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**CEREALS MARKETING REFORM PROJECT
(CMRP--PHASE I AND II)**

QUARTERLY REPORTS 2 AND 3

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by

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QR--2/3

CEREALS MARKETING REFORM PROJECT

QUARTERLY REPORTS 2 AND 3

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CEREALS MARKETING REFORM PROJECT

QUARTERLY REPORTS 2 AND 3

INTRODUCTORY NOTE

These two quarters (October 1991 through March 1992) were largely devoted to undertaking a program of applied studies that had been called for in the Project's Phase I Plan of Work (CMR Report No. 1) and as approved by the Project's Technical and Interministerial Oversight Committees. These studies were directed towards:

- o Synthesizing existing knowledge and previous studies of the Moroccan cereals subsector;
- o Undertaking preliminary diagnoses of problems affecting the performance of the subsector;
- o Identifying policy options for addressing these problems; and
- o Summarizing all of this information in a form that could be useful in eliciting dialogue and feedback from the private operators in the subsector.

This Phase I work was climaxed by a two day project workshop held for approximately 140 GOM personnel and private cereals subsector operators, the 26th and 27th of February, 1992. Due to the press of work in finishing the Phase I studies and preparing for the synthesis workshop, it was decided, with USAID Project Officer concurrence, to produce a combined report for Quarters 2 and 3.

ACCOMPLISHMENTS OF THE SECOND AND THIRD QUARTERS

Phase I Studies

In order to cover the synthesis and diagnostic work called for in the first phase of CMR, the Technical Committee decided to divide the subsector into four horizontal "slices" and to assign each to a different working group made up of GOM personnel (largely from the Ministry of Agriculture) and consultants from the US and Morocco. The topics covered by the four working groups were as follows:

- A: Production;
- B: Marketing of Domestic Grain, Grain Storage, and Milling;
- C: Morocco's Foreign Trade in Cereals (mostly Imports); and

D: Cereals Consumption and Food Aid.

Each working group was given the same assignment: synthesize existing studies and information, diagnose major policy problems and constraints affecting that portion of the subsector, propose more detailed applied economics work for Phase II, and produce a summary report. Original information collection was to be largely limited to rapid reconnaissance interviews with subsector participants. All groups found that there were substantial amounts of secondary data, some of which had never been analyzed before.

Each working group, coordinated by the project COP, followed approximately the same steps in completing its assignment:

- o Selection of GOM personnel and recruitment of short-term consulting assistance. Approximately 40 persons assisted in project work in Phase I
- o Definition of terms of reference for the group and its consultants and production of an outline for the group document;
- o Review of existing literature and other sources of information;
- o Field visits and interviews with subsector participants from the private sector and public agencies; and
- o Report write-up and review.

All four groups had completed first drafts of their reports (almost 400 pages of text in French) by the end of December, 1991. These group reports, plus a summary analysis of the major policy issues in overall cereals marketing reform (issues that were first identified in Annex 1 to the first project Quarterly Report, *CMR Report 3*, October, 1991), served as input into the Phase I *Synthesis Report (CMR Report 12, English and French)* and were also the bases of presentations made to the project workshop held in February, 1992. In the following paragraphs highlights from each of the working groups are presented:

Cereals Production

The production working group, very capably coordinated by Mr. Abderrahim HOUMY of MARA/DPAE, spent substantial time in examining cereals production trends in the 1980-1990 decade and in analysis of the factors responsible for a clear general increase in production, particularly of soft wheat (*blé tendre* -- BT -- all wheat except for durum in the Franco-Moroccan classification scheme). It is clear that a large portion of the continuing increase in absolute levels of BT production is due to the relatively high

producer support price.¹ Interestingly, the support price and other GOM policies seem to have provided negative incentives to Moroccan *Blé Dur* (BD or durum wheat) production (or distorted relative production of BT and BD) for which the country has greater natural comparative advantage in production and a definite consumer preference.

A major issue posed by the ASAL II cereals reform package is the impact that BT marketing liberalization will have on production levels, the degree of national self-sufficiency, and farm income. Dismantling the "official marketing channel" for BT means domestic price levels^{are} only protected by the border price for BT imports. This is because elimination of the official marketing channel for BT eliminates the only available mechanism for paying the support price to farmers. The general impact of this reform will undoubtedly be more variation in farm level prices, and more incentive for farmers and marketers to store cereals, with actual farm gate price levels dependent on regional supply and demand conditions and the border price. It was thus strongly recommended that the project and MARA undertake in Phase II a detailed modeling effort in order to better predict likely impacts of different border protection mechanisms on producer prices and incomes.

During this reporting period the cereals production group received consulting assistance from Jeff METZEL (AIRD), Dr. Wally TYNER (Purdue), and Azzouz JAKHJOLHI (Agro-Concept). The results of the efforts of the group are contained in RM/MARA/PRCC, "*Groupe A: Production, Rapport de la Première Phase*" (CMR Report 8, French only).

Domestic Marketing, Storage, and Milling

The mandate for this working group was the broadest of the four, covering not only the marketing and pricing of domestic cereals (about which there is still very little comprehensive information, particularly on the operation of markets not controlled by the GOM), but also other complex topics including the future of the state-run cereals marketing cooperatives, the operation of the cereals milling industry and related flour-using industries such as baking, pasta-making, etc. As a consequence the group was not able to go into as much depth in its coverage of specific topics as was true for the other groups. Another consequence is that more of the Phase II applied research agenda will be focused on this part of the subsector.

Results were reported in RM/MARA/PRCC, "*Commerce, Stockage et Transformations des Céréales: Rapport Principal*" (CMR Report 9, French only), edited by Omar ALAOUI of Agro-Concept who also played a major role in guiding the group. Importance assistance was provided by consultants Lawrence KENT (DAI) and Saad BELGHAZI (Agro-Concept). Among the more significant additions to understanding the subsector were the following three:

¹ The current Moroccan support price of 2.4 dirhams/kg soft wheat is approximately equal to \$7.50 a bushel versus current US futures prices for wheat of around \$3.50 a bushel.

Marketing Channels. Review of existing information, field interviews and analysis of ONICL *souk* price data revealed substantial differences in the structure and functioning of market channels for the four major Moroccan cereals. For example, the maize market is the most limited of four markets in overall quantity produced and sold and in terms of its geographic coverage. At least 80 percent of domestic production comes from only three of 40 provinces (coastal areas south of Casablanca) and the product market is also fairly concentrated, with the animal feed industry and on-farm milling and feeding responsible for most of domestic marketings and imports. National maize prices are largely set by daily wholesale transactions in the neighborhood of the Casablanca *hall de grains*.

At the other end of the spectrum, in terms of geographic concentration and predictability of price movements, is the barley market that is dominated by volatility in both supply (due to fluctuating rainfall patterns and the fact that relatively more barley is grown in more marginal areas) and in demand (due primarily to fluctuating demand from the country's livestock industries caused partly by variations in availability of pasture grass and alternative feeds.) The markets for BT and BD are in between maize and barley in terms of volatility and predictability, with the official market channel in BT (including large imports) tending to stabilize prices in both markets due to very strong price substitution relationships between the two major wheat classes.

These differences in the structure, conduct, and performance of the four cereals markets have important implications for the ease of completing the market liberalization process and for GOM measures to improve market transparency and efficiency, such as needed changes to the country's cereals market information systems.

The Official BT Marketing Channel, State Subsidies, and Economic Efficiency. ONICL (*Office Nationale des Céréales et des Légumineuses*), the division of the GOM Ministry of Agriculture that runs the official marketing channel for domestic and imported BT, was set up in the 1930s as a carbon copy of ONIC in France and with many of the same objectives. Some of the current control functions date back to this time and were designed to protect both French and Moroccan wheat from fierce competition from the world wheat trade (particularly from North America) during the great depression. Controlled marketing was also important to limit what was described as "cut-throat competition" and protect profits in the French-owned colonial industrial wheat milling industry. In addition, Moroccans, with some degree of justifiable pride, point to the controlled cereals marketing system and argue that it has really worked quite well over the years and that it has had the following positive features:

- o ONICL never actually owns grain, storage or milling capacity, and thus is able to regulate the subsector in the public interest;
- o Controlled market and subsidy arrangements have allowed the GOM to appease both sides of the classical cereals policy dilemma: subsidizing both farmers and consumers at the same time. The GOM has been able to keep prices high for farmers (generally at least twice world price levels over the past decade) while providing large quantities of subsidized flour to

consumers at prices closer to world price levels. Once the quantities of subsidized flour were limited in 1987 and with world prices continuing to fall with high levels of US and EEC export subsidies, Morocco's import levy on grain has covered all of the costs of the flour subsidy with no drain on the public treasury;

- o This system has operated with entirely private milling and baking industries and majority private enterprises in the grain storage business;
- o The official channel was partially justified by the socio-economic notion of *péréquation* or having a basic staple, wheat flour, available for sale in all larger towns in the country at the same price. Further, the prices of the basic "price-controlled bread" are quite low, so much so that Moroccans admit to being wasteful in their bread eating habits ² ; and
- o ONICL has a very precise knowledge of official BT stocks throughout the country which provides substantial certainty in the perception of "protecting" the country's basic food security.

Arrayed against these benefits of the controlled market are a series of disadvantages, almost all based on notions of economic efficiency and consumer choice, upon which the logic of the policy reform program is based:

- o A basic critique is that the controlled market channel results in distributional and industrial inefficiencies, rent-seeking behavior, and reduced consumer choice, all of which result in the Moroccan economy paying more than necessary for less choice in products than a market-oriented system would produce;
- o The operation of the producer support price has a flaw: BT supports go disproportionately to larger producers and much less to the smaller producers that GOM policy would like to keep in the countryside so as not to worsen already dangerous levels of under and un-employment;
- o The consumer flour subsidy is poorly targeted and with perhaps only 50 percent of the subsidy actually goes to consumers. The rest is captured as rents by intermediaries or others involved in the distribution system;
- o All consumers are paying perhaps twice as much for all wheat flour as would be necessary if Moroccan mills had access to wheat at world price levels. (On the other hand, a 50 percent lower Moroccan domestic wheat price would likely eliminate large portions of domestic production and many jobs); and

² There are active markets in surplus and scrap bread, particularly after holiday periods like Ramadan, with prices of 1.75dh a kilo for use as poultry, pet, and cattle food.

- o Controlled BT marketing and storage has led to a lack of innovation and investment in critical parts of the subsector, particularly in the use of cost-reducing modern (silo) storage and bulk handling; in innovation and modernization investment in industrial BT milling; and in the development of a wider range of quality consumer products (breads, pastas, etc.) for the mass market.

In this situation of complex tradeoffs among socio-economic and political objectives, it is important to develop a careful comparison of the costs and benefits to the liberalization of the BT marketing. This will require more data than is currently available and, thus, filling these priority knowledge gaps is an important objective for CMR Phase II.

Looming Competition in Wheat Milling. Another major industry studied in a preliminary way by Group B was Morocco's complex cereals milling industry, which is really three sub-industries:

- o Industrial Milling of BT: Approximately 80 industrial flour mills belong to the *Association Professionnelle de la Minoterie (APM)* which, with its executive arm, the *Comité Professionnelle de la Minoterie (CPM)*, was formed by the same legislation that set up ONICL. These mills almost exclusively produce sifted BT flour, although they milled large amounts of BD in the past. They basically produce two kinds of flour: the subsidized *Farine Nationale de Blé Tendre (FNBT)* and the unsubsidized *Farine de Luxe*;
- o Approximately 48 Moulins Industriels de Céréales Secondaires (MICS), including 41 *Semouleries* (BD mills) and 7 remaining *orgeries* (barley mills) produce both barley and BD sifted semoules and flours; and
- o Approximately 8,000 artisanal mills produce large amounts of whole grain (unsifted) flour from all four cereals. These are small hammer, grindstone, or roller mills that primarily do custom milling for the ultimate consumer.

Even though these sub-industries produce different products, they compete with each other extensively since the flours are strong substitutes as relative prices shift. BT industrial mills and artisanal mills are both estimated to produce about 49% of flour consumed, with sifted BD and barley products currently amounting to about 2 percent of consumption.

Initial impressions are that the controlled industrial BT component has been fairly stagnant with the mills producing about 56 percent FNBT on a largely non-competitive basis (ONICL provides all BT to mills at same fixed price and dictates FNBT output price and who will take delivery) and 35 percent *Farine de Luxe* (and 7 percent for two minor BT flour types) under limited quality competition.

The most dynamic and rapidly growing part of the milling industry has been the

BD mills since licensing was freed in 1982 and raw material supply and pricing since 1987. The number of mills has tripled in the past five years and output increased by perhaps four fold. This growth, and innovation in packaging and product development, is all taking place under free-market conditions. These changes are a harbinger of the kind of change one would anticipate for the BT mills with elimination of ONICL market and price controls. Further study of all three portions of the milling industry is an important goal for Phase II.

Foreign Trade in Cereals

This group, very capably led by Lynn SALINGER (AIRD) and Hassan BENABDERRAZIK (Agro-Concept), received extensive staff support from ONICL. The group did an excellent job reviewing the history of ONICL and its international cereals trading, procedures currently used in importing cereals, and major issues surrounding current and future mechanisms for providing some border protection for Moroccan cereals. Two of the more important issues identified and analyzed were:

- o What role should ONICL continue to play in organizing cereals imports under free market circumstances? and
- o What modifications to Morocco's trade protection procedures will be optimal for the Moroccan economy and consistent both with a newly-passed national "*Loi de Commerce Exterieur*" and with the trade restrictions likely to be allowable under the revised rules of the GATT?

Regarding the ONICL role in cereals trade, the group came to an unexpected preliminary conclusion that there were what looked to be very solid reasons for maintaining ONICL's import coordinator role, at least during a medium-term transitional phase (of say five years at a minimum). This was due partly to the degree of concentration in international cereals trade but most importantly to the very important consequences to Moroccan imports of the existence and functional rules of the two major cereals export subsidy systems in world trade, those of the United States (the Export Enhancement Program or EEP) and of the EEC (the COFACE program) and their related commodity credit programs. This is a tentative conclusion that will be subject to continuing scrutiny and debate.

The second issue is the type of trade restriction mechanism the GOM might be able to use in the future to protect domestic cereals production. There are two broad choices: one being a levy system that would be adjusted (continuously or periodically) to allow cereals to be imported at a reference or target price and the other would involve the application of a percentage "ad valorem" tariff (this being the result of likely GATT policies of converting all protection to a "tariff equivalent".) The key issues in evaluating these two systems involve:

- o What impacts will a fluctuating versus a stable border price have on domestic production? and

- o How effective will the two systems be in terms of ease of administration and in terms of giving private importers maximum incentive to compete and obtain lowest possible prices for Morocco's future cereals imports?

The results of the labors of the foreign trade group are contained in RM/MARA/PRCC, "*Groupe C: Commerce Extérieur, Rapport de la Première Phase*" (CMR Report 10, French only). In addition, the cereals group received consulting assistance from Dr. Philip ABBOTT at Purdue University who wrote a useful paper on cereals trade modeling ("Trade Modeling in Support of Moroccan Cereals Market Reforms", December, 1991; CMR Report 5, English and French) and David KINGSBURY of DAI wrote an initial paper also in December 1991 on "Summary of Issues Related to the Use of Agricultural Commodity Price Risk Reduction Mechanisms, with Special Reference to Morocco" (CMR Report 7, English only).

Cereals Demand and Food Aid

Cereals demand (direct and indirect) is a complex subject but the working group did a good job of advancing knowledge in a number of critical areas. The group, whose leadership was shared between Mme. Amal BRITEL of DPAAE and Mr. Rachid EL MEZROUI of ONICL, divided its work into four main areas:

First, a literature review on existing information on human cereals consumption and on the use of cereals in animal production was conducted.

Second, a review was conducted of existing work on demand function estimation in Morocco and planning for new analytical work to be done on the recently completed Living Standards Measurement Survey (LSMS or *Enquête Nationale Niveau de Vie or ENNV*) conducted by the *Direction de la Statistique*. This work was done by Dr. Dirck STRYKER (AIRD) and is separately available as "*Groupe Chargé de l'Aspect Consommation des Céréales au Maroc*" (CMR Report 4, in french only);

Third, Dr. Philip BOYLE conducted a review of the food aid situation and trends in Morocco, separately available as "*Situation et Perspectives de l'Aide Alimentaire au Maroc*" (CMR Report 6, in French only). His review highlights some of the problems potentially associated with removal of the FNBT subsidy due to a paucity of viable alternative methods for getting food aid or other assistance to Morocco's substantial poor population. He also reviews the results of the little-known USAID *Programme Alimentaire Compensatoire* (PAC) that used a large increase in PL-480 foodstuffs (distributed by CRS) as a means of theoretically off-setting the negative budget consequences on the poor of various economic adjustment programs (some of which, as in the case of cereals, had yet to take place before the PAC had come to a close!). The Boyle paper is a useful starting point for someone interested in looking further into various alternatives to subsidized flour.

Finally, the group, with the participation of the Ministry of Interior, conducted a very useful rapid reconnaissance study of the current subsidized *Farine Nationale de Blé Tendre* (FNBT). There is a good summary of the results of this effort in the CMR

Synthesis Report (CMR 12). The study showed that the FNBT food subsidy program is only very loosely targeted to poor people, that up to 50% of the subsidy supposed to go to consumers never actually reaches them, and that there is a very active secondary market in FNBT that is characterized by significant seasonal and quality price differences. For these reasons and others (amount of administrative effort required, acknowledgement that the system is about as suboptimal as could be designed, with opportunities for "rents within rents" that operators do not hesitate to take advantage of), there was a surprisingly strong consensus among both private and public sector actors that the FNBT subsidy should be dismantled with a two to three year phase-out.

These different demand and food aid subjects are contained in the working group report: RM/MARA/PRCC, "*Consommation des Céréales au Maroc*" (CMR Report 11).

End of Phase 1 Workshop

A two day workshop for public and private groups interested in cereals subsector reform was held at the end of February, 1992. Attending were approximately 140 officials from MARA and other GOM agencies and ministries and private sector interests in cereals (farmers, traders, cooperatives, millers, bakers, and cereals importers).

The first day was structured along the lines of the Synthesis Report (CMR 12): the morning sessions were devoted to presenting the conclusions and recommendations of the four Phase I working groups described above. All four presentations were made by MARA staffers. In the afternoon session, CMR COP David Wilcock presented an overview of the anticipated operation of the Moroccan cereals subsector under free market conditions, which he followed with an analysis of options for resolving the "ten most important policy problems" standing in the way of the transition to a liberalized market environment for cereals. (These topics make up the third and fourth chapters of the Synthesis Report). This was followed by a lively open debate of a number of the implications of liberalization process, particularly impacts on cereals production and the milling industry.

During the second day, participants in concurrent sessions to delve into the details of the work of the four Phase I working groups. Reporters from each group presented findings and recommendations to the entire group in the afternoon and this was followed by a second and final period of open debate. In general the workshop was felt to have been a successful vehicle for transmitting the results of the first phase. The following additional comments were also made:

- o The presentation of the overview of where the cereals marketing reform process was heading and its implications for the subsector was the first time this information (or "vision" of the future) had been available in a public document;
- o The workshop presentations and debate were free and not pre-censored which contributed greatly to reinforcing the message that MARA is genuinely interested in the active participation of the private sector in

reforming the subsector;

- o Many participants, experienced in Moroccan agricultural policy reform issues, were quite surprised in the degree of commitment there was to the objective of liberalization from across the "interprofession". While there is not a shared vision on all aspects of how to reach major goals -- eg., elimination of the controlled market channel for BT, elimination in the FNBT subsidy, etc. -- there was a high level of agreement on the goals themselves; and
- o There was strong agreement among participants for an even wider participation of the private sector in Phase II of the project.

It should be noted that the workshop required a substantial expenditure of project resources in its preparation. About half of the third quarter was devoted to this one activity. Consultants Omar Aloui, Hassan Benabderazzik, Philp Boyle, Lynn Salinger, and Wally Tyner all devoted several weeks before the seminar to finalizing documents and helping MAPA colleagues in developing their presentations. Finally, Dr. Elliot Berg (DAI) helped launch the synthesis process in Early December, 1991, by meeting with each working group to review and debate preliminary conclusions and recommendations.

Training and Institution-Building

The main training activity during Quarters 2 and 3 was continued English language training to the project's three long-term (masters degree) trainees. Mr. IMRANI from DPAA left Rabat for the US in October, 1991, and went to the Economics Institute in Boulder Colorado for two final months of intensive English before beginning his MA program in agricultural Economics at Purdue University in January, 1992. Mr. KCHIT and Mr. EL HARTI of ONICL were in intensive English courses in Rabat during the entire period but left for the US and the Economics Institute just at the beginning of Quarter 4. The project also paid for three hours of English per week at the American Language Center in Rabat for approximately 20 CMR collaborators from MARA during the two quarters.

In addition, David Wilcock gave two lectures on cereals marketing reform in Morocco to university groups, one at ENA Meknes and the other at IAV, Rabat. A contribution was also made to the evolution of DPAA's computer capabilities through participation in the deliberations concerning the establishment of a local-area network in the new DPAA building and the necessity of pre-cabling and other cost-saving measures. Finally, small amounts of support have been provided to three 3eme cycle rural economics students at ENA, Meknes to help them do year-long thesis projects on subjects of central interest to CMR.

PHASE II PLAN OF WORK

Based on original project objectives and on priorities for investigation identified

during Phase I, a Phase II plan of work was developed during March, 1992. This involved taking suggestions from the Phase I workshop, discussing them with members of the project's technical committee and subcontractors and reformulating them into an applied research program. The eleven subject activity areas to be covered are summarized in the table below.

CEREALS MARKETING REFORM PROJECT PHASE II APPLIED RESEARCH PROGRAM

Activity	CMR Objective	Methods
1. Trade/Price Modeling	Predict impact of border protection options on Moroccan cereals markets	a) Follow GOM laws and GATT to refine options b) Model development: national and regional impacts
2. Milling Industry in Competition	a) Better knowledge of wheat flour subsector in competition b) Predict impacts of liberalization	a) Surveys of industrial and small scale flour mills b) LP model of impacts on MIBs
3. Cereals Market Channel Study	a) Improve understanding of channels for four cereals b) Provide context for MIS, reform impact modeling	Use rapid data collection techniques and ONICL field personnel
4. Food Security, Storage, Prices and Risk	a) Develop realistic approach to food security b) Anticipate changes in storage: private investment options c) Improve cereals market information d) Risk reduction for market optimization	a) Conduct initial food security study; analyze response to poor 1992 harvest b) Undertake analysis of profits of different private storage systems and help resolve access to coop storage in free market c) TA in setting up MARA cereals MIS d) Undertake initial study of use of contracting mechanisms for imports and local markets
5. Market Quality of Moroccan Cereals	What changes needed so that local cereals of same quality have same price as imported?	a) Sampling of cereals in local market for quality/price analysis b) Review of grain grading system c) Study of incentives to deliver equivalent local quality to mills
6. Cereals Demand	Improve knowledge of current and future demand for cereals	a) Demand function analysis of ENNV data on cereals consumption b) Crop/Livestock interaction; animal feeding models c) Explore potential changes in other sources of demand
7. Elimination or Reform of FNBT	Assist in development of strategy for removing distortions and inefficiencies caused by FNBT	a) Use ENNV data to estimate impact of subsidy removal b) Use planning methods once key policy decisions made by GOM
8. ONICL Reform Study	Assist ONICL redefine role and restructure to play appropriate role in liberalized cereals markets	a) Conduct initial diagnostic and restructuring study b) Propose program of additional training and TA
9. Monitoring Reform Progress	Observe changes in subsector and thus encourage continued progress	a) Report project information b) Mid-term evaluation c) Cooperation with other policy projects
10. Other Cereals Research	Support other Cereals Subsector Research as CMR resources allow	a) DPV: Long-term "drought-proofing" Moroccan cereals; IFPRI barley study b) DAE: Support to work on Cost of Production, Pricing and Incentives, Ag Sector Modeling
11. MARA Data Needs Study	Improve MARA data collection, analysis, and diffusion capabilities	With AID projects 182 and 210, support initial study

Work under CMR Phase II is being planned largely for the period April 1992 - July 1993, although it is anticipated that some project applied research activities will continue at least until the end of December, 1993, and that long-term training activities will not be completed until the end of September, 1994. It is anticipated that this work program will be carried out using both personnel from MARA, from the project's Moroccan and US subcontractors, and from other Moroccan institutions (particularly IAV, ENA and INSEA) with whom specific contractual arrangements will be made. The implementation of this Phase II work, in the 11 activity areas already identified, will be either underway or planned in detail by the end of the next quarter.

It is also anticipated that a small number of additional activity areas may be added to the Phase II program over the next year or so in response to evolving circumstances in the cereals subsector.

PROJECT MANAGEMENT

Administration of Consultants

This six month period has been an active one for the CMR project. The project employed the approximately 18.5 person-months of consulting resources during this period, provided by 13 consultants (9 US and 4 Moroccan). These consultants worked in close collaboration with about 25 staff members from four different directorates of MARA. The consulting effort was distributed as follows:

- o Six US-based consultants made 10 trips to Morocco to work on CMR assignments;
- o Three US-based consultants performed short research/writing assignments for CMR in the US; and
- o Four Agro-Concept consultants each worked about two and a half months each on CMR assignments.

Each of these assignments has required the production of terms of reference, field support, and often translation of documents such as mandatory trip reports. Fortunately the caliber and level of Moroccan experience of the consultants from DAI and its subcontractors has been such as to minimize the effort required by the chief of party and administrative assistant. In addition, COP Wilcock made one short trip to the US (January, 1992) to coordinate with subcontractors and meet with other interested parties such as the World Bank, IFPRI, and the USDA.

Office Management, Personnel and Accounting

The CMR project is now well installed in the offices of MARA/DPAE in Agdal,

particularly with the arrival of 10 computers (4 office models and 6 laptops), a laser printer, and new high-capacity photocopier. In addition, due to crowded conditions in Agdal and a need for closer coordination with ONICL, CMR was given a second office by ONICL in March 1992 with enough room for holding small meetings and giving visiting consultants a convenient place to work.

CMR's first office manager/administrative assistant, Ms. Heidi LOWENTHAL resigned her position in December, 1991, and was replaced in January, 1992 by Ms. Rachida YOUMOURI who has quickly mastered office management and accounting routines. Ms. YOUMOURI has a BA degree in languages and is fluent in Arabic, French, and English which has helped project communications.

Project accounting is an important task for the office manager and is done with custom software developed in Lotus 1-2-3. DAI's home-office head of overseas project support, Ms. Valerie BYERS, spent two weeks in Rabat in November 1991, helping to install the software and train the office manager in its use. Since that time all project financial accounts have been prepared in Rabat for submission to AID. Consolidated accounts from the home-office, subcontractors, and field expenses for a given month are generally ready for submission by the middle of the following month.

Issues in Project Management

As in the project's first quarterly report (CMR 3), this report will contain a number of issues having to do with the implementation of the project.

First, regarding issues noted in the first report, there are a number of areas where progress has been made:

1. (AID) **Coordination with the World Bank:** After substantial effort by CMR in Rabat and in Washington, there is now closer communication between the project, the Bank, and the GOM on issues that relate to cereals subsector policy and development in Morocco;
2. (AID) **Logistics:** much less time was spent by the CMR COP on logistics in the past six months than during the first quarter;
3. (AID) **End-of-Project Date:** The USAID Project 191 PACD has been extended by AID/Washington so it will now be possible to extend the PACD of the DAI CMR contract. However, this action needs to be taken without delay;
4. (DPAE) **Computer Planning:** Substantial progress has been made in some aspects of planning for a local area network in DPAE's new permanent building and for data communications;
5. (DPAE) **Crowding:** The extremely crowded work environment at DPAE has been relieved somewhat by ONICL offering the project a second office; and

6. (DPAE) **International Communications:** With the new packet switch available through the PTT it should be possible for the CMR project to have access to international telecommunications without an international telephone line.

However, a number of issues have seen little or no progress in the last six months:

(1) (AID) **AID/Rabat Communications with and Support to Contractors:** There has seemingly been no progress in AID/Rabat's inadequate ability to provide any administrative support or even routine information to contractors or to provide contractors with regular communication regarding AID policies or procedures. None of the points raised in this regard in the first CMR report (October, 1991) have been addressed. There are a number of practical steps that AID/Rabat could take (things done by other AID missions) to help bridge the "communications gap" with its contractors, namely:

- o Conducting information and coordination meetings with contractors at least once every six months; and
- o Distributing a routine circular letter to contractors of changes in AID/Washington and AID/Rabat policy emphases, announcing new administrative procedures.

(2) (DPAE) **Publications Policy:** DPAE still has no official publications policy or list. The organization makes public only a tiny fraction of the reports that are produced and is the subject of substantial criticism from elsewhere in MARA and from other ministries for its lack of public output. Similarly, DPAE very rarely takes advantage of its many contacts with outside economists and other specialists to offer seminars for staff. Both of these situations are ones in which staff morale could be improved substantially at very little cost.

New Issue: Finally, there is an additional point that has emerged regarding AID/Rabat interest in economic policy reform. Elliot Berg, in his CMR trip to Rabat in November 1991, raised some pertinent questions on mission policy regarding support for economic policy reform. He observed that:

"Third (and most important) is that the project is on its own, in the sense that the World Bank has apparently decided to reduce its involvement in cereals market policy reform, and the subject is also low on the program agenda of USAID. (The project was hatched a few years ago, when this aspect of policy change was a major concern of both the Bank and USAID.) This reduces "sponsorship" of the project." ³

In addition, a cursory look through the new AID/Rabat "Action Plan" (not distributed to contractors) reveals almost no mention of the CMR project, curiously even in those sections of the report where project activities would be contribute directly to

³ Elliot Berg, "Trip Report", Rabat, December 1991, page 2.

meeting stated mission objectives. It would be helpful to the project to receive some guidance from AID/Rabat on what its current orientation is on the question of agricultural policy reform. The project, in turn, would be happy to provide any additional information or analysis AID/Rabat might like to receive.

ANNEX 1

CEREALS MARKETING REFORM PROJECT

UPDATED BIBLIOGRAPHY OF PROJECT REPORTS

<u>CMR REPORT NO.</u>	<u>TITLE</u>
CMR-1	PRCC Comité Technique, "Project RCC, Phase I: Programme de Travail", Rabat, 29 Juin, 1991. (en Français seulement).
CMR-2	David C. Wilcock, "Agribusiness in the 1990's: The Commodity Subsector Approach" Rabat, June, 1991 (In English and French).
CMR-3	David C. Wilcock, "The Cereals Marketing Reform Project: Quarterly Report 1", Rabat, October, 1991. (In English and French).
CMR-4	J. Dirck Stryker, "Groupe Chargé de l'Aspect Consommation des Céréales au Maroc", Cambridge, December, 1991 (French only).
CMR-5	Philip Abbot, "Trade Modeling in Support of Moroccan Cereals Market Reforms", West Lafayette, Indiana, December, 1991 (In English and French).
CMR-6	Philip Boyle, "Situation et Perspectives de l'Aide Alimentaire au Maroc", Rabat, December, 1991 (French only).
CMR-7	David S. Kingsbury, "Summary of Issues Related to the Use of Agricultural Commodity Price Risk Reduction Mechanisms with Special Reference to Morocco". Bethesda, Maryland, December, 1991 (English only).
CMR-8	RM/MARA/PRCC, "Groupe A: Production. Rapport de la Première Phase", Rabat, January, 1992 (French only).
CMR-9	RM/MARA/PRCC, "Commerce, Stockage et Transformations des Céréales: Rapport Principal", Rabat, January, 1992 (French only).
CMR-10	RM/MARA/PRCC, "Groupe C: Commerce Extérieur, Rapport de la Première Phase", Rabat, January, 1992 (French only).
CMR-11	RM/MARA/PRCC, "Consommation des Céréales au Maroc", Rabat, January, 1992 (French only).

- CMR-12 CMR Project, "Synthesis Report: CMR Phase I", Rabat, February, 1992 (English and French).
- CMR-13 David C. Wilcock, "The Cereals Marketing Reform Project: Quarterly Reports 2 and 3", Rabat, April, 1992 (English and French).

ANNEX 2

Project Financial Summary

The CMR project, by the end of the third quarter, has spent 27 percent of contract funds. At this rate of spending it is anticipated that there will be some unspent funds at the end of the anticipated two year contract period. Regardless of whether there is a contractor COP in residence in Rabat, these funds could be used to finish various applied research activities that will be started in Phase II. Furthermore, the project's three MA trainees will probably not be finished with their training in the US until August or September 1994.

A situation summary for the CMR contract budget summary is presented in the table on the following page.

CMR BUDGET SITUATION

CONTRACT NO 608-0191-C-00-0047-00

APRIL 1992

CATEGORY	BUDGET AMOUNT	INCEPTION TO LAST REPORTED PERIOD (THRU SEPT 91)	THIS PERIOD OCT 91 THRU MARCH 92	CUMULATIVE AMOUNT	PERCENT OF BUDGET EXPENDED
1. TECHNICAL ASSISTANCE					
DAI COSTS					
SALARIES	\$360,195	\$28,250	\$59,990	\$88,240	24%
FRINGE BENEFITS	\$31,353	\$5,352	\$7,561	\$12,913	41%
OVERHEAD	\$278,305	\$24,736	\$48,899	\$73,635	26%
TRAVEL & TRANS.	\$85,502	\$25,306	\$17,122	\$42,428	50%
ALLOWANCES	\$162,026	\$20,084	\$41,388	\$61,472	38%
SUBTOTAL	\$917,381	\$103,728	\$174,960	\$278,688	30%
FEE	\$61,383	\$6,852	\$11,617	\$18,469	30%
TOTAL TA DAI COSTS	\$978,764	\$110,580	\$186,577	\$297,157	30%
SUBCONTRACT COSTS					
PURDUE	\$193,306	\$0	\$14,422	\$14,422	7%
AIRD	\$203,795	\$0	\$74,326	\$74,326	36%
AGRO-CONCEPT	\$112,651	\$0	\$41,495	\$41,495	37%
SUBTOTAL	\$509,752	\$0	\$130,243	\$130,243	26%
FEE	\$33,644	\$0	\$8,649	\$8,649	26%
TOTAL SUBCONTRACT C	\$543,396	\$0	\$138,891	\$138,891	26%
2. TRAINING					
SEMINARS AND TRAINI	\$306,000	\$0	\$8,701	\$8,701	3%
SUBTOTAL	\$306,000	\$0	\$8,701	\$8,701	3%
FEE	\$20,196	\$0	\$578	\$578	3%
TOTAL TRAINING COST	\$326,196	\$0	\$9,279	\$9,279	3%
3. DIRECT COSTS					
OTHER DIRECT COSTS	\$35,896	\$2,361	\$8,150	\$10,511	29%
PROJECT SUPP. COSTS	\$200,168	\$53,424	\$43,548	\$96,972	48%
SUBTOTAL	\$236,064	\$55,785	\$51,699	\$107,484	46%
FEE	\$15,580	\$3,704	\$3,433	\$7,137	46%
TOTAL DIRECT COSTS	\$251,644	\$59,489	\$55,131	\$114,620	46%
GRAND TOTAL	\$2,100,000	\$170,069	\$389,878	\$559,947	27%

CMR QUARTERLY REPORTS 2 AND 3