

PROJECT ASSISTANCE COMPLETION REPORT

Project Title: African Economic Policy Reform Program (AEPRP) and Cereals Export Liberalization Program (CELT)
Project Number: 693-0229
Project Amount: \$7,850,000
First Obligation: 1986
Final Obligation: 1989
Country: Togo
Final Report Evaluation: December 1990

I. Introduction

The AEPRP/CELT agreement was signed in August of 1986 providing a grant to the Government of Togo for \$7 million to be disbursed in two tranches upon the satisfaction of several conditions. In addition, a Limited Scope agreement with Robert Nathan provided \$850,000 for technical assistance. The PACD was June 30, 1990, and the final evaluation was conducted in January of 1991.

The AEPRP/CELT project was designed to support the World Bank's Structural Adjustment Program by encouraging the liberalization and privatization of cereals exports. This was to be achieved through the removal of legal restrictions on cereal exports, and by limiting the activities of TOGOGRAIN, the government grain marketing agency, to management of food security stocks.

Specifically, local currency counterpart funds were to be used to: a) support the development of an export licensing system; b) improve the data collection and analytical capacity of the government statistical agency; and c) remove marketing and export constraints by providing access to credit to cereal farmers and traders, and by improving rural roads. The technical assistance component was to provide support to this program.

II. Contributions of the Parties

Total project cost was estimated at \$7,816,000. The project received assistance from the Government of Togo (GOT), and USAID. Nathan Associates, Inc. implemented the technical assistance portion of the project.

GOT - The GOT provided a \$7,000,000 equivalent in local currency to be used for rural credit and road improvement.

USAID - Total USAID commitment included a \$7 million transfer to the GOT to ameliorate Togo's balance of payments problem, and \$850,000 in technical assistance.

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III. Accomplishment of Project Objectives

A primary objective of the project was to achieve liberalization of the cereals market by encouraging the GOT to allow the private sector to export surplus produce. To this end an export licensing system was established by presidential decree (86-210) on November 25, 1986. By the end of the project however, virtually no licenses had been issued to private traders for cereal exports. The reasons for this include poor production of cereals, the licensing bodies distrust of statistics predicting exportable surpluses, and the view held by some political leaders that the CELT program constituted a threat to food self-sufficiency.

A second objective of CELT program was the use of local currency counterpart funds to alleviate some of the constraints to efficient marketing of cereals. These funds were to be used to provide credit to cereal traders and producers to finance their activities, build storage facilities, and to improve roads to facilitate transportation of foodcrops to markets. Release of each of the two tranche of \$3.5 million to the GOT was dependent upon specific conditions precedent (CP) being fulfilled.

Presidential decree (86-210) was issued to meet the CPs to the disbursement of the first tranche of funds. This decree liberalized and privatized foodcrop exports subject to the preservation of national food security. The funds were transferred to the GOT on February 7, 1987 one week after the decree became effective. Release of the second tranche of funds was delayed until November of 1989 when USAID was satisfied that the second set of CP's had been met. The second set of CP's were established to ensure that the liberalizations that were decreed, in fact took place.

Very little of the local currency funds were used for their intended purposes. Most of the first tranche was lost in an embezzlement scandal involving CNCA, the financial intermediary where the funds were deposited. By the end of the project, only about seven percent of the second tranche had been used. No credit was extended to traders and only 12 farmer groups received assistance in marketing and storing maize. None of the funds were used to improve road conditions.

A third project objective was to provide technical support to the Bureau of Agricultural Statistics Services (DESA). Specifically, the technical assistance team improved the capacity of DESA to provide accurate forecasts of food production and consumption. This information was to be used to determine a level of export that would ensure food security. In addition, weekly crop price reports were to be disseminated to the Togolese public.

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Significant progress was made to improve the accuracy and reliability of the data provided by DESA. The purchase of several computer systems, and training provided to key DESA employees enabled a crop price and production forecasting model to be developed and refined during the course of the project. Weekly crop price data was published in national newspapers beginning in March 1988. In addition the DESA published a review of 1989/90 food crop statistics, and 1989 food crop prices.

IV. Lessons learned

Among the lessons learned during the course of the AEPRP/CELT program:

- Sufficient dialog with the host government should occur before programs are developed to assure a unity of purpose and expected achievements.
- Before designing programs, a thorough socio-economic analysis need be conducted in order to identify all of the relevant constraints that may have a bearing on the success of the program.
- The imposition of a licensing system ultimately served to contradict the objective of reducing legal restrictions to export trade by creating another bureaucratic layer.
- The local currency counterpart funds should not be essential to program success. Requiring counterpart funds greatly diminishes the value of any balance of payments support that might be gained.

V. Financial Close-out

Project Authorized Amount	\$7,850,000
Total De-obligation as of 9/30/92	<u>34,000</u>
Final Obligation	\$7,816,000

S.C.C.
 Sarah C. Clark
 A.I.D. Representative

11 Jan 93
 Date

Clearance:

Dennis Panther, RDO [Signature]

Date 5 Jan 93

John Grant, PROG [Signature]

Date 5 Jan 93

ADDENDUM

Up-date report

Cereals Export Liberalization

Date: December 21, 1992
By: Dennis Panther, RDO 

The GOT persists in its policy to control every aspect of the economy that it can in order to sustain the high civil service employment rate and pay its operating costs. In hindsight it is clear the GOT never really intended to fully comply with the project goal to allow the private sector to drive and be responsible for increased agricultural production. The government still maintains a monopoly on inputs and discourages "speculation"-- their word for the private sector. TOGOGRAIN still functions and sells cereals for profit. It was recently involved in a trilateral food relief operation with France and Cape Verde despite the government's insistence that the private sector was free to operate. France bought from TOGOGRAIN 4,000 tons of cereals which in turn donated it to Cape Verde for relief operations. France defended this procurement method saying that there were no businesses or established networks able to provide the required quantity.

A major lesson learned from this project is that only by attacking fundamental macroeconomic and social policies, i.e., fiscal reform, privatization, and budgetary responsibility will agricultural projects and agricultural policy reform programs bear fruit.