurs, la culture des mils et sorghos, malgré une politique de soutien, reste aléatoire non seulement en raison des contraintes écologiques, mais aussi en raison du rapport de leur prix vis-à-vis de celui des grains et farines de blé importés.

C'est pourquoi l'économie actuelle de l'Etat se caractérise notamment par une production nationale très insuffisante, compensée par des importations commerciales fortement consommatrices de devises et par une aide alimentaire qui n'entraîne pas tous les effets positifs possibles sur le développement. Enfin, les charges de soutien à la filière céréalière, malgré des résultats, il est vrai limités, deviennent prohibitives pour le budget de l'Etat et les financements extérieurs.

- Conscient de cette situation, le Gouvernement, dans une déclaration de politique alimentaire de juin 1988, a réaffirmé les principes d'une politique orientée vers la sécurité alimentaire, l'amélioration du revenu des agriculteurs, l'assainissement et la libéralisation de la filière céréalière.

Cette politique, à mettre en place de façon progressive et dans laquelle l'aide alimentaire peut avoir un rôle de premier plan, rend souhaitable un appui dynamique et concerté des donateurs

TITRE 2 : SITUATION ACTUELLE

Le Gouvernement vient de prendre, en mars 1989, un décret qui marque une étape importante pour la politique céréalière. En effet, ce texte consacre le rôle d'orientation, de régulation, de contrôle de l'Etat et :

- instaure la libéralisation du commerce, du transport et de la transformation des céréales de production locale,
- amorce la libéralisation des prix pour les mêmes céréales,
- limite au riz le monopole de l'importation
- autorise la sous-traitance par le CSA de tout ou partie de ses activités pour l'aide alimentaire dont il assure la gestion,
- porte création d'une "Commission de Suivi de la politique céréalière" et d'un "Comité de Programmation Alimentaire".

Les représentants de certains pays et organismes donateurs d'aide alimentaire ont indiqué qu'ils souscrivaient aux principes de libéralisation décidés par le Gouvernement et espèrent que le "Comité de Programmation Alimentaire", auquel ils sont invités à siéger, offrira une instance de concertation efficace pour atteindre les objectifs hautement prioritaires de la sécurité alimentaire.

TITRE 3 : CARACTERISTIQUES D'UN PROGRAMME D'APPUI AU SECTEUR CERÉALIER

En conséquence de l'analyse formulée dans les titres 1 et 2, il est proposé de mettre en oeuvre un "Programme d'Appui au Secteur Céréalière" (PASC) pendant une période de trois ans.

Il est caractérisé, dans ses grandes lignes, comme suit et explicité dans les titres 4 à 9 :

- un champ d'application défini en sept points, visant à réaliser :
- trois objectifs généraux du programme, par le moyen de

TITRE 5 : LES MESURES A PRENDRE PAR L'ETATa) Contribuer à rééquilibrer les rôles respectifs des secteurs public et privé à tous les niveaux de la filière

- La libéralisation du commerce et des prix des céréales produites localement étant acquise, il s'agira, après avoir assuré une bonne sensibilisation de tous les agents économiques concernés, d'encourager le développement des transactions entre des groupements de producteurs (collectivités, associations, etc.) et des commerçants privés.

A cette fin, les quantités maxima de paddy acheté par le CSA seront dégressives:

13.000 tonnes en 1989/90
8.000 tonnes en 1990/91
6.000 tonnes en 1991/92.

Ce dernier tonnage sera maintenu les années suivantes pour des achats aux petites exploitations encadrées et/ou enclavées, selon des modalités à définir mais comportant le paiement au comptant avec application de critères de qualité.

- Afin de garantir aux producteurs l'écoulement de leurs céréales pendant la période de trois ans, le CSA jouera le rôle d'acheteur témoin en appliquant toute l'année pour ses achats, en position rendu magasins des centres régionaux, les prix d'orientation fixés, chaque année par l'Etat. Ces achats réglés au comptant, avec application de critères de qualité, serviront uniquement à opérer des livraisons au Stock National de Sécurité (SNS).

- Dans sa globalité, le Stock National de Sécurité devra couvrir les besoins de consommation du pays pour une période de deux mois, soit environ 50.000 tonnes réparties sur l'ensemble des régions, et inclure le riz (détenu par la SONIMEX) et la farine de blé (détenue par le secteur privé).

Constituée avec l'appui des donateurs, la partie "céréales" du SNS, gérée par le CSA, serait plafonnée à 35.000 tonnes: les dotations pour son renouvellement étant programmées au début de chaque année en nombre et en volume.

Les tonnages nécessaires aux distributions gratuites, en particulier au profit des populations indigentes, seront prélevés sur le Stock National de Sécurité.

La prise en charge de la distribution finale devrait s'effectuer, à partir des magasins des centres régionaux du SNS, par le réseau d'ONG responsabilisées, avec les collectivités locales. Ce secteur "non-public" intervenant ici en sous-traitance du CSA, dans tous les cas, où cela sera possible, le transfert de cette responsabilité doit être total pendant la période de 3 ans.

Les donateurs seront associés à la gestion du SNS selon des modalités d'un code de gestion de caractère contractuel qui expliciterait et conditionnerait leur apport.

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Les donateurs seront associés à la gestion du SNS selon des modalités d'un code à gestion de caractère contractuel qui explicite et conditionnent leur appui.

- En ce qui concerne les aides alimentaires destinées à la vente, il est convenu que le CSA a levé toutes les restrictions concernant leur commercialisation par le secteur privé et qu'il doit établir le programme et les modalités de son retrait de la commercialisation de l'aide alimentaire entre 1989 et 1991.

Dès le 1er octobre 1989, la totalité des aides fournies dans le cadre spécifique du "PASC" et destinées à la vente, sera vendue en position CAF, par adjudication ou appel d'offres, avec comme minimum le prix mondial plus un prélèvement portant la valeur minimale d'adjudication aux prix de référence arrêtés par le Gouvernement sur avis du CPA et de la CSCPC.

Cette disposition n'inclut pas les aides fournies au titre du PASC mais expressément destinées à une dotation (constitution ou restitution) du Stock National de Sécurité.

- Au cours de la période sous référence, la substitution du secteur privé au CSA pour la commercialisation des aides alimentaires destinées à la vente, sera facilitée par le renforcement de ses capacités de stockage, par un meilleur accès au crédit et par la diffusion des informations nécessaires concernant le comportement du marché.

b) Poursuivre une politique flexible d'ajustement et de promotion du secteur céréalier qui doit être compatible avec les ressources de l'Etat

- Une meilleure adéquation de l'offre et de la demande est nécessaire pour progresser vers la sécurité alimentaire. Cette adéquation suppose une amélioration des circuits d'information par tous les acteurs d'un marché devenant plus transparent, et des prix à la consommation favorables aux céréales produites localement (mil, sorgho, maïs) par rapport aux prix des céréales d'importation auxquels elles viendront se substituer, au minimum à l'échelle de l'accroissement de la demande intérieure (SNS, démographie, consommation per capita...).
- Pour renforcer la tendance à la sécurité alimentaire, il convient aussi de stimuler la demande de céréales en fonction des capacités locales de production. La transformation du paddy en riz par de petites décortiqueuses, la transformation en semoule, farine ou brisures des produits en grains devra, en diversifiant le marché, en favoriser l'écoulement et permettre un meilleur soutien du revenu producteur.
- En ce qui concerne le paddy, un mécanisme spécifique de soutien des prix demeure nécessaire compte tenu des objectifs et des investissements importants pour la production intérieure, déjà engagés par l'Etat. Les donateurs signataires suivront avec intérêt, en liaison avec les bailleurs de fonds, les programmes actuels et futurs visant à l'amélioration de la production agricole liés à la mise en valeur du fleuve Sénégal.
- Le but visé est à terme le fonctionnement de toute la filière céréalière sans subvention du budget de l'Etat par l'imputation des coûts réels, qui auront au préalable été "compensés", et par la "vérité des prix".

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- Le développement de la production céréalière locale suppose une protection raisonnable du marché intérieur qui est obtenue par:
 - . la perception de droits et taxes appropriés pour toutes importations de céréales,
 - . la mise en vigueur de valeurs mercatoriales, révisables périodiquement en cas de fluctuation anormale des cours mondiaux,
 - . la maîtrise des tonnages, en importations ou en aides, admis sur le territoire,
 - . l'application de prix de référence comme base des ventes de l'aide alimentaire.
- Il est, par ailleurs, évident qu'une politique céréalière nationale n'est pas isolée. A travers un processus de coordination, elle devra évoluer vers une sécurité céréalière au niveau d'espaces régionaux, où seront prises en compte et harmonisées, à terme, les ressources complémentaires des différents pays concernés.

c) Accélérer la restructuration des organismes publics intervenant dans la commercialisation des céréales et produits céréaliers

- La substitution progressive du secteur "non public" (groupements de producteurs, collectivités locales, ONG, commerçants privés) aux organismes étatiques de commercialisation, implique le redimensionnement des activités de ceux-ci.
- En ce qui concerne le CSA, la notion d'un redimensionnement de ses activités est à interpréter comme une condition ferme que les donateurs signataires expriment sans qu'une délimitation précise puisse être indiquée avant la mise en oeuvre du PASC.
- Selon le décret sur la politique céréalière de mars 1989, le CSA est:
 - . chargé de la gestion de l'aide alimentaire,
 - . libre de sous-traiter tout ou partie de ses activités à des structures privées,
 - . responsable d'un retrait progressif des centres secondaires, à commencer des 1990 et à élargir à partir de 1991.

Par ailleurs, les modalités de gestion des aides alimentaires seront fixées par des arrêtés interministériels, élaborés sur avis du CPA.

- Dans ce cadre légal, les donateurs du PASC attendant du CSA l'organisation d'une collaboration concrète et diligente pouvant donner lieu à un assainissement de la situation antérieure et au tracé de documents décisionnels concernant sa restructuration arrêtés par le Gouvernement.
- Sous réserve de la mise en oeuvre d'un processus dynamique de restructuration, les donateurs signataires seraient disposés à:
 - . prendre en compte les contraintes de base,
 - . admettre certaines implications financières,
 - . définir les moyens pour les résoudre.

- Après une restructuration significative dont beaucoup d'éléments sont connus, les donateurs signataires du PASC souhaitent avoir avec le CSA des relations contractuelles dès la campagne 1989/1990 en remplacement de leur intégration dans le Conseil de Surveillance du CSA qui devrait rester, logiquement, un instrument strictement gouvernemental d'orientation et de contrôle du CSA.
Ce nouveau type de relations CSA/donateurs pourrait s'établir à travers un contrat-plan transitoire couvrant la période de 3 ans, approuvé par le Gouvernement et soutenu par les donateurs. Ce contrat-plan prendra le relèvement de la "stratégie sectorielle 1985-88 du CSA".
- Le CSA, restructuré et sous régime d'un contrat-plan, pourrait, tout en renforçant ses capacités de planification et de contrôle des opérations, assurer le rôle de:
 - . gestionnaire de l'aide alimentaire,
 - . co-gestionnaire du "Fonds Commun de Contrepartie",
 - . gestionnaire du "Stock National de Sécurité",
 - . "acheteur témoin" des céréales locales destinées au SNS,
 - . organisme de contrôle/évaluation de la qualité des chantiers appuyés par les programmes du projet "Vivres contre Travail",
 - . organisme centralisateur d'un système d'informations du marché céréalier.
- S'agissant de la SONADER, les donateurs suivront l'exécution et l'impact de la restructuration initiée au cours des pré-négociations du projet d'ajustement du secteur agricole.

TITRE 6 : CONTRIBUTIONS DES DONATEURS

- Les donateurs signataires prévoient collectivement pendant une période de trois ans la livraison de 186.000 tonnes de céréales destinées à la vente. Elles contribuent à réduire le déficit alimentaire du pays, à diminuer les besoins d'importations commerciales, à appuyer ainsi la balance des paiements et à financer les actions découlant des objectifs du PASC par un Fonds de Contrepartie.
- Chaque année, les fractions à débloquer pour atteindre cet objectif pluri-annual sont modulables selon les besoins et l'évaluation du marché. Selon les cas, les donateurs pourront apporter leur contribution dans le cadre d'engagements pluri-annuels ou annuels sous forme de céréales et/ou leur substitution en
 - . aides alimentaires autres que céréalières,
 - . intrants agricoles,
 - . contributions financières au Fonds Commun du PASC ou au SNS.
- Les donateurs signataires s'efforceront de combler, par concertation mutuelle avec le Gouvernement et d'autres donateurs, le déficit structural net (hors importations commerciales et variation inter-annuelle des stocks) évalué à 100.000 tonnes dont 62.000 tonnes par le PASC.
- Les donateurs et bailleurs de fonds pourront également contribuer au PASC, indirectement ou explicitement, par une assistance technique, soit supplémentaire, soit en redéfinissant les termes de référence d'experts déjà mis en place.

TITRE 7 : FONDS COMMUN DE CONTREPARTIE (FCCP-PASC)

- Les produits des aides vendues ou des substitutions convenues, fournies dans le cadre du PASC, seront versés au "Fonds Commun de Contrepartie" afin d'en faire un levier financier qui permettra, par une meilleure canalisation des ressources:

- . des interventions caractérisées par:

- * l'adaptation au contexte de chaque campagne,
- * la complémentarité des mécanismes existants sans se substituer à eux,
- * l'incitation à une participation plus large de tous les opérateurs dans la commercialisation des céréales par des garanties et des sécurisations;

- . le financement d'actions jugées prioritaires, notamment,

- * des achats de céréales locales pour le SNS ou pour sa reconstitution,
- * des actions sélectionnées en faveur de la production céréalière,
- * des financements d'actions ponctuelles jugés nécessaires pour permettre aux différents opérateurs de la filière céréalière de contribuer à la réalisation des objectifs du PASC,
- * des indemnités de vie pour les travailleurs des chantiers de travaux d'intérêt général,
- * des subventions au projet "Vivres contre Travail",
- * des frais forfaitaires régionalisés pour des distributions gratuites aux populations indigentes;

- . la couverture des frais de structure du CSA sur la base d'un système budgétaire accepté par la CPCM.

La démarche concertée et pluri-annuelle du PASC permet d'établir:

- une prévision à moyen terme du montant des fonds de contrepartie,
- une programmation annuelle adaptée des actions à financer.

Le "Fonds Commun de Contrepartie" ou PASC est co-géré selon une réglementation spécifique à mettre en place.

TITRE 8 : CONCERTATION INSTITUTIONNELLE- Coordination des donateurs

Les donateurs du PASC coordonnent leurs actions au sein d'instances de caractère informel, mais réellement opérationnelles. Il s'agit:

- d'une "Conférence Permanente des Chefs de Missions pour le secteur alimentaire" (CPCM) et,

- d'un "Comité Technique Restreint" (CTR) pour les conseillers techniques

ce qui permet d'instaurer, pour l'aide alimentaire, une collaboration systématique et régulière au niveau technique, de mieux viser les objectifs essentiels et évaluer les résultats attendus.

- Concertation RIM/donateurs

Les donateurs apporteront leur soutien aux instances de décision ou de consultation du secteur céréalier, leur appui étant augmenté par une coordination permanente et les avantages d'un consensus.

Ces instances nécessitent une redéfinition pour harmoniser les rôles et compétences des organes du CNARSA, du CSA et du Fonds Commun avec les dispositions du décret du 29.03.89 et celle du PASC. Les donateurs signataires du PASC partent du principe que le Ministère du Développement Rural est le coordinateur unique de la politique céréalière et du PASC à travers sa présidence de la CSPC et du CPA.

TITRE 9 : DECLARATION

- En proposant à travers le "Programme d'Appui au Secteur Céréalière" (PASC) un processus de concertation dynamique entre le Gouvernement et eux, les donateurs signataires soulignent, de façon très concrète, la difficulté et la complexité d'une réforme structurelle sur un sujet politiquement aussi sensible que l'approvisionnement en céréales des populations.
- Mais sur la base de ces engagements réciproques et avec la volonté d'un dialogue ouvert, le groupe des donateurs exprime sa confiance dans la capacité du Programme de faire face, dans la plus large mesure, aux difficultés qui seront rencontrées en matière de sécurité alimentaire.

SIGNATURES

GIRM CEREALS POLICY STATEMENT (June 15, 1988)

Within the framework of the negotiations regarding the second tranche of the structural adjustment credit, the Mauritanian Government and its various partners discussed the guidelines and implementation schedule which should govern for the upcoming years our agriculture and food sector policy as defined in the Policy Development Letter (LPD) adopted by the Council of Ministers during the month of May 1987. The guidelines started in the policy letter include:

- a price policy which gives sufficient incentive to procedures and protects national production
- a policy of efficient marketing which would assure the promotion of the private sector by appropriate remuneration of its services
- a private-sector incentive program to encourage it to participate not only in production but also in the stages before and after production.

The final goal of these different objectives must be to assure, in a timely fashion, the reform of the various channels of production and to prepare the way for a reasonable liberalization where the private sector would find its proper place while having the government maintain its role in management, control and oversight.

Several interministerial commissions were tasked to examine the steps to be taken in this regard, with respect to food policy in general and the specific problems of pricing and marketing of rice.

While working concurrently, two interministerial commissions, the first comprising the Minister of Economy and Finance, the Director of the President's Cabinet, the Governor of the Central Bank and the Commissioner of Food Security and the second comprising the Minister of Rural Development, the Minister of Economy and Finance, the Minister of Commerce and Transportation, the Secretary General of the Government and the Commissioner of Food Security, reviewed the general constraints of the food and agriculture sector and the different hypotheses that should be taken into account when considering a reform program of this sector, given the situation of private operators and government commitments.

It was recognized that it was imperative to undertake in-depth sectoral reforms soon which reflect the realities of our limited experience.

The consolidation of the progress already achieved as reflected, among other things, by the substantial increase in agricultural production since 1985, necessitates that particular attention be given to: producer-price policy for all products; production retrieval system and marketing; processing and the eventual restructuring of the major organizations involved in this sector. notably SONADER and the CSA.

Hence the commission proposes the following measures:

A. Price Policy and Marketing System

Rice Growing

With the successful exploitation by SONADER and the private sector, the problem of rice marketing took on its true dimensions. The problems related to the sales of the product, i.e., price, processing, as well as sales outlets, came to the attention of the authorities.

The area developed went from 3,117 hectares in 1981 to 12,600 hectares in 1987, thus a quadrupling in less than 6 years. During this time, production increased from 12,708 tons to 52,920 tons.

The gathering, processing and marketing of the surplus from the production have been assumed by the Food Security Commission.

The policy of remunerative prices practiced over the past few years has, as a consequence, introduced serious imbalances in the sector (an increase in the difference between the cost price and the sales price -- 13 UM through 1987, 10 UM since 1988.)

This led the Council of Ministers on June 3, 1987 to opt for the progressive increase in the sales price in order to eliminate all subsidies by 1990.

While this decision presented the advantage of serving as the point of departure for the reform policy of this sector, it was only a partial solution to the deficit problem of CSA with SONIMEX, while the latter lacks the internal resources to compensate for this deficit.

In addition, the CSA no longer has the financial means to pick up the available surplus given the significant increase in production of this grain.

For the 1987-88 campaign, the CSA planned to buy 15,000 tons of rice at a global cost of approximately 453 million UMs. All possible means were made available to assure the success of this operation (personnel, bags, transportation, etc.). By April 15, it was possible to collect about 14,190 tons at a total cost of 305,643,182 UMs. In theory, the estimated receipts from the reserve fund allow the completion of the entire program contemplated to date.

In addition to the problem connected with the financing of the campaigns, the operating deficit of the CSA by virtue of this activity will remain significant (more than 60 million UMs for the 87/88 campaign).

Among scenarios capable of straightening out the sector in the medium and long term are the following:

1. Progressive and supervised privatization of the entire rice sector.

While realizing that privatization is the sole solution in the long term, it was decided to implement the program over a 3-year period beginning with the 1988-89 campaign. This period will allow the private sector to become firmly established in the sector and will allow the government to prepare the groundwork for its withdrawal while safeguarding the interests of the producers, especially those of the small farmers. The program consists of:

- a) Beginning with the 1988/1989 campaign, CSA agrees to pay SONIMEX a sales price of 35 UM/kg for rice of all quantities.

This cost price of 35 UM/kg assumes that CSA will buy from producers at a price (including transportation to warehouses) of 19 UM/kg the paddy, while having the producers pay the costs of gathering (bagging, transportation) since CSA's actual cost price is 37 UM/kg of which 2 UM/kg are expenses related to the gathering.

- b) To raise progressively the consumer price of broken rice (imported and local) according to the following timetable:

- 1988-1989 = 31 UM/kg instead of the current 29 UM/kg
- 1989-1990 = 34 UM/kg
- 1990-1991 = 37 UM/kg

These increases will allow SONIMEX to recoup by 1991 the deficit caused by the marketing of local rice relative to the estimated production for the upcoming years.

- c) To furnish opportunities for the private sector to distribute on the market locally-produced rice or for these same operators to sell their production to SONIMEX.

2. Mobilization of financing by:

- a better correlation between payment and delivery periods for SONIMEX so as to promote a rapid reconstitution of the reserve fund
- calling forth bilateral counterpart funds from the sales of food aid.

- Ongoing negotiations on the use of the counterpart common fund for financing the rice campaign
- Pre-financing grant by the treasury, as a last resort.

3. Support Measures

Because in three years' time privatization will pose problems for which solutions need to be considered now, support measures deemed necessary include:

- establishment of a system to protect small farmers in order to prevent their elimination due to gradual impoverishment, the consequence of which will be, among others, a decrease in production.

This policy demands the setting up of:

- suitable credit for the agricultural season;
- a mechanism to regulate production prices by means of the establishment of a regulatory stock;
- application of a processing policy that would guarantee a husking process that is efficient with respect to productivity and the quality of the product and that unifies precise specifications for rice mills privatization
- protection of the national production by:
 - organizing small farmers for fraud control
 - improving quality
 - separate prices for imported products
 - equalizing imports with local production levels
 - stronger supervision by appropriate services.
- definition of the role of each party in this sector.

Furthermore, the state cannot ignore a sector which, by the year 2000, at a rate of development of 3,000 hectares per year, will result in the production of 167,000 tons of rice in relationship to an estimated consumption on the order of 120,000 tons.

Thus a problem of overproduction could arise which should be kept in mind even now.

Finally, it is important to define the role of each party as follows:

- a) Ministry of Economy and Finance
 - an oversight committee to coordinate all activities relative to the sector and guaranteed by other departments
 - a credit and financial policy.
- b) Ministry of Rural Development
 - oversight of land improvement and procedures
 - supervision of the establishment of a policy on processing in cooperation with the Ministry of Industry
 - annual food programming
- c) Food Security Commission
 - purchase, processing and sale of production to SONIMEX until 1991, and, thereafter, establishing a system in close collaboration with the Ministry of Rural Development to protect small farmers.
- d) SONIMEX
 - purchase and distribution of local rice sold for the CSA and private operators
 - removal and quick payment of stocked rice offered by CSA
- e) Ministry of Commerce and Transportation
 - protection of the national production by regulating imports and by price control.
- f) Ministry of Mines and Industry
 - creation of an environment conducive to the promotion of the the agro-industrial sector (infrastructure, training of personnel in management, technology, credit and other advantages in the terms of the investment code).

B. Traditional Cereals (Millet, Sorghum, Corn)

The importance of rainfed farming to the national agricultural potential and the development of irrigated crops led the government to take a series of actions aimed at promoting the production of these crops.

The price for the producers was raised substantially, to 21 UM/KG. For the present, the production price remains profitable. This price should be maintained for the time being as long as the production costs of this sector have not evolved significantly. On the other hand, in an effort to rationalize the management of the marketing system, it is suggested:

- a. to encourage a regrouping of producers in order to facilitate marketing operations.
- b. to allow a price of 22 UM (including transportation to warehouses), of which 1 UM is for the costs of ground work.
- c. to maintain a uniform consumer price of 24 UM/KG throughout the country.

C. Imported Cereals Other Than Rice (Wheat)

In order to keep locally-produced cereals competitive with imported cereals, it is proposed to progressively increase the consumer price of wheat and sorghum which comes through food aid.

This increase, which should begin in October 1988, will bring the price of wheat to 20.5 UM/KG in-country and to 21.5 UM/KG in Nouakchott.

D. Processing

1) Rice Processing

In considering the development of rice growing in our country, it has been noted that one of the principal bottlenecks is at the level of processing:

- insufficient factory capacity in relationship to production levels
- the private sector's lack of interest in this activity.

In this regard, the Commission proposed the privatization of processing facilities currently held by public operators (CSA, SONADER, M'POURIE).

2) Processing of Traditional Cereals

Eating habits which developed during the long years of dependence on food aid (wheat) constitute a handicap for the development of local cereals. Thus, in addition to free distributions of local cereals in place of wheat, it is proposed to encourage the acquisition of millet grinders and the use of traditional cereals in the manufacture of processed foods.

Before the end of 1988, the Ministry of Industry and Mines, in collaboration with other appropriate departments, will undertake a study to explore the ways to achieve this objective.

E. Reorganization of the Public Operators in the Cereals Sector

The reorganization of SONADER has already been studied and a study of the CSA is underway. Internal measures have allowed for a cleaning-up of management practices and improved the efficiency of CSA's role.

CSA currently has two objectives: keeping the population supplied with basic needs except for rice, and promoting agricultural production.

The reorganization of the CSA will take place relative to its gradual withdrawal from the cereals sector and reduction of free distributions.

The objective is to reduce the costs of intervention and to transfer the savings realized by this action to the financing of the development of food security.

However, since the situation remains precarious, it is necessary to allow enough time to establish conditions for a withdrawal from the following activities:

1. Marketing of Food-Aid Cereals

While maintaining, for the time being, its network of food-aid sales centers, CSA should prepare the way for private-sector participation in this activity (while keeping an eye to protecting consumers).

In this regard, it proposes:

- a) the elimination of the quota system currently in place which allows only one ton to be sold per client;
- b) study of a margin of latitude to be given to private distributors in order for them to become involved in the marketing of food aid beginning in 1989;
- c) gradual withdrawal from secondary centers.

A progressive withdrawal from secondary centers will begin in 1990 at centers where the private sector has proved capable and moderate in commodity speculation. From 1991 on, this withdrawal will be expanded to the maximum number of centers where the market is deemed relatively stable vis-a-vis the regularity of the stock and price stability.

2. Transportation and Logistics.

Emergency measures provided for the population remain indispensable and are closely linked to the availability of a rather large logistic support system. Without a system of transportation, food security for the population cannot be guaranteed in good condition, especially in inaccessible areas and for exceptional interventions. Thus it is indispensable that CSA continue to maintain a minimum number of trucks and a repair shop. The minimum number of trucks proposed for a permanent CSA intervention fleet is 47 out of the total of 73 trucks.

The remaining trucks will be sold to the private sector according to the following timetable:

- 50% by 12/31/88 at the latest
- 50% by 06/06/89 at the latest

Regarding CSA's garage, plans are to proceed with adjusting vehicles. All measures will be taken to make the garage cost-efficient, and if need be, through an autonomy by methods yet to be determined.

In this regard, the CSA should be authorized to try to get the private sector interested in the management of the garage, either in the form of a concession or a combined establishment with preferential price clauses.

In order to follow up on the application of these various measures, the commission proposes creating an interministerial commission which will report on a regular basis to the government regarding the status of decisions made.

| | 1988/89 | 1989/90 | 1990/91 |
|--|--------------|-------------|---------|
| 1. Consumer Sale Price | 31 | 34 | 37 |
| 2. SONIMEX wholesale Price | 30 | 32 | 35 |
| 3. Cost price of milled rice | 35 | 35 | 35 |
| 4. Difference between cost price/SONIMEX price | (5) | (3) | 0 |
| 5. I.M.F. | (1.08) | (1.08) | |
| 6. SONIMEX management costs SONIMEX's loss/kg | (5) 11.08 | (5) 9.08 | |
| 7. SONIMEX cost price | 41.08 | 41.08 | |
| 8. Tonnage of local rice Purchase by SONIMEX | 20,000 | 35,000 | |
| 9. Loss in marketing local rice (million) | 221.6 | 317.8 | |
| 10. Quantity of imported rice | 45,000 | 30,000 | 15,000 |
| 11. Margin on imported rice/kg (Price 87) | 3 | 5 | 8 |
| 12. Total Margins of Imported Rice | 135 | 150 | 120 |
| 13. Total Net Margin | (86.6) | (167.8) | 120 |

AFRICAN DEVELOPMENT SUPPORT PROJECT - MAURITANIA

STATEMENT OF WORK FOR THE FOOD POLICY ADVISOR

I. BACKGROUND

The recently approved OAR/M Small Program Strategy Statement (SPSS) identifies food security as one of its major objectives. This objective is to be attained through the provision of Title II commodities under the auspices of a new section 206 program. A proposed design of this new 206 program has just been presented to the GIRM. This program is intended to serve as OAR/M's central instrument for policy dialogue with the GIRM and the donors. A multi-donor/GIRM strategy for the cereals sector is proposed in the PASC (the French acronym for the cereals sector support program). A key objective is to integrate food aid into the cereals sector strategy.

The design of this multi-donor/GIRM strategy will require substantial collaboration between all the actors concerned by the development of the Mauritanian cereals sector, especially in terms of economic analysis to determine the most appropriate policies to be undertaken to support the country's cereal production.

In the past, the lack of in-house economic analytical capabilities has handicapped donors', including OAR/M's, ability to have meaningful policy-level dialogue with the GIRM. Both the recent evaluation and design teams for the PL 480 section 206 program emphasized the need for such capability in-country. OAR/M's SPSS provides for a food policy analysis unit which would provide these services within the framework of the multi-donor/GIRM PASC.

This food policy analysis unit will be initially staffed by two economists, both with extensive development experience in French-speaking Sahelian Africa, especially in the area of agricultural economics and food policy. An excellent command of these disciplines is required since the development of agriculture in Mauritania is in itself intimately dependent on the structural adjustment processes currently taking place in all sectors of the economy. One economist will be the food policy advisor and primarily responsible for the macro-economic and food policy analysis; the second economist will focus on micro-economic analysis with emphasis on the agricultural sector. These two long-term economists will be contracted by the OAR/M through the buy-in mechanism under the African Development Support Project. A senior economist will be contracted by the OAR/M under the Program Development and Support (PD & S) Project to supervise, reinforce and coordinate the two in-country economists' work and make periodic visits to Mauritania.

II. PURPOSE OF THE FOOD POLICY ANALYSIS UNIT

The purpose of the Food Policy Analysis Unit will be:

- (1) Analyzing major policy and institutional constraints facing agricultural production growth in Mauritania, and recommend reforms to overcome these constraints;
- (2) Advising the OAR/M, the GIRM and other donors in regard to policies, strategies and interventions that enhance Mauritania's food security;
- (3) Participating in multi-donor and bilateral policy dialogue with the GIRM and donors on all matters pertaining to agricultural development;
- (4) Assisting in the design of projects sponsored by PASC or A.I.D. to ensure their positive developmental impact on the agricultural sector;
- (5) Monitoring GIRM's policy reforms in the agricultural sector, assess their impact, and recommend follow-on orientations; and
- (6) Strengthening the economic analytical capacities of the GIRM by providing on-the-job training to government officials in economic policy analysis and agricultural development planning.

The expatriate staff of the Food Policy Analysis Unit are expected to devote all their time to the program-related services which will benefit primarily the OAR/M, the GIRM, other donors and private voluntary organizations.

III. SCOPE OF WORK OF THE FOOD POLICY ADVISOR

The Food Policy Advisor will work with the PASC Secretariat to assist with the design and evaluation of the different components of the so-called Cereals Sector Support Program (PASC). Analysis would be focused at the macro-level.

1. Responsibilities:

- a) Provide technical advice to the PASC (GIRM and donors) about the most suitable development programs to be undertaken in the cereals sectors;
- b) Analyze the major policy and institutional constraints facing cereal production growth in Mauritania, and recommend reforms to overcome these constraints;
- c) Recommend policies in such areas as crop mix, cereal pricing, agricultural research and extension, input supply, credit, infrastructure, training, institution building, and cereal processing;

d) Participate in the design of PASC-sponsored projects to ascertain their positive developmental impact on the cereals sector;

e) Assess the impact of policy reforms undertaken by the GIRM in the agricultural sector, and recommend follow-on orientations;

f) Assure a complementarity between the comprehensive cereals sector strategy and the on-going structural adjustment programs in Mauritania; and

g) Provide on-the-job training to PASC secretariat staff in economic policy analysis, and supervise studies and publications relating to the cereals sector in Mauritania.

2. Qualifications:

a) MS- or preferably Ph.D.-level training in agricultural economics with a good command of macro-economics (i.e. to assess structural adjustment programs in sub-Saharan Africa);

b) At least four-years' combined experience in French-speaking Sahelian Africa, in the areas of food policy formulation and analysis;

c) Strong familiarity with procedures of donor coordination and policy dialogue with developing countries' governments;

d) Extensive professional experience in the provision of technical food policy advice to developing countries; and

e) Proficiency in French at least at FSI S3-R3 level with good French writing skill.

IV. SUPERVISION AND DUTY STATION

The contractor will report directly to the OAR/M's Program Officer and will work under his supervision. He/She shall not perform functions that are reserved for U.S. direct hire employees, including the following: supervisory, internal management, or administrative functions; voucher approval and final decisions regarding the expenditure of U.S. government funds; and final review of approval of internal agency documents.

The duty station of the contractor will be at the A.I.D. Representative's Offices in Nouakchott, Mauritania. Occasional field trips of 3-5 days' duration in the interior of the country may be required for fact-finding and data collection.

V. WORK PLANS AND REPORTS

The contractor will be required to develop with his or her supervisor an annual work plan. The work plan will lay out specific activities and schedules. Copies of the approved annual work plans and any substantial revisions will be forwarded to the ADS Project Manager in AFR/TR/PRO for informational purposes.

The contractor will prepare and submit semi-annual progress reports to his or her supervisor on the same cycle as the Africa Bureau's semi-annual project implementation reports. These reports will be a key input for monitoring and evaluating the achievement of the ADS project purpose and, therefore, should be prepared with care and detail. The reports will describe:

- a) achievements during the reporting period, as compared to the work plan. Specific products should be listed.
- b) who received the information and technology produced by the contractor (e.g., the GIRM, the private sector, project targets groups, PVO's, donors, the larger research community, and/or A.I.D.) and how they received it (e.g., what methods of dissemination were used).
- c) how the information and technology were used and their impact on development (e.g., the impact on policies, strategies, project design or implementation, resource allocation or efficiencies).

VI. PERIOD OF PERFORMANCE

The contract will be initially for 12 months and will be extended to 24 months if FY 1990 funds are available. Depending on the continuing need for the contractor's services and the availability of funds, the contract may be extended and/or renegotiated for an additional period of time.

LAND TENURE REFORM

EXTRACT FROM THE WORLD BANK'S

AGRICULTURAL SECTOR ADJUSTMENT AND INVESTMENT PROGRAM

The 1983 land reform law provides that: (a) any Mauritanian individual or collective group can obtain a parcel of land to farm if it is demonstrated that this land is not privately or collectively owned or has not been cultivated by anyone else in the past; (b) land ownership is provided only for the land developed according to criteria described in the law; in the meantime, land is granted by the State on a concessional basis; (c) traditional crop-sharing systems are abolished; and (d) any collective rightsholders who wish to retain collective use of their land are allowed to do so, provided that they organize themselves into a farmers' cooperative. The law also specifies the conditions under which collective concessions can be divided into individual concessions to the members of a cooperative, if they so wish.

Abuses in the application of the 1983 land reform law would be corrected as follows:

- (a) the Application Decree and Ministerial Orders of the law would be revised along the following lines: (i) the decision to distribute land would be made on the advice of regional consultative committees on which all the concerned parties are represented; (ii) specific criteria would be established for defining lands that have thus far not been cultivated and are available for possible distribution; (iii) conditions would be set for establishing land reserves around existing villages for commercial development projects or for possible future distribution to the local population; and (iv) since the land entitlement procedure based on complete cadastral maps and land registration is cumbersome for a country with no land registration tradition, the "authorization-to-crop" document given to the new holders would be legally strengthened so as to grant farmers an inalienable right to cultivate, to enjoy all revenues generated and to obtain credit using the land or other security as collateral as long as they properly discharge all obligations pertaining to land ownership;
- (b) the establishment of an interministerial coordination committee responsible for initiating and monitoring improvements to land policy and institutions;

- (c) an inventory of all land distributed to date, on the basis of aerial photographs to be prepared;
- (d) the definition, for each agro-ecological zone in the valley, of the minimum, maximum and optimal size of parcels to be distributed to individual farmers;
- (e) the preparation of a master plan for land distribution in the Senegal valley, which will define the areas available for distribution, taking into account the land's suitability for irrigation, the demographic situation, the areas to be set aside for collective use of public interest;
- (f) the implementation of a pilot experiment in the Delta region, under which procedures proposed in this land tenure component of the program will be tested and results used possibly to reformulate some aspects of the regulations and legal measures to be implemented later on a country-wide scale. This pilot component will include the establishment of a record of land rights and land occupation; the formulation of land consolidation procedures, in order to reconcile actual tenurial situation and the master plan for land distribution; the settlement of litigious situations; the attribution of concessions on identified unclaimed/unexploited lands; the identification of areas to be occupied by public infrastructure; the subsequent establishment of a land-management plan for the area; and
- (g) the reorganization of institutions involved in land management.

In addition, the government would reconsider its policy of distributing land free and look into new arrangements for leasing land to medium-to-large farmers.