

*Draft* at *Attachment A to H.O. 1923*  
6250600  
PAGE 1 of 2 PAGES

I. PROJECT IDENTIFICATION

1. PROJECT TITLE  
**O.E.R.S. GRAIN STABILIZATION PROJECT**

2. RECIPIENT (specify)  
 COUNTRY \_\_\_\_\_  
 REGIONAL \_\_\_\_\_  INTERNATIONAL \_\_\_\_\_

3. APPENDIX ATTACHED  
 YES  NO

4. LIFE OF PROJECT  
BEGIN FY 72  
END FY 75

5. SUBMISSION  
 ORIGINAL \_\_\_\_\_  
 REV. NO. / DATE \_\_\_\_\_  
CONTR./PASA NO. \_\_\_\_\_

6. PROJECT NO. (M.O. 1033.2)  
290

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE \$ US (U.S. OFFICE)			
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP. COUNTRY	(3) JOINT	(4) PRIVATE
1. FISCAL YEAR ACTUAL FY													
2. OPRN FY <u>72</u>													
3. BUDGET FY <u>73</u>													
4. BUDGET FY <u>74</u>													
5. BUDGET FY <u>75</u>													
6. BUDGET FY													
7. ALL BUDG. FY													
8. GRAND TOTAL													

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER	TITLE	DATE
2. CLEARANCE OFFICER	TITLE	DATE

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

This Project Authorization authorizes obligations for FY 72 ~~through FY 75~~ which covers only the initial phase of a long term regional grain supply management activity of the OERS. This activity is designed to increase the production of cereal grains, provide buffer stocks against crop failures and the uneven ~~short run~~ distribution of ~~sxw~~ local supplies, improved storage capability, and to expedite the flow of grain supplies from the regions surplus producing areas to food grain deficit areas.

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE

3. APPROVAL AAS OR OFFICE DIRECTORS		4. APPROVAL AID (See M.O. 1033.1 VI C)	
SIGNATURE	DATE	SIGNATURE	DATE
TITLE		ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT	

A. Statement of the Goal

1. Goal

The sector goal applies to the geographical area as defined by the countries of Mali, Mauritania, and Senegal (members of the Organization of the Senegal River States-OERS). Attainment of the goal is possible only after the respective countries have developed the necessary agricultural policy and supporting infrastructure to manage domestic food grain supplies and integrate individual country grain supply management programs into a regional effort to manage food grain supplies on a regional basis. The sector goal is to: Increase domestic food supplies commensurate with the regional growth in population, reduce wide annual fluctuations in local food supplies, increase the effective demand for foods, and increase farm income.

2. Measurements of goal achievement

- a. An aggregate increase in farm income in real terms as a function of increased marketings of food grains.
- b. A seasonal reduction in farm grain price fluctuations over the long-term thus reducing aggregate annual farm income fluctuations.
- c. Increased regional supplies of food grains with each OERS member country holding buffer stocks, and supplies of cereal grains which on average is ample to meet regional demand.

3. Assumptions about goal achievements

- a. The OERS will become a significant vehicle through which food supply activities of mutual benefit to member countries can be implemented and effectively executed.
- b. Member countries will effectively participate in a regional effort to increase production of crops for both regional consumption and export.
- c. Regional cooperation in grain supply management activities will over the long-term reduce the current wide seasonal fluctuations in farm prices as a function of the local supply situation through the development of a viable market systems, price supporting activities and storage programs.
- d. OERS member countries will develop trade policies which take into account regional crop production cost advantages to which the local area is best adapted.
- e. Growth in urban population will be accompanied by a growth in the effective demand for agricultural products and will provide a viable regional market for such products.
- f. It is technically possible to increase agricultural production in the region given adequate production incentives.
- g. It is economically feasible to transport within the region food supplies from surplus to deficit areas.

B. Statement of project purpose

1. The long run purpose of this activity is to develop an operative and economically efficient system for the management of regional grain supplies. Managing grain supplies entails increasing grain production in the geographical areas of the region having production advantages, transporting and storing of grains for immediate consumption, emergency use and for price support purposes, and expediting the marketing of grains between member countries for supply management purposes. To accomplish the long run objective of a regional program of grain supply management domestic production and marketing policies will need to be mutually consistent within the respective countries and compatible for the regional marketing of grains.

The project inputs described in this PROP is confined to an initial short run period of three years and is designed to formulate and develop domestic supply management programs which will become basis for the longer run activity of regional grain supply management effort.

The purposes of the project are:

- a. To provide <sup>funds to develop</sup> a localized situation or environment (pilot area) in cooperating countries in which production policy, production techniques, infrastructure elements, marketing policy, marketing techniques and similar production and marketing attributes can be demonstrated, tested, evaluated, altered and made applicable to a given country situation.
- b. To provide technical assistance in the areas of grain marketing, policy development, storage and handling, transport, inventory

management, quality control, and overall grain supply management techniques which are required by cooperating countries to develop a viable grain marketing system designed to ultimately be intergrated into a regional effort to manage food grain supplies.

c. To provide technical assistance in the areas of grain production policy, applied production research, improved production techniques and practices, program production planning and evaluation techniques and procedures, and other attributes required by individual cooperating countries to develop a viable production for the commercialization of grains.

d. To train cooperating country technicians and managers in those skills required to develop and implement intra and inter-country grain supply management programs and projects.

e. To determine what changes will be necessary in national agricultural development policies to increase production of food grains proportionate to export crops given national development objectives.

f. To determine the political acceptability of the necessary changes in national agricultural development policies, if any, that will be necessary to manage domestic grain supplies and determine the organizational framework required to carryout such changes.

g. To develop a grain marketing system which may incorporate such elements as price support activities, increased access to farm markets, higher average prices to farmers and development of storage activities to stabilize domestic supplies.

h. To ascertain the level of price incentives that will be required to motivate farmers to increase production of cereals keeping in mind the world price and the maximum prices to consumers that is politically acceptable.

i. To determine the quantity of grain required to establish an adequate reserve, ascertain demand and supply projections, long-term storage space required, and facility design best suited to the marketing system being evolved as a function of this project.

j. To determine the magnitude of the production and marketing inputs that will be required at the end of this project to secure a significant impact upon the conomy and to sustain such an impact over a reasonable period of time. These imputs will likely include such items as credit, improved tools, educational programs, etc.

## 2. Conditions expected at the end of the project

The following intra-country production and marketing infrastructure and policy elements are expected to be developed by the end of the project. It is not expected that there will be an operational regional grain marketing authority and program at the end of the project. It is expected that initial elements of such a grain marketing authority and program will be developed and formal agreements toward regional cooperation in grain marketing consumated.

### The expected conditions are:

a. Each cooperating country will have developed grain marketing policies which are internally consistent and feasible with national production and marketing goals and compatible with the planned

regional objectives to regional manage grain supplies.

b. Each cooperating country will have developed a national grain authority capable and authorized to formulate and implement grain marketing and production policies, develop adequate storage facility programs, acquire grain stocks for price support emergency and normal supply purposes, and to represent country interests in matters pertaining to regional grain supply management activities.

c. The basic infrastructure elements of domestic marketing systems will have been sufficiently developed to provide farmers with reasonable price incentives to produce and commercialize increased quantities of grain and for consumers cereal grain prices will be reasonably relative to the price structure for all foodstuffs.

d. Grain storage and handling facilities will be more efficiently operated as evidenced by lower marketing costs, lower storage losses which are consistent with improvements made in rodent, insect, and pest control activities, improved handling, transport, and inventory procedures, and improvements made in physical facilities.

e. Long run development plan for the construction modification and/or relocation of storage and handling facilities will have been planned and ready for implementation.

f. Improvement in existing grain storage facilities for insect, rodent, and pest control purposes will have been made which are consistent with current technology, type of structure and storage program developed by each respective country.

g. Improvements will have been made in the procedures and practices

of moving and transporting grain from the farm to consumption centers and inventory control as evidenced by reduced transportation costs, timely movement of grain and availability of markets throughout the year.

h. Seasonal and geographical price fluctuations will have begun to reflect the effects of revised policies which have been conditioned by the intra-country budgetary resources available and increased efficiency in procurement, handling, storage, and transporting of grain.

i. Agreements through the OERS will have been initiated which will permit the movement of grains from regions of surplus to deficit grain supplies as conditions in member countries warrant such transactions.

j. Development of intra-country marketing systems which are more responsive to farmers commercialization requirements will have been initiated and a clearer role for the private sector participation in grain marketing will have evolved.

k. Participating country personnel will have received training and gained the experience to carryout the basic administrative, marketing and production elements of an intra-country grain supply management program.

l. The basic data requirements and system necessary for policy formulation, demand and supply projections and similar planning attributes will have been established for both inter and intra country program applications.

3. Basic Assumption about achievement of purpose

- a. The OERS can be developed into an effective administrative instrument for the management of regional cereal grain supplies.
- b. Notwithstanding the varying levels of economic development, price levels, infrastructure, development resource availability and like national attributes, there is a mutual benefit to be derived from regional cooperation and that all cooperating members of the OERS will fulfill their respective obligations under this project.
- c. National interests, while dominating national production and marketing policies will not dilute, nullify, or inhibit participation in regional efforts to effectively manage grain supplies.
- d. Effective production and marketing policies can be developed and implemented in such a manner that production can and will be increased and farmers will commercialize increasing quantities of cereal grains.
- e. Each cooperating country will allocate sufficient resources and give full cooperation in implementing the respective country program project designs.
- f. Cooperating countries have and will allocate to this project reasonably qualified personnel who can administer project elements, assimilate technical assistance provided, and be trained in the skills required to carryout an effective grain supply management program.

C. Statement of project outputs

1. Outputs and out indicators

- a. Each cooperating country will have grain marketing policies designed and reasonably well implemented to provide farmers with an economic incentive to produce and commercialize increasing quantities of grains. The three-year life of this project will not permit sufficient time to fully evaluate the economic impact of these policies.
- b. A national grain authority will be established in each cooperating country.
- c. Storage facilities will be modified to permit effective control of insects, rodents, and pests in stored grain.
- d. A systematic program to control insects, rodents, and pests will have been inaugurated and operational in government controlled grain warehouses.
- e. Prices received by farmers for grains will show a smaller seasonal price fluctuation as a function of local supply conditions than when the project started.
- f. Farmers will have government or supervised grain marketing facilities open for business all year or during the significant portions of the marketing year for the commercialization of grain.
- g. A system for the development of buffer stocks will have been developed in each of the cooperating countries.

h. Each cooperating country will have developed a ten-year storage location, capacity, and facility design plan for storage requirements.

i. The organization of the marketing system will provide farmers with a greater awareness of government efforts to support cereal grain prices through increased exposure to commercialization market activities and price information.

j. Each cooperating country will have developed or have in the final development stages, production policies which are compatible with marketing policies.

k. Cooperating country personnel participating in this project will have received specialized training as a function of the technical assistance input, regional seminars and training programs or through academic training programs directed toward increasing market efficiency and production increasing programs.

L. The need for collecting and up-dating data used in policy formulation will have been established and a plan for collecting such data on a continuing basis will have been developed.

m. Cooperating countries will continue the use of such techniques as farm surveys, crop yield estimates and so on in program planning and development.

2. Basis assumptions about production of outputs

It is not expected that this project will have a significant impact upon aggregate output of the agricultural sector in any of the cooperating

countries by the end of the three-year project period. Rather, this project through testing, trial and error and other techniques will have developed, evaluated, and initiated the implementation of the essential attributes of production and marketing policies and identified pertinent investment priorities for greater efficiency in managing grain supplies. The real economic impact from this project will come at a later date when dynamic production and marketing programs are operational. The basic assumption underlying the long run implementation of this activity is that improved marketing efficiency coupled with production incentives is a precondition to a successful program to increase the commercialization of cereal grains. Following this rationale it is assumed that increased production is possible, given human and cultural practices constraints and limitations.

Outputs are clearly dependent upon the allocation of financial and human resources by the host government, the political acceptability of the regional concept of grain supply management and the felt need for such a project by all members of the OERS. Failure on the part of any one member country to actively participate in the project will make the development of a regional effort at a later date virtually impossible.

#### D. Statement of Project Inputs

To ~~undertake~~ undertake a regional program directed at increasing production and effective marketing of domestically grown grains under the sponsorship of the ~~sponsorship of the~~ Organization of the Senegal River States ( O.E.R.S. ) or its successor organization, A.I.D. will recruit and finance regional contract technicians in the specialty fields most urgently needed. These technicians will be stationed in the cooperating recipient countries and will be assigned technical assistance responsibilities in accordance with program needs of the respective countries or regionally as the project progresses.

Additional funds, under conditions described below, will be made available through the sale of P.L. 480 Title II grain shipments in each of the cooperating countries. In principle, the United States Government will provide, in line with P.L. 480 policy, grain shipments, as ~~appropriate~~ appropriate, for the duration of the program, when it can be demonstrated that these supplies can be effectively utilized. Grains acquired under the P.L. 480 program would be sold during the periods of food grain scarcity with the funds so generated deposited in a Special Grain Account established by each cooperating recipient government. These funds will be used to (1) finance programs to improve domestic food grain production, (2) <sup>finance</sup> marketing and distribution activities, and / or (3) pay essential internal transportation ~~xxx~~ costs of the U.S. grain.

When the programs of the member countries have progressed to a point where such additional investment is warranted consideration will be given to ~~xxxxx~~ loan applications in support of grain supply management programs from the regional organization.

Both the grant aid and technical assistance defined in this PROOP is conditioned on the ability of the donor and donees to reach, through the mechanism of the regional organization a clear and ~~clear~~ concise understanding of the projects objectives and <sup>to reach an</sup> agreement for implementation of a program to ~~carry out~~ carryout these objectives. Additional long-term assistance will depend upon the performance of recipient ~~countries~~ countries to allocate the necessary resources towards the implementation of the project's objectives in accordance with their respective abilities and to make the production and marketing policy changes which will be necessary to <sup>ultimately</sup> integrate domestic production and marketing programs into a regional ~~activity~~ <sup>activity</sup> project of mutual cooperation.

<sup>One of</sup> The ultimate objective of each country program will be to attain a degree of self-sufficiency in food grains consistent with its comparative economic advantage. In order to accomplish this the governments involved must establish a firm policy to provide, on a national scale, market prices and services for food grain crops compatible with those provided for export crops. As national capabilities are developed the participating countries will work through the regional organization to develop regional systems of grain production, storage, distribution, pricing and tariff ~~and~~ policies.

In support of the above policies each country will establish a National Food Grain Authority which will be responsible for planning, developing and implementing a national food grain program consistent with the long run objectives of the regional program of grain supply management.

NON CAPITAL PROJECT FUNDING (OBLIGATIONS IN \$00

PROP DATE 3/18/71  
 Original X  
 Rev. No.  
 Project No.: 625-11-150-600

Regional (OERS) Project Title: OERS Grain Stabilization

Ap	L/G	Total	Count	Personnel Serv.	Participants	Commodities		Dir & : Cont
				AID: FASA : Cont	U.S. :Cont	USDA:Cont	CCC:	
				AGENCIES:		FOOD GRAINS:		
Prior Through Act. FY <u>70</u>				250		4,710		
Oper. FY <u>71</u>		250		250		4,710		
B + 1 FY <u>72</u>		440		350		2,520	50	
B + 2 FY <u>73</u>		440		350		2,520	50	
B + 3 FY <u>  </u>								
<b>Total Life</b>		<b>1,130</b>						

Fiscal Years	AID-Controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	U.S. - owned	Country - owned			Metric Tons (000)	Value & Freight (#000)	World Market Price (\$000)
Prior through Act. FY <u>70</u>							
Oper FY <u>7</u>					35	4,710	
Budg. FY <u>71</u>					35	4,710	
B + 1 FY <u>72</u>					20	2,520	
B + 2 FY <u>73</u>					20	2,520	
B + 3 FY <u>    </u>							
All Sub:							
Total L:					75	9,720	
<u>1/</u> 75,000 Tons grain sorghum							

E. Rationale

A review of ~~many~~ <sup>West Africa countries</sup> studies on the subject of cereal production ~~and~~ ~~studies~~ indicated that the potential for increasing production is equal to basic <sup>regional cereal grain</sup> requirements for many years to come. <sup>However,</sup> ~~all~~ the West African countries in the savannah zone experience large annual fluctuations in rainfall. There are also pronounced variations in geographic patterns of rainfall in most years. As a result, crop production, except on irrigated land, varies greatly from year to year and by areas within the region. Serious shortfalls occur on the average of once every four years. Senegal has experienced a food emergency in three of the last four years. It is impossible to forecast good or bad harvests since neither the time cycle nor the geographic pattern of rainfall is regular or predictable.

Another natural limitation on West African Agriculture is the scarcity of highly productive land. Most reports tend to emphasize that only a small percentage of the total land area is under cultivation and that large increases in production can be brought about simply by increasing the area under cultivation. What is not mentioned is that the best land is presently being farmed and that available sources of labor and credit make it virtually impossible to increase acreage by any appreciable extent. Animal traction or mechanical farm implements financed by medium to long term credit are a prerequisite to any significant increase in cultivated acreage. Crop and soils research in the region clearly prove that improved cultural practices can more than double current average yields in most areas. The limited areas under production reflect the primitive farming methods being employed.

Far more land lies fallow each year than soil and climate conditions require. This is caused by the fact that farmers using their primitive tools are physically incapable of farming all of the cultivable land.

Even though the region is not blessed with huge areas of highly productive land, primitive farming methods rather than poor soils is the primary technical restraint on increasing production of the major food grains. Although adverse climatic conditions and poor soils will continue to cause wide fluctuations in West Africa's cereal production, these natural forces are not the primary reason for the increasing frequency of severe food grain shortage. The more significant causes are found in the national agricultural development policies. For years, major emphasis in agricultural development in West Africa, under both colonial and national governments has been on expansion of production and marketing of a few export crops such as palm oil, peanuts and cotton. Some emphasis has also been given to community development programs and to investments in infrastructure. The promotion of production and marketing of millet, sorghum and corn has been a low priority. In most of the countries in the region problems of food production and marketing are not taken seriously until the emergence of increasingly frequent and severe, food shortages make such consideration mandatory. Even then the governments of these countries rely on shipments of grains from <sup>international</sup> relief organizations to carry them through difficult periods and do little, if anything, to resolve the basic problems which create these situations.

Specifically, one of the most serious problems has been that price incentives to farmers are not sufficient to induce increases in food grain production commensurate with population growth. This problem was magnified by the continued maintenance of relatively attractive prices, often through subsidies, for peanuts and cotton. <sup>For example, in Senegal</sup> During most of the 1960s the prices of millet, sorghum and corn at harvest time have averaged 8 to 10 francs CFA per kilogram. Peanut prices during the same period averaged 20 francs CFA and above. This disparity in prices is highlighted by agricultural experiment station findings on farmer returns from peanuts and millet. When essentially equivalent farming prices are employed for both crops on land of equality, a farmer's net return per hectare and per hour of labor are approximately the same when the prices received are about equal.

Another major difficulty is the lack of effective national markets for food. Lack of a market in which to sell grain in excess of family requirements is a major deterrent to expansion of food grain production. This difficulty was aggravated by successful efforts to establish marketing systems for export crops. In addition, most of the emphasis of the small national agricultural credit and extension services has been, and continues to be, on peanut and cotton production and marketing. It should be mentioned that the only market available is usually that provided by traders or speculators who historically pay very low prices immediately after harvest and resell during the period of short supply preceding the next harvest--in many cases to the same producers they purchased from.

Differences of 800 to 1,000 percent mark-up are not unknown; however, 300 to 400 percent is more the average.

The response of West African farmers to the low prices and lack of markets for the major food grains and to the more attractive prices and assured markets for the export crops has been logical. Food grain production in recent years has not kept pace with population growth. This situation has been further aggravated by the rapid trend to urbanization which is attracting a high percentage of the rural youth to the large population centers. Land planted to food crops has decreased appreciably relative to increases in population.

The origin, during the colonial period, of these contrasting agricultural policies and developments in West African agriculture appears to be a basic misconception of the economics of agricultural production and marketing. Traditionally, food grains have been produced almost exclusively on a subsistence basis. Only small fractions of the total production are marketed. Nearly all sales are direct from producers to consumer in small local markets or, as previously mentioned, to traders. Many people, including former colonial officials and their successors in the new national governments, come to believe that ~~the food grains always would be subsistence crops outside the market economy. Moreover, there was general acceptance of the principle that~~ adequate production of food grains would be assured by the producers' own demand for food. The corollary of this concept is that markets and market prices are not important in stimulating increases in food grain production.

In contrast, there was widespread recognition that substantial cash incentives and assured markets had to be offered to producers in order to induce expansion of the production and marketing of peanuts and cotton. Finally, there was little recognition, until food shortages developed, of the possibility that an unbalanced agricultural development policy would have adverse effects on the national food supply.

Other factors that have encouraged national governments to neglect food grains and encourage export crops were the needs for foreign exchange. Also, the political appeal of low food prices to urban voters cannot be ignored. Experience has proven that low food grain prices have failed to protect basic consumer interest. <sup>national policies designed to produce</sup> low prices have led to food shortages <sup>consumers</sup> which are becoming increasingly serious, and to a reduction in economic growth. A large percentage of the increase in foreign exchange obtained from export crops is being used to purchase rising deficits of food crops. In developing countries such as Senegal, Mali, ~~Guinea~~ and Mauritania, where 80 to 96 percent of the people live on farms, a low rate of growth in the total economy. More specifically, in these countries where food grain production is some 50 to 80 percent of total farm output, a low rate of expansion of food grain production has a significantly adverse impact on agricultural and general economic development. Lack of adequate production incentives to farmers, lack of <sup>adequate and effective</sup> markets for food grains and low farm incomes are the primary reasons for the generally poor performance in the agricultural and general economy.

Ten years after independence there is evidence that the old colonial economic concepts and policies strongly influence national agricultural programs. There is, however, a growing awareness among many government officials that something is radically wrong with ~~these~~ <sup>both production and marketing</sup> policies and they are beginning to become aware of the need for raising producer prices for food grains and for developing organized market channels. In Mali, for example, producer prices for cereals, although still low, have been increased substantially during the past four years. Farmers have responded by increasing production, <sup>but not sufficiently to meet domestic demand.</sup>

The gap between recognition of the agricultural policy problem and development of effective policies and programs is wide. To bridge this gap requires expertise in agricultural policy formulation and administration. For example, it is not easy to determine the specific producer prices and price ratios that will induce farmers to increase food grain production by a desired quantity. It is even more difficult to develop and to administer the national programs needed to put these policy decisions into effect.

### III. STRATEGY

Basically, it will be necessary to develop: (1) Programs that will enable each of the participating countries to become self sufficient, <sup>as economically feasible</sup> in the production of cereals; and (2) methods for eventual coordination of these programs on a regional basis. This will require significant changes in existing agricultural policies and the initiation and evolution of

programs to implement these policies. Individual country limitations in the availability of trained managerial and technical personnel, in physical and financial resources and in basic production and marketing data will mean that progress in developing and implementing effective production and marketing policies will be at different rates and overall slow at best. Since so many things need to be done, a system of priorities must be established for each cooperating country which takes into consideration both the human and financial resources domestically available as well as external resources.

The first necessity is to bring these countries to the point whereby they can: (1) fully comprehend the economic and political implications of existing production and marketing policies, (2) ascertain the economic and political implications of alternative production and marketing policies, (3) choose the production and marketing policies which are consistent with national goals and regional efforts to better manage grain supplies; and (4) implement these policies. To do so incentives will be necessary to expand the production of cereals, farmers must be assured of accessible markets, reasonable prices and prompt payment.

It is clear that it will require several years to establish an effective nationwide grain marketing system in cooperating countries. Further, the kind and level of resources required will differ between countries. Neither the technical and administrative competence, nor the financial resources from local sources are adequate. It will take time and capital to construct the necessary physical storage facilities to improve transportation infrastructure and to develop the indigenous managerial and technical competence to manage properly such an enterprise. At an early stage in the development of national cereal grain programs it will be

necessary to establish National Grain Authorities with responsibility for the development and implementation of both production and marketing policy. Such policies cannot be effectively developed and implemented independently. Both Mali and Senegal have developed organizations which possess some of the attributes required in such an authority. Concomitantly with the establishment of this authority, steps must be taken to obtain and to upgrade managerial and technical personnel who not only will have the competence and the integrity to handle the financing, buying and accounting affairs, but will also have extensive knowledge of grain storage, grading, transport and handling.

As promptly as trained personnel and financial resources permit, steps should be taken to improve the collection of dependable and timely information from which periodic estimates of crop production can be made, thereby improving both the accuracy and timeliness of forecasts related to the magnitude of surpluses and shortages by areas. In addition to improving the internal operation of the national grain authorities, such steps would make it possible to meet emergencies requiring grain imports in a more timely and efficient manner.

When the national grain authorities have reached a reasonable degree of maturity, and crop reporting services a rational degree of reliability, the OERS organization will then be in a position to coordinate and consolidate the activities of the national grain authorities into a regional grain supply management activity.

A review and evaluation of individual country cereal grains production and marketing programs and marketing studies clearly indicate that to succeed in developing an effective regional cereal grain supply

management program, the implementors will necessarily have to be innovative, imaginative, and dynamic. Thus built into the initial stages of the project is the demonstration area concept which is to provide the laboratory for testing and evaluating techniques, policies, and cultural practices before wider application is made to a larger spectrum of the country universe. Most of the projects inputs during the three year projects' life will be directed toward developing, designing, and implementing the basic elements of a grain supply management system.

The foregoing discussion clearly states that the development and implementation of production and marketing policy must systematically progress together with market development, a necessary pre-condition to a successful production program which increases the commercialization of cereal food grains. Marketing studies of the OERS member countries show deficiencies in the marketing infrastructure of all countries concerned. It is likewise clear that none of the OERS member countries have developed the infrastructure, policies and facilities to a point where active and effective participation in a regional grain supply management program is feasible. The strategy is to develop both production and marketing policy, a minimum level of supporting infrastructure, and to get the individual country program operative before such programs are formally integrated into a regional effort. Thus a very important input into the marketing element of this project in addition to policy development and implementation will be the technical assistance input into the storage and handling of grain. Initially to carry out this latter function a limited amount of grant aid funds will be made available as individual country needs are justified.

The assignment of technical assistance personnel on a regional basis and the coordination of project activities through the OERS organization will permit the exchange of data, the organizational structure, and an implementing mechanism for the systematic integration of individual country programs into the regional effort of cereal grain supply management. Complementary to the production element of the project will be the supportive role of the Major Cereals activities. Work accomplished by four field trial technicians provided by France (FAC) and the United Kingdom (ODA) could afford a firm basis for getting effective extension work underway with farmers to increase production.

Course of Action

The commission of the Senegal River States has requested assistance in developing effective programs to increase grain production and to improve storage and marketing systems as part of their effort to initiate rural development programs. These programs have two immediate objectives, namely to increase supplies of food grains and farm income. Ultimately this will benefit the economy of the countries involved since, for the most part, they are based on agriculture.

1. Technical Assistance

During the three-year investigative period funded under this PROP, a team of five technicians will advise the OERS and its three member countries on the development and implementation of cohesive integrated grain stabilization programs which will meet the targets as outlined above. Emphasis will be placed on those countries whose governments have indicated a willingness and capability to move toward the ultimate target on a timely basis. The first country to express such interest

and willingness to move forward is Mali. The project design for each member country will obviously differ for reasons stated previously. The project design for Mali is Annex A. The regional team will include the following skills:

- a. General Manager (experienced in grain operations).
- b. Grain Marketing Pricing Economist.
- c. Agricultural Engineer (specialist in grain storage structures).
- d. Transportation Expert (grain and grain products).
- e. Farm Management/Production Specialist.
- f. Accounting Systems Specialist (experienced in grain accounting)

## 2. Loans

While no commitments on loan assistance in support of such programs can be made at present, AID will give sympathetic consideration to loan applications from regional entities having the authority to engage in borrowing provided that two or more countries engage in the type of programs described in this proposal and these programs have reached a point to warrant such additional investment.

## 3. P.L. - 480 Title II

To the extent food grain imports can be effectively used by each cooperating country, the United States-- alone or in cooperation with other donors-- will provide in line with PL 480 policy, grain shipments, as appropriate during each year of the multi-year period of cooperation; such U.S. grain to arrive in time to be sold during the period of extreme need prior to the harvest. Sales proceeds will be utilized to defray essential internal transportation costs of the U.S. grain. All remaining revenues will be deposited in a special account to be released jointly by both governments for purposes contributing directly to the objectives

of the program, i.e., development of domestic capabilities for food grain production and distribution. The U.S. Government does not make PL 480, Title II commodities available except on the basis of specific requests for purposes which must be explained in detail; therefore, final approval of U.S. grain shipments can only be given when a specific request is received following mutual agreement on country programs which are components of a regional program.'

At the end of the three-year investigative period, progress made by the OERS States in formulating programs will be reviewed. If satisfactory progress has been made, AID should consider expanded support to this activity for an extended period of ten years. A grant agreement to the Organization of the Senegal River States will be utilized to fund the project.