REDSO/WCA

PROJECT ASSISTANCE COMPLETION REPORT

FOR

MAURITANIA TRUST FUND
(PL-480 Title II Sections 202 & 206)

(682-0480)

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I. INTRODUCTION

In the early 1980's it became clear to USAID that Mauritania was locked into chronic food shortages and a rapidly escalating food emergency. USAID's awareness of the potentially endless relief shipments prompted it to seek a solution to the root problem. On July 20, 1983, Transfer Authorization No. 3616 was signed under a PL-480 Title II, Section 206 program, which pledged 60,000 MT of wheat and sorghum to be delivered over a three-year period.[1] This program later was amended to include the $18,822,226 Mauritania Trust Fund project (682-0480), which included the PL-480 Title II, Section 206 program.

The Trust Fund was established in Mauritania on May 5, 1988 by AID/Washington to provide a mechanism for channeling the local currency generated by the sale of project commodities into Food For Peace famine relief efforts. The Trust Fund also provided a means for the Government of the Islamic Republic of Mauritania (GIRM) to share in the local costs of the U.S. food assistance programs.

Capital for the Trust Fund was generated through the sale of PL-480 commodities in Mauritania. The Public Law-480 program was originally established through the 1954 Agricultural Trade Development and Assistance Act to provide U.S. surplus stocks as food aid. Initially, PL-480 was designed to reduce U.S. grain surpluses, expand export markets, as well as aid developing countries. The Food for Peace Act of 1966 introduced a food aid policy that emphasized shipment of agricultural surpluses to feed hungry people, encourage agricultural and overall economic development abroad, build commercial markets for U.S. products, and support U.S. foreign policy. Most of the funds for the Mauritania Trust Fund were provided under PL-480 Title II, Section 206. However, in 1990, an one-time emergency need was met with funds provided under Section 202 (see page 8 for fuller description).

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[1] The term "Transfer Authorization" is used throughout this report to describe the actual authorization document providing commodities to another party. In the case of this project, the term refers to the transfer of food grains to the GIRM to then be sold under the PL 480 program, according to the terms of the transfer.

The initial PL-480 Section 206 project operated from 1983-1986. Under this phase, USAID concurred in the use of PL-480 Title II, Section 206 funds generated from the sale of the Title II commodities by the GIRM in return for the GIRM's agreement to undertake a series of self-help measures. The goal was to bring the prices of sorghum and wheat marketed by the GIRM's Food Security Commission (CSA) into line with world market prices. Other sub-goals for the project included the establishment of a food data reporting system, and the implementation of a food consumption survey. The project design incorporated a strategy that contributed to greater market liberalization and improved food security in Mauritania. This strategy was designed in 1985, and it focused on the operational requirements of funding local currency activities.

The approval of a Transfer Authorization to extend project activities involved a year of negotiations due to an audit by the USAID's Inspector General. The audit recommended delaying extensions until all outstanding counterpart funds were deposited by the GIRM. This recommendation was carried out, and an extension was signed on April 23, 1987.

The Trust Fund Agreement was signed on May 5, 1988 by USAID, the Food Security Commission, and the GIRM. Under this agreement, local currency generated by the PL 480 Section 206 sales program (known as counterpart funds) financed the monitoring and operating costs of PL 480 activities in Mauritania, including the Food for Work program.

While the first phase of the project had stressed price reforms of cereals imports as a means of encouraging local production, this new Transfer Authorization, number 6620, added a focus on sustainability. It emphasized improving CSA's management through training programs, and used counterpart funds to finance CSA's operating expenses. Additionally, American red sorghum was provided and was priced significantly below other cereals. The rationale was to make sorghum appealing to the poorest consumers since it was not considered a preferred grain in Mauritania.

Other notable aspects of the follow-on program included the creation of a Donor Common Fund to support agricultural development projects. This Common Fund was, in essence, an international donor coordinating committee. Donors invested in the fund and supported activities that were compatible with the GIRM's Economic Recovery Plan. PL-480 Section 206 funds were channeled through this fund, and financed Food for Peace operations. Counterpart funds were also provided to AID's Mauritania Rural Roads Improvement project (682-0214), the CSA, and the World Health Organization's (WHO) World Bank Living Standards survey.

The PL-480 Title II, Section 206 program project identified numerous objectives. These included:

> To attain import price parity between imported food and local grains.
>
> To assist the GIRM in undertaking price policy initiatives to improve food security.

To conduct a study on improved cost-effective methods of maintaining CSA presence in the marketplace using experimental marketing systems.

To support the CSA in improving its accounting and systems controls.

To promote the removal of regulations restricting private sector activity in the agricultural input markets.

To reduce free food distribution to a minimum necessary level, and initiate Food for Work programs.

To produce a grain marketing plan and budget, and expand the Control Section of CSA to monitor stock and storage conditions more effectively.

To improve the GIRM/donor collaboration.

The project's first evaluation report was released in December 1984. In it, the evaluation team recommended that the Office of the AID Representative in Nouakchott (OAR/Nouakchott) consider a new project and suggested considerable restructuring, including the addition of a senior economist to be furnished by AID/Washington or REDSO/WCA. The evaluators indicated that the project would be considerably strengthened with an economist's input into the policy dialogue, and thus an economist was added. The evaluation team observed that the processes and analyses begun under the aegis of the project were important achievements, and that the government and other donors recognized the project as the principle forum for negotiating cereals issues.

In February 1989, a mid-term evaluation conducted by Louis Berger International, Inc. assessed the impact of the project and evaluated the progress of the self-help measures. A team composed of a Senior Economist and a Food Aid Specialist met with OAR/Nouakchott staff and traveled to various locations in Mauritania. They concluded that the GIRM had made a good faith effort to implement self-help measures, but that agricultural liberalization had progressed at a slow pace. They also noted that the Food Security Commission, which had been significantly strengthened during the project, had substantially reduced free food distributions and instead had promoted Food for Work.

Their report pointed out that the project's socio-economic impact was difficult to gauge because the Project Paper had failed to establish baseline measures. They noted that the country had experienced a significant growth in agricultural production; however, they could not determine to what extent extraneous factors had played a role in this progress. Also, the GIRM had made headway in reducing free food distribution, yet no attempts had been made to measure the social impact of this action. Their report stated that even the program's self-help measures included extremely vague benchmarks.

The evaluators praised the project's efficient management procedures, effective staff development programs, and proficient handling of data collection and information monitoring. Some of the less successful components of the project included: overly ambitious goals; the shifts in goals caused by the complexity of the project; and, the lack of any clear indication of its direct or indirect influence on policy reform.

A final project amendment on April 23, 1987, stipulated that any uncommitted funds as of June 30, 1993 would be disbursed to an account controlled by the World Food Program and used for its food monitoring activities. A project termination agreement was signed on June 30, 1993.

Following the June 1993 close-out of operations in Mauritania, project files were delivered to the REDSO/Abidjan office. This project assistance completion report was compiled from these documents, which consisted of the Trust Fund Agreement, the Trust Fund Amendments, the November 1989 Project Paper, evaluations, project implementation letters (PILS), and correspondence. The original project paper and the final evaluation were not available for this review.

II. CONTRIBUTIONS OF THE PARTIES

The GIRM and the United States of America, acting through OAR/Nouakchott, provided the following inputs into the Mauritania Trust Fund project.

GIRM

The GIRM admitted all PL 480 commodities into Mauritania free of customs duties and other fees as prescribed by AID Regulation 11, Section 211.7(B). The Mauritania Cereals Office (OMC) sold the commodities to clients with buyer limits based on local needs and conditions.

USAID

The United States contributed commodities under the PL-480 Title II, Section 206 program. The funds generated by the sales of these commodities, which amounted to $2.2 million, paid the expenses related to executing and monitoring the food assistance programs. A portion of these counterpart funds financed project operations throught the Trust Fund.

III. IMPLEMENTATION

Trust Fund

The GIRM was represented by the Commissioner of Food Security, and AID by the USAID Representative in Nouakchott. A Trust Fund in local currency was established in Mauritania, in the name of the U.S. Disbursing Officer at the Paris Disbursing Office. Funds generated by the sale of PL-480 commodities in Mauritania were deposited in this account and were used by USAID to support the Food for Peace office and its management responsibilities in Mauritania.

OAR/Nouakchott handled disbursement of funds under the Trust Fund. It also maintained records on the non-expendable property used or procured by the project. OAR/Nouakchott prepared and furnished a semi-annual report to the GIRM stating the amount and timing of deposits made into the account during the reporting period. This included expenditures from the Fund and the balance remaining in the account at the end of each reporting period.

A PIL signed in February 1988 allowed the USAID Assistant Director/Program to disburse from the local currency account to subproject accounts in the absence of the USAID Mission Director. In both absences, the USAID Food For Peace Officer was authorized to disburse on behalf of USAID/Nouakchott.

Counterpart Funds

All commodities shipped under the project were consigned to the Ministry of Economy and Finance (MEF) and were sold solely to the private sector. MEF was responsible for submitting status reports to OAR/Nouakchott within 10 working days of the completion of offloading.

The gross sales proceeds generated counterpart funds at OMC branches outside of Nouakchott were deposited in the OMC's postal account or in local banks with regular remittances to the Nouakchott Societe Mauritanienne de Banque. A copy of each postal account statement and local bank statement were sent to the Food for Peace Office on a monthly basis. Funds were then transferred monthly to a special Agricultural Commodity Account. The gross proceeds generated by sales in Nouakchott were deposited directly into the account by the purchaser. A monthly statement of these financial activities was sent to the USAID Food for Peace Office by the OMC.

This complex procedure created significant delays in the processing of bank deposits. This situation spurred an IG audit, which revealed that as the result of liquidity problems in the GIRM's banking system, only 46 percent of the generated project funds were available at any one time. Following the audit, the banking procedure was revised and funds were made more readily available.

Local Currency Transfer Authorizations

USAID and CSA agreed that local currency generated under Transfer Authorizations would be used to finance the project's self-help measures. Three Transfer Authorizations, for which records were available, are summarized below.

A. TA 1614/2615: Project funds covered CSA's operating costs for distributing US cereals, an investment in a radio system for CSA operations, an emergency water supply project, the Rural Roads project, and for the spraying of crickets.

B. TA 3616: These funds were budgeted for CSA's operating costs relating to grain handling, an infrastructure/warehouse construction project, and for the Rural Roads project, including improvements for the Kaedi-M'Bout road segment.

C. TA 6620: The earmarked funds under this TA were devoted to USAID's Dirol Plain project and for anticipated CSA operating costs.

Mauritania Cereals Office (OMC)

Price increases instituted by the GIRM for all cereals permitted the OMC to operate without government subsidy. All project-related operating costs were deducted from the gross sales proceeds, which is permitted under a PL-480 Title II, Section 206 program. These costs included transport, warehousing, fumigation, wharf costs, and general overhead. Any increases in these costs were covered by a corresponding increase in the consumer price.

The OMC submitted quarterly reports to USAID on beginning stocks, arrivals, stock transfers, sales, damaged stocks, ending stocks, currencies generated, deposits, and disbursements. The USG had access to, and was permitted to audit, all records pertaining to the use of commodities provided under this project.

The OMC's operations were expanded over the course of the project through the addition of 13 distribution branches. The branches were located in Nouakchott, Rosso, Boutilimit, Aleg, Boghe, Magta Lahjar, Kaedi, Kiffa, Ould Yenge, Selibaby, Aioun, Nema and Atar.

Technical Assistance

Short-term consultants were financed by the Trust Fund to provide technical assistance to the CSA to improve its financial accounting and reporting practices, as a supplement to technical assistance provided by OAR/Nouakchott through its Sahel Regional Financial Management Project.

Commodities

The Trust Fund financed office equipment and supplies, maintenance and service of vehicles, fuel, and maintenance of the OAR/Nouakchott FFP building.

All non-expendable property purchased by AID was transferred to the GIRM when no longer required for the support of the US food assistance programs in Mauritania.

Budget Status

A summary of the Trust Fund project financial reports as of June 30, 1993 indicated that of the total funds generated under the Title II, Section 206 program, a total of $221,812 was obligated under the Trust Fund project and $209,333 was disbursed. Unused project funds will be deobligated.

IV. ACCOMPLISHMENT OF PROJECT OBJECTS

Background

Even with a meager resource base, Mauritania was self-sufficient in cereals production during the 1960s. The Sahelian drought, the costly Western Sahara war, and the downturn in the demand for steel, sent economic shocks through the country during the 1970s. These developments, combined with a doubling of the population, turned Mauritania increasingly to food imports. The annual provision of "emergency food" became institutionalized, and after 1986, neariy 30 percent of the cereal consumed by Mauritanians was donated. The U.S. created the Mauritania Trust Fund to generate local currency for food aid and to assist the GIRM's efforts to develop and stabilize its economy.

The project helped to strengthen the GIRM's Food Security Commission. It reduced free food distributions and promoted, instead, Food for Work, and it played a role in stimulating the GIRM's policy reforms. The project facilitated the GIRM's efforts to allow local grain prices to rise to those of imported grains, promoted private sector participation in cereals marketing, and improved the GIRM/donor collaboration. Domestic grain production increased during the project; however, it was difficult to assess if and how project activities had affected this growth. Production grew from 20,000 MT in 1984 to an estimated 139,000 MT in 1989.

This Food For Peace Trust Fund established a means for the GIRM to share the local costs of the U.S. food assistance programs, and for the Title II, Section 206 program to create a secure food environment until policy changes and investments could do so. The program design included the Usual Marketing Requirement study that ensured that the Title II commodities did not displace local production or interfere with sales that may otherwise have been made.

Food For Peace Program

The goal of the PL-480 Title II, Section 206/202 program was to help provide basic food security for all Mauritanians in order to support economic stability of the country. The program focused on improving pricing policy and increasing agricultural production through policy reform and through investment in food security activities. It also assisted those Mauritanians who could not purchase food at prevailing market prices by offering subsidized or free food.

Documents indicated that early in the project, a shipment of commodities arrived in bulk and had to be bagged by hand. This Mission oversight took nearly four months to rectify. Later shipments, however, were bagged automatically and made economical use of the new Nouakchott port.

U.S. red sorghum, which was considered a less preferable good in Mauritania, was imported under the program to be sold at a significantly under-valued price. This price was much lower than other cereals in the market, and allowed those with weakened purchasing power to buy a greater volume of food. This was in support of the program's objective to gradually reduce the amount of grains distributed free. The scheme had limited success due to the limited market for red sorghum.

Sales of the red sorghum were only 4,000 MT a year, and the bulk purchased was used for livestock rather than human consumption. After receiving approval from AID/Washington, OAR/Nouakchott requested that the remaining red sorghum allocations be converted to wheat. The 12,000 MT of sorghum already delivered was re-authorized for use in the free-distribution program.

Political events in the first two years of the program (1988-1989), including the forced expulsions of Mauritanian residents from Senegal and Senegalese from Mauritania, undermined some of the policy reforms. The program was continued nevertheless, in hopes that natural forces and diplomatic efforts would bring the country back on a normal development path.

Significant progress was, in fact, made in agricultural policy reform following the issuance of two decrees by the GIRM, in June 1988 and March 1989. The latter instituted the Cereals Policy Monitoring Commission within the GIRM. This was an inter-ministerial group chaired by the Minister of Rural Development. The Minister of Rural Development also chaired the joint GIRM/multi-donor CPA.

A price monitoring system was established using a project-funded radio network to link all distribution branches with OMC headquarters in Nouakchott. Price monitoring, stock management and overall accountability were improved as a result of this direct and regular communication. This radio network, in combination with a project-funded training component, gave OMC the ability to gather data, analyze market developments, and react quickly to regional needs. The CSA used the new communication network to report weekly on prices and production. The branches were kept supplied in grain during the pre-harvest period of May through November.

The equivalent of $427,000 in local currency generated under Title II, Section 206 was used to finance jointly with the UNDP the operating cost and the technical/administrative assistance for the GIRM's CSA Food for Work administrative unit. Additional local currency generated was used to fund the local costs of the World Bank Living Standards Measurement Survey, which collected better information on food consumption and income distribution.

Title II, Section 202 Program

In October 1990, the GIRM identified an additional emergency requirement, which was met through the use of PL-480 Section 202 emergency stock. (Section 202 commodities are normally reserved for emergency famine relief food distribution needs.) Under Transfer Authorization number 0621, 20,000 MT of wheat was allotted, of which 12,000 MT was to be distributed freely and 8,000 MT was to be sold. The funds generated from these sales were used to pay emergency stock transportation costs, management and distribution.

Building on lessons learned from the earlier 206 project, the Section 202 program changed commodities and used wheat in lieu of rice, soybeans, or sorghum. This wheat was supplied and marketed at a higher price than local grains to avoid discouraging local production. As part of the price reforms, the wheat was priced in the range of the current prevailing official costs: between 24 cents/KG and 31 cents/KG.

In an agreement signed November 15, 1990 between the World Food Program (WFP), USAID, and CSA, WFP was entrusted to represent CSA and USAID to distribute and co-administer the counterpart funds derived from the sale of Section 202 commodities. Distribution was also assisted by the OAR/Nouakchott's Famine Early Warning Systems (FEWS), which provided advance warning of at-risk areas and populations. The required funding for the operation was estimated at $132,222. The WFP's bilateral operations fee of $16,125 was paid in ouguiyas (local currency) from revenue generated under the AID project.

Project Monitoring

OAR/Nouakchott exerted great energy to systematize PL 480 monitoring and management. It expanded its monitoring staff and commenced an evaluation system to track project activities.

Project Training

One month of in-service training was provided for selected OMC agents and warehousemen at the National School for Agricultural Training and Extension (ENFVA) in Kaedi. The course curriculum was determined by OMC, ENFVA, and a German technical assistance team. Training focused on grain marketing and storage, and market surveillance and analysis.

Private Sector

Mauritania's private sector was considered to be strong in farming, commercial trade and business, but lacking in organization. Over the course of the project, CSA's (ie the government) role in the distribution of commodities was partially reduced, and the private sector was allowed to assume this responsibility. The CSA fleet of vehicles was reduced from 125 to 47 trucks, and the transportation of food was handled largely by the private sector. The GIRM also sold four rice mills to the private sector, and agreed to develop a marketing policies and food sector management information system.

A Food Policy Statement, approved by the government in June 1988, gave incentives to farmers and protected national cereal production. It included a policy designed to assure promotion of private sector in cereals marketing. Additionally, the statement created an incentive program to encourage private sector participation not only in all stages of production, but also after production.

V. LESSONS LEARNED

The Mauritania Title II, Section 206/202 program faced numerous challenges while assisting the GIRM to resolve its food shortage problems. Some of the lessons learned during the project and identified by evaluators are listed below.

1. Food security and self-reliance are long-term goals for the GIRM that need to be supported through a series of concerted donor efforts. These efforts should include a strategy to improve agricultural production and marketing efficiency in Mauritania, which may eventually eliminate the food deficit. There is no single, immediate solution to this problem.

2. Marketing commodities provided under the program at an under-valued price contradicted the pricing policy reforms that were undertaken by the GIRM. Indeed, it proved to be difficult to enforce these reforms when two-thirds of the commodities brought into the country were marketed below market prices.

3. Obtaining import price parity was incompatible with protecting domestic protection. Import parity in the long run was found to lead to price decreases. The 1989 mid-term evaluation recommended that these long-term effects of commodity pricing be taken into consideration.

4. Significant amounts of OAR/Nouakchott's management time was spent accounting for sales and attempting to micro-manage the CSA's financial systems. Moreover, the Mission was forced to use call forward as leverage against the CSA to make it account for all project funds and to bring about reforms. The CSA did improve its performance after the 1986 Inspector General's audit, but still lagged behind in deposits, causing shortages of funds. A procedure was instituted to have the CSA deposit only net proceeds into the account, in order to improve its cash flow position and reduce the volume of transfers the banking system had to process, and this facilitated the movement of funds.

5. Project evaluators indicated that the project attempted to achieve more than what was realistic in light of Mauritania's many constraints, including its unclear pricing policy, rigid procedures, heavy red tape, inadequate infrastructure and communication networks, insufficiently skilled workers, a shortage of hard currency, an ineffectual agricultural credit and banking system, and an underdeveloped agricultural private sector. They recommended that the number of sectors targeted be reduced and that project goals focus on fewer objectives.