SENEGAL

PL-480 Title III (Food for Development) Program
Joint GOS/USG Evaluation Report

for

U.S. Fiscal Year 1982
(October 1, 1981 - September 30, 1982)

January 1983

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PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
SENEGAL TITLE III FOOD FOR DEVELOPMENT PROGRAM		USAID/DAKAR

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)

☐ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 80	A. Total $ 21 Mil	From (month/yr.) August 1981
B. Final Obligation Expected FY 82	B. U.S. $ 21 Mil	To (month/yr.) October 1982
C. Final Input Delivery FY 82		Date of Evaluation Review June 1983

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
PART I (Decisions based on evaluation)		
1. The GOS should reduce the wholesale price of Title III rice in order for it to be sold without further delay.	GOS&USAID RFFPO	December 1982
2. Length of project budgets should be established in CFA to avoid confusion of project managers concerning available funds.	GOS	December 1982
3. Decision on what type of program and what commodity mix should be used for follow-on program.	GOS&USAID	
Unresolved Issues		
1. Amend agreement to allow actual expenses to travel for GOS staff undertaking trips as part of Title III monitoring and management.	GOS&USAID	June 1983
2. Decision on whether to subsidize shortfall in Special Account or allow reversion to Title I loan terms.	GOS&MOF	October 1983

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

☐ Project Paper
☐ Financial Plan
☐ Logical Framework
☒ Project Agreement
☐ Implementation Plan e.g., CPI Network
☐ PIO/T
☐ PIO/C
☐ PIO/P
☐ Other (Specify)
☐ Other (Specify)

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. ☒ Continue Project Without Change
B. ☐ Change Project Design and/or ☐ Change Implementation Plan
C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Phil Steffen, AFR/TR/AND, Team Leader
Ken Murray, USDA/FAS/EC
Bill Rhoads, PVR/FFP/I
Mamadou Mademba NDiaye, MOPC
Ibrahima Samb, MOFEA

12. Mission/AID/W Office Director Approval

Signature: David Shear
Typed Name: David Shear, DIR
Date: May 25, 1983

AID 1330-15 (3-78)

Amadou Badara Sy, MOPC
Mactar Sylla, MOPC
Fatou Ly, CPSP
Lance Jepson, USAID/ADO
Vara L. LaFoy, USAID/RFFPO

PROJECT EVALUATION SUMMARY - PART II

13. Summary

Evaluation was held immediately after last fiscal year of funding of three-year program. All commodities had been imported within the life of project. The main problem encountered, and which affected progress during its last two years, was the inability of selling Title III rice at the level of cost to the GOS, i.e., to cover local currencies into the Special Account and transportation and handling costs. Because of the high selling price, the rice did not sell as scheduled. Consequently, proceeds were unavailable for the projects to be funded under the program and most of the projects were delayed and/or cut back. Despite this problem, or perhaps because of it, project management was judged to be generally good. The mechanism of sales, deposits, disbursements to projects reporting and reviews, after initial shakedown period, was found to be satisfactory.

14. Evaluation Methodology

Under PL-480 legislation, annual evaluations are required before the next year's allotment can be released. In this instance, the evaluation was an end-of-project evaluation, taking place after the last arrival of commodities. Some projects to be funded from local currency proceeds, however, will not be fully implemented for at least another year. The results of the evaluation were especially important in planning for a follow-on program. Washington was represented on the team by an AFR Bureau Food for Development specialist who was team leader, by the Chief of the FVA/FFP Title I Division and by a representative of USDA/FAS/EC. The official USAID member of the team was the Food for Peace Officer, but the Assistant RFFPO, and Admin. Assistant and ADO, who is official USAID Title III Coordinator, also participated actively. GOS members included representatives from the Ministries of Plan, Finance, and from the Caisse de Péréquation et Stabilisation des Prix, the agency importing and selling the Title III rice. The evaluation started with a review of the previous evaluation's recommendations. Major areas studied were: policies supported by the Title III program, commodity issues, a study of the Title III Special Account, program management, and status and quality of implementation. Reports and correspondence were studied, there were discussions with USAID, GOS, IBRD and other donor officials, and site visits to projects.

15. External Factors

There were two major factors influencing the program which were beyond the control of program management. The first has been the strengthening of the dollar on international exchanges. At the time the agreement was signed, the dollar-exchange rate was around 200 CFA to the dollar. Since that low, the exchange rate has consistently risen, until it reached 351 CFA to the dollar at the time of purchase of the third tranche, in FY 82. Since the Title III program requires that the local currency equivalent of the dollar value be deposited and used for projects, this has meant that the GOS has to increase its deposits by as much as 65%. The second factor that influenced the program was the fluctuating price of US rice. In FY 80, the median price per ton was $379, in FY 81 it was $540 and in FY 82 it was $293. The extremely high price in FY 81 ($540), raised the Senegalese sales price to an unacceptable level. In order to move the rice at all, the team recommended the sales price be lowered.

16. Inputs

As mentioned above, the price of US rice available under PL-480 has been an issue. The rice provided is of no more than 20% broken quality. At one time in negotiations with USDA last year (July-October 1982), there was a belief that USDA would make available a poorer quality (and consequently cheaper) rice, so that the local selling price would be acceptable to consumers. USDA later decided to retain the 20% broken limit.

17. Outputs

Because the flow of funds was so slow, almost all the projects suffered. The following table illustrates the effect on project funding as of September 30, 1982.

18. Objective

"To strengthen Government of Senegal development policies and reform initiatives which will enhance the accessibility of the rural poor to a secure supply of food and improved economic welfare." The Government has pursued the policies of decentralization through strengthening the extension role of Regional Development Agencies, improvement of the cooperative system, reviewing marketing and pricing policies and making a concerted effort to manage and conserve its natural resources. The evaluation did note that the contract-plans with the RDA's were being more slowly negotiated than expected. The projects undertaken using local currency proceeds have contributed materially to those objectives. Although most projects are behind schedule (see table), in general they have done remarkably well under the circumstances. In fact, some of the projects are completed (ENEA and ENCR), or close to schedule (dune fixation).

19. Beneficiaries

The intended beneficiaries are the rural poor, who will benefit from additional budgetary resources directed towards the strengthening of several key areas of Senegal's agricultural and rural development policy. The projects which support these policy efforts will not have an immediate impact on the rural poor (marketing and price studies, rural technical schools, millet transformation and dune fixation), but

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several of the projects do have a more immediate effect, such as the OFADEC resettlement project, and cooperative warehouses.

20. Unplanned Effects

One unexpected side-effect of the shortage of project funds has been more careful management. According to the evaluation findings, the slowdown in allocations "may have had the unexpected effect of tightening up project management. Project managers were forced to do with less and, in an ascetic sense, some have managed quite well under the circumstances."

21. Lessons Learned

In retrospect, more attention should have been paid to the possibilities of U.S. price and exchange rate fluctuation and the consequences to the program. This is especially necessary in a case such as Senegal, when, even at the time of project design, there was little margin for change; any increase in either price or exchange rate would have a negative effect. The minimum that should have been included in the design were measures to protect project implementation: building up a reserve prior to project starts; prioritizing projects for sequence of receiving funds; and/or waiting until a certain percentage of funds were available for a given project before approving start-up.

22. Special Comments

Aside from the specific problems caused by the commodity issue, this program has been a very useful opportunity to test non-project assistance. During the three-year period, the system for managing such a program, with the whittled-down management committee, has proved a success. Based on this experience, USAID's two new non-project assistance programs, Agricultural Development Assistance (685-0249) and Economic Support Fund (685-0262), will be using essentially the same management committee as the implementing entity.

Attachment:

"Senegal PL-480 Title III (Food for Development) Program Joint GOS/USG Evaluation Report for US Fiscal Year 1982 (October 1, 1981 - September 30, 1982) (pp. 156).

Table XII. Indicative Status of Project Allocations as of September 30, 1982

(000s CFA francs)

Project[1]	Year One, Revised	+	Year Two, Revised	=	Subtotal, planned allocations	Actual allocations received	Percentage of planned allocations received
1. Agricultural Policy Studies							
a. ISRA	5,112.5		90,717.0		95,829.5	43,000.0	44.87
b. Princeton U.	0		37,386.4		37,386.4	17,000.0	45.47
2. Local Cooperative Storage	135,788.0		570,417.5		706,205.5	323,970.0	45.87
3. Decentralization of Research	97,955.5		535,230.3		633,185.8	193,400.0	30.54
4. Rural Technical Schools							
a. ENEA	253,784.5		263,904.0		517,688.5	332,191.0	64.17
b. ENCR	82,413.5		0		82,413.5	82,000.0	99.50
5. Reforestation and Dune Fixation	292,026.0		457,708.5		749,734.5	365,200.0	48.71
6. Rural Development Fund[2]	0		189,955.9		189,955.9	88,000.0	46.33
7. Program Management	20,450.0		20,067.7		40,517.7	26,800.782	65.15
TOTALS	883,440.0		2,165,387.3		3,052,917.3	1,471,561.782	48.20

1 Budgets in CFA francs are calculated from the revised project budgets in dollars times the exchange rate in effect at the embarkation of first tranche and second tranche PL-480 rice, using ($1.00 = 204.5 CFA) and ($1.00 = 274.9 CFA), respectively.

2 The Second Amendment did not disaggregate this project budget into its components, OFADEC and Millet Transformation.

Department of State

OUTGOING TELEGRAM

ORIGIN AID-00

ORIGIN OFFICE AFDE-05
INFO AFFW-04 AFDP-06 FVA-01 PPCE-01 PPPB-02 GC-01 GCAF-01
GCFL-01 FFP-03 AFDA-01 FVPP-01 AGRI-01 COM-02 OMB-02
TRSY-05 RELO-01 MAST-01 3H-00 /040 A0

INFO OCT-00 INR-10 AF-00 EB-08 /063 R

DRAFTED BY AID/AFR/TR/ARD: PSTEFFEN: MJ
APPROVED BY AID/AFR/TR/ARD: HFARNHAM
AID/FVA/FFP/I: WRHOADS (SUBS)
USDA/FAS/EC: KMURRAY (INFO)
AID/AFP/PD/SWAP: RMDEPP (SUBS)
AID/AFR/SWA: NMARIANI (PHONE)
AID/AFR/TR/ARD: DSCHAER (INFO)
AID/AFR/TR: LEHOLDCROFT (INFO)
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E.O. 12356 N/A
TAGS:
SUBJECT: PL-480 TITLE III EVALUATION

REF: DAKAR 10933

WASHINGTON MEMBERS OF TITLE III EVALUATION TEAM CONCUR WITH REVISED RECOMMENDATIONS FOR EVALUATION REPORT CONTAINED IN REFTEL. NEW RECOMMENDATIONS ONLY SLIGHTLY MODIFY ORIGINALS AND DO NOT SUBSTANTIALLY ALTER TONE OF THE EVALUATION REPORT NOR OTHER RECOMMENDATIONS LEFT UNCHANGED. THEREFORE, REVISED RECOMMENDATIONS WILL BE NOTED AT AFRICA BUREAU ECPR AND SIMPLY INSERTED INTO FINAL PRINTING OF EVALUATION REPORT. DAM

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ACTION AID-00

INFO TELE-01 /001 A1 X21

ACTION OFFICE AFDR-06
INFO AFFW-04 FVA-01 PPCE-01 PPPB-02 GC-01 GCAF-01 GCFL-01
FFP-03 FVPP-01 AGRI-01 RELO-01 MAST-01 /024 A2 X02

INFO OCT-00 INR-10 AF-00 CIAE-00 EB-08 L-03 INRE-00
AGRE-00 /066 W
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FM AMEMBASSY DAKAR
TO SECSTATE WASHDC IMMEDIATE 1193

UNCLAS DAKAR 10933

AIDAC
FOR STEFFEN, AFR/TR/ARD

E.O. 12356: N/A
SUBJECT: PL-480 TITLE III EVALUATION

1. AS A RESULT OF MINISTRY OF PLAN/USAID MEETING, HAVE OBTJ
NED GOS GENERAL CONCURRENCE WITH RECOMMENDATIONS EXCEPT FOR THE FOLLOWING CHANGES/ADDITIONS.

A. RECOMMENDATION 3:
"IT IS RECOMMENDED THAT PARTICULAR ATTENTION BE GIVEN TO STUDIES AND RESEARCH CONCERNING THE RESTRUCTURING OF THE RURAL SECTOR IN SENEGAL AND THAT TO THIS END, THE TITLE III MANAGEMENT COMMITTEE GIVE ATTENTION TO THE PRICE AND MARKETING POLICY STUDIES IN ORDER THAT THE TITLE III PROGRAM CAN ALSO CONTRIBUTE IN A SIGNIFICANT MANNER IN THE RESTRUCTURING OF THE RURAL SECTOR."

B. RECOMMENDATION 8:
"IT IS RECOMMENDED THAT THE MANAGEMENT COMMITTEE STUDY PRACTICAL MEASURES TO MAKE THE SECRETARIAT MORE EFFECTIVE IN THE EXECUTION OF ITS ASSIGNED DUTIES.

C. RECOMMENDATION 10:
"IT IS RECOMMENDED THAT THE TITLE III AGREEMENT BE AMENDED TO PERMIT THE MANAGEMENT BUDGET TO REIMBURSE THE ACTUAL COSTS OF HOTELS, MEALS, AND TRAVEL INCURRED BY MEMBERS OF THE MANAGEMENT COMMITTEE, SECRETARIAT, AND OTHER PERSONS ACCOMPANYING THEM ON TRIPS UNDERTAKEN FOR TITLE III PROGRAM BUSINESS."

D. INSERT NEW RECOMMENDATION 13 AFTER RECOMMENDATION 12:
"IT IS RECOMMENDED THAT THE USG PROVIDE 100 PERCENT BROKEN RICE FOR FUTURE PROGRAMS."

E. RECOMMENDATION 14 (EX-13):
"IN THE CASE THAT BROKEN RICE BECOMES AN AVAILABLE COMMODITY UNDER PL-480, IT IS RECOMMENDED THAT THE GOVERNMENT OF SENEGAL AND USAID/DAKAR CONSIDER THE FOLLOWING OPTIONS FOR A FUTURE PL-480 FOOD AID PROGRAM:
(1) A ONE-YEAR TITLE I PROGRAM; OR
(2) A ONE-YEAR EXTENSION OF THE PRESENT TITLE III PROGRAM."

F. RECOMMENDAITON 15 (EX-13-B):
"IN THE CASE THAT AMERICAN BROKEN RICE IS NOT AVAILABLE, THE GOS AND USAID SHOULD DISCUSS IN DEPTH ALL DEVELOPMENT OPPORTUNITIES, COMMODITY OPTIONS, SUCH AS SORGHUM, AND FINANCIAL RAMIFICATIONS OF CARRYING OUT A SECOND PHASE TITLE III BEFORE MAKING A DECISION TO CONTINUE."

2. THE MANAGEMENT COMMITTEE WOULD ALSO HAVE LIKED TO ADD

A RECOMMENDATION THAT THE GOS HOLD OFF THAT RICE UNTIL THE TITLE III RICE IS SOLD, BUT THEY DO NOT YET HAVE APPROVAL FROM THEIR VARIOUS MINISTRIES.

3. USAID COMMENTS: CONCERNING RECOMMENDATION 10, USAID HAS DECIDED THAT INDEMNITIES AND ALLOWANCES WITHIN LOCAL CURRENCY PROJECTS SHOULD BE PAID IN ACCORDANCE WITH GOS REGULATIONS. USAID BELIEVES THIS RECOMMENDATION IS AN INTERNAL MATTER OF THE GOS AND FOR IT TO DECIDE. USAID CONCURS IN OTHER RECOMMENDATIONS.

4. MOP WILL DRAFT LETTER CONFIRMING ABOVE. BRAY

Note on Exchange Rates

1. The CFA franc is fixed in relation to the French franc at 50:1.

2. The following weighted average exchange rates (in effect at embarkation of PL-480 rice from the United States) are used to determine the required deposit of CFA francs into the Title Account for loan offset:

First tranche rice	(FY 1980):	($1.00 = 204.458 CFA)
Second tranche rice	(FY 1981):	($1.00 = 274.924 CFA)
Third tranche rice	(FY 1982):	($1.00 = 354.025 CFA)

3. For all other conversions, the exchange rate used is:

($1.00 = 360 CFA),

which was the approximate exchange rate in effect during the first week of November 1982.

Part I. Executive Summary[1]

The Government of Senegal (GOS) is actively restructuring its rural sector along lines that the United States and other donors encourage and support. Despite many start-up problems, the Title III projects and policy studies are on their way to making a meaningful contribution to this reform process. Nonetheless, program implementation continues to be hampered by slow sales of PL-480 rice. The GOS has made special efforts to sell the rice and generate funds more quickly. Further reduction in the sales price will undoubtedly help. The Management Committee and project managers are doing an admirable job under trying circumstances. Project managers remain committed to the full implementation of their respective activities. The GOS is increasingly an active partner, directly involved in issues of program management, with input from USAID as required. The experience gained to date argues for continuation of a PL-480 Food for Development program. However, the relatively expensive price of PL-480 rice remains the fundamental issue. Therefore, the GOS and USAID will have to carefully weigh the financial burden of a further Title III program (subsidies to the Title III Account or loan repayment of the deficit) against the net opportunity for development.

A. Policy Objectives

The Government of Senegal is actively implementing the policy measures identified in the Title III Agreement. These policy measures form an integral part of its Recovery Program to stabilize the economy, stimulate growth and restructure the rural sector. The key objective of the GOS's agricultural policy is to give farmers greater responsibilities in running their own affairs while reducing the cost of state intervention and loosening bureaucratic controls.

Specifically, the Title III Agreement commits the GOS to a) strengthening the role of Rural Development Agencies (RDAs), b) strengthening the role of farmer cooperatives, c) reviewing (and revising) its agricultural pricing and marketing policies, and d) managing and conserving the country's natural resource base.

The RDAs, multi-purpose rural development parastatals operating on a regional basis, had become overextended and inefficient over the years. The vehicle to strengthen the RDAs is the program-contract (contrat-plan) which commits the RDA to reaching clearly defined medium term objectives in exchange for greater financial and operational autonomy. Although GOS policy calls for all RDAs to operate on the basis of a program-contract, reaching agreement has taken longer than expected. Performance to date of RDAs with program-contracts shows signs of improvement.

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[1]The Evaluation of the Senegal PL-480 Title III (Food for Development) Program was conducted in Dakar from October 18 to November 19, 1982. Unless indicated otherwise, this Evaluation Report reflects the status of events as of the end of November 1982.

The GOS aims to reorganize and strengthen the formerly discredited farmer cooperatives and grant them greater authority and autonomy. The RDAs will provide extension and training in cooperative management. Cooperatives or their individual members will have a number of new responsibilities revitalizing the credit system, storing peanut seeds and marketing the peanut crop, as well as storing and marketing millet and sorghum. The GOS's objective is to ensure that all farmer organizations have access to required financial and material resources and that a decentralized cooperative structure will eventually emerge.

Agricultural pricing and marketing changes lie at the heart of the reform program. The GOS has been extraordinarily active in restructuring the previously distorted price system and eliminating subsidies on basic foods and some agricultural inputs, particularly fertilizer. Producer prices are increasingly remunerative, set at levels based on production costs and trends in world markets. Nonetheless, some of these changes to meet macroeconomic objectives have gone forward without systematic research and analysis. The Title III agricultural policy studies are expected to help in this regard.

The GOS has maintained a steady course in its natural resources and environmental management policy

The Evaluation Report recommends 1) that the GOS continue its policy to conclude program-contracts with RDAs and speed efforts to this end; 2) that the GOS continue to increase the responsibilities of farmer cooperatives while providing meaningful training and support; and 3) that particular priority be given to the Title III policy studies so that the program can also significantly contribute to the rural sector reforms unde[illegible]

B. Commodity Issues

Senegal's rice consumption continues to expand steadily. Its rice imports have risen even more dramatically. Senegal is now the world's largest commercial importer of broken rice, consuming about 1,000 tons per day. Broken rice is a by-product of the milling process, a lower and cheaper grade. Reorganization of the procurement and marketing of commercial broken rice imports by the GOS has resulted in steady supplies and cost savings. The consumer price subsidy has been virtually eliminated.

The PL-480 rice, however, continues to sell very slowly, undermining the financing of the Food for Development program. The first tranche was finally sold out in November 1981, more than a full year after arrival. Moving the second tranche has proved even harder due to its high purchase price and the appreciation of the dollar against the CFA franc. To cover its transaction costs and meet the Title III deposit requirement, the GOS priced PL-480 rice out of competition with the cheaper broken rice. Because of this, Title III rice has not sold and storage costs have mounted. Damage in storage, however, appears minimal.

The United States has delivered the third (FY 1982) and final tranche of PL-480 rice under the Title III program. The GOS has taken several steps over the past year in attempt to sell the remaining second tranche and the third

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tranche more quickly, including: a) a reduction of the sales price for the second tranche from 179 CFA/kg to 142 CFA/kg; b) a U.S. rice market familiarization trip and PL-480 seminar prior to purchase of the third tranche; and c) a proposal, still under consideration, to further reduce the sales price on the second and third tranches to 110 CFA/kg. Moreover, the GOS secured an apparent commitment from the USDA in August 1982, permitting Senegal to tender for the purchase of broken rice under future PL-480 programs in exchange for a possible future commercial purchase of U.S. rice.

However, it has been past USDA policy not to ship PL-480 rice with a brokens content greater than 20 percent. Production of brokens in the United States varies significantly from year to year. Although supplies are often tight, domestic demand for broken rice is on the increase. USDA bases its broken rice policy on the authority granted by Section 401 which precludes the export of commodities under PL-480 that are in short supply. There appear to be no alternative commodities to rice for Senegal under PL-480. A small wheat program remains possible but unlikely.

The Report recommends that the GOS favorably consider the proposal to further reduce the sale price of PL-480 rice to permit more rapid sales, ease storage costs and generate funds to reactivate implementation of the Title III Development projects and policy studies.

C. The Title III Account

The status of the Title III Account is integrally linked to the slow pace of PL-480 rice sales and tardy deposit of proceeds. As a consequence, this has limited the availability of funds for allocation to the Title III projects. In April 1982, the GOS deposited the required funds into the Title III Account for loan offset of the first tranche. To make this deposit, it was forced to transfer 116.6 million CFA francs from the second tranche sales proceeds, transfer funds from the Treasury and borrow from its Solidarity Fund. Sufficient funds were transferred to the project accounts to offset the interest payment for the second tranche that would have fallen due in May 1982.

The Second Amendment (FY 1982) to the Title III Agreement contains provisions to safeguard the integrity of the Title III Account. It authorizes deposits only by the CPSP and withdrawals only by the Ministry of Finance. Moreover, the CPSP is required to deposit PL-480 rice sales proceeds within 14 days after receipt. It is not certain yet whether this system of steady deposits is working. The Second Amendment also acknowledged the current problem of limited funds in the Title III Account by retroactively shifting more of the annual project financing to the last two years of the Title III program.

The GOS is taking a financial loss on its PL-480 rice transactions. If the proposal is accepted to reduce the sales price to 110 CFA/kg, the shortfall in deposits to the Title III Account for the second tranche will reach 425.9 million CFA francs (or $1.203 million at the third tranche exchange rate). The deficit in this amount would revert to Title I repayment terms, with initial repayment due 29 years from now, with total payments of $2,986,257. Sales proceeds from the third tranche, however, will exceed the deposit requirement by 152.3 million CFA francs. This sum could be applied against the second tranche deposit requirements and shift the Title III deficit to the third tranche. This sum would reduce the overall deficit to 273.6 million CFA francs (or $772,921 million at the third tranche exchange rate). The initial repayment of this deficit would fall due 33 years from now, with total payments of $2,019,454. The USAID has urged the GOS to make the full deposit into the Title III Account as an indication of the GOS's high regard for the program and not to forfeit full loan forgiveness.

Alternatively, the GOS may decide to apply these surplus funds from the sale from the third tranche to reduce the CPSP's transaction losses on freight, handling and distribution. Depending on which course is taken, the total unrecovered costs of the GOS of its PL-480 rice transactions for the entire three year program range between 1,011.8 million CFA francs ($3.4 million) and 1,164.1 million CFA francs ($3.8 million), in addition to the possible deficit in the Title III Account.

Last year's recommendation that the Management Committee establish project budgets denominated in CFA francs for the full three-year program was not fully carried out. With a shortage of funds in the Title III Account, there was no urgency to do so. This Report recommends that the Management Committee officially establish life-of-project budgets [illegible] each Title III activity based on its financial needs, as determined by the [illegible]spective project manager, to reach its initial objectives and permit bet[illegible] [illegible]lanning of project implementation. The appreciation of the dollar me[illegible] [illegible]t commensurately more CFA francs are required for deposit into the Ti[illegible] [illegible]II Account. These extra funds must be carefully utilized. This Report recommends that the Management Committee plan the financing of high priority supplementary projects which are consistent with Title III program objectives. Another recommendation concerns a procedure for calculating and reporting dollar expenditures from CFA franc project accounts.

D. Program Management

The present evaluation observed a great deal more direct involvement by the GOS in Title III program managing, monitoring and reporting than the previous evaluation. This is a positive change.

All but one of last year's recommendations concerning Title III program management were met. The USAID named a Title III Coordinator from its Agricultural Development Office. In view of streamlining a cumbersome management and decision making process, the USAID and GOS agreed to cut the size of the Management Committee to four members. The chairman of the Management Committee serves as the effective GOS Coordinator. The Title III handbook was reviewed, revised and distributed. Issues were addressed to speed up the GOS contracting procedures and obtain tax exemptions for Title III materials and equipment.

One recommendation, concerning greater utilization of the Title III Secretariat, still needs to be carried out. The Secretariat staff believes it cannot take on a more active administrative role without an approved list of duties and responsibilities. This Report reiterates the need to clearly define the role of the Secretariat and provide it the authority required to undertake its routine assigned functions, including expenditure of funds in the name of the Management Committee.

The other recommendations require GOS or joint GOS and USG action. The Report recommends that the GOS appoint additional staff, as needed, to assist the CPSP in its management tasks concerning the Title III Program. On-site inspection of Title III projects and verification of progress is a very useful management technique. However, the low GOS per diem rate effectively prevents more visitations to Title III project sites by Management Committee or Secretariat personnel. The Report recommends that amending the Title III Agreement be studied to permit the Management account to reimburse actual expenses incurred while undertaking Title III program business. In response to a GOS query, USAID indicated that, due to USG restrictions, USAID could not advance bilateral funds to the Title III Account.

E. Implementation of Projects and Policy Studies

Naturally, the larger the deficit in the Title III Account, the greater the adverse impact on the Title III project and policy study budgets. Title III activities are seriously underfunded in comparison to their planned budgets. Title III projects received less than half of their planned allocations for the first two years of the program (through September 30, 1982). All of the first year budgets have been allocated, but only 27.2 percent of the second.

Unsurprisingly, Title III projects and policy studies are far behind schedule, as much as a full year. Insufficient funds are the primary reason. Paradoxically, the slowdown of allocations to the projects may have caused project management to tighten up. However, some project managers need funds immediately to avoid a complete halt to activities. Others require a certain minimum of funds to avoid interruption of a critical cycle of activities. Under these circumstances, morale among the project managers is not the best.

Each Title III project and policy study is reviewed in light of a) its original objectives, b) the status of implementation last year, c) its budget situation, d) implementation progress to date against its benchmarks through the second year of the Title III program and e) comments and observations. Project performance has been retarded by lack of funds.

The quarterly implementation and budget reports are important management tools. Late submission or nonsubmission of these reports impairs the quality of decisions made by the Management Committee. The evaluation last year found the level of reporting requirements appropriate and not excessive. This Report reinforces the reporting system already in place by recommending that the Management Committee retain funds of those projects which have not submitted their required quarterly reports until they do so.

F. Future PL-480 Food for Development Programs

Now is the time for the GOS and USAID to prepare for a second PL-480 Food for Development program, if desired. The two key issues to be resolved before determining the development content of a future program are a) the modality of a PL-480 program and b) the availability of broken rice under PL-480. A decision on one issue has direct bearing on the other.

A Food for Development Program under Title II, Section 206 would largely remove the present financial problems associated with the Title III program even if broken rice was not available. The obvious advantage is that the U.S. would pay the cost of ocean freight. In turn, this would a) allow the GOS to sell PL-480 rice more competitively, b) provide steady financing for the development activities and c) substantially reduce the net loss on the commodity transaction. The GOS would have to deposit into a special account the CFA franc equivalent of the PL-480 commodity value (FAS). However, Senegal is not eligible for a Section 206 program based on current USG guidance because it is neither an RLDC nor a chronic recipient of emergency food aid. These guidelines would have to be waived or revised.

There has been some confusion on the subject of broken rice for Senegal due to inconsistent statements by USDA. After first confirming its intention to allow Senegal to tender for brokens under a future PL-480 program, the USDA withdrew its offer on the grounds that broken rice was in short supply in the United States and that increased demand for brokens would push prices upward.

About 35,000 tons of PL-480 rice (second and third tranches) in Senegal remain to be sold, incurring considerable storage costs. Under such conditions, continued food aid cannot be justified on the basis of food need or sound commodity management. Therefore, the Report recommends that no FY 1983 PL-480 Agreement be signed until the FY 1981 and FY 1982 PL-480 rice is selling at a reasonable pace.

The final recommendation was made prior to USDA's decision to preclude shipment of broken rice under PL-480. The Report recommends that the GOS and USAID consider either a one year Title I program or a one year extension of the present Title III program in the case brokens become available under PL-480. This way, it was believed, the GOS could test the price and supply response of the market to its tenders for brokens without the GOS and USAID first having to invest a great deal of effort in the design and approval process for a new multi-year Title III program. Of course, Senegal would have the right to reject any undesirable bids.

The Report recommends that if broken rice is not available, the GOS and USAID should discuss in depth all the development opportunites and financial ramifications of carrying out a second phase Title III program before making a decision to continue.

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The following is a listing of Evaluation Report recommendations as approved by the joint GOS/USG evaluation team:

1. It is recommended that the GOS continue its contract policy with the Regional Development Agencies. To this end, it is suggested that the program-contract for SOMIVAC be negotiated, signed and implemented quickly, and that the program-contract for SODEVA be concluded and implemented as well.

2. It is recommended that the GOS continue its policy of increasing the responsibilities of farmer groups at the village and cooperative level by providing training, support and other assistance, in order that these groups be capable of successfully participating in the planned rural sector reforms.

3. It is recommended that a particular priority be given to studies and research concerning the restructuring of the rural sector in Senegal and that to this end, the Title III Management Committee give particular attention to the price and marketing policy studies in order that the Title III program can also contribute in a significant manner in the restructuring of the rural sector.

4. It is recommended that the Government of Senegal consider favorably the proposal of the Caisse de Perequation et de Stabilisation des Prix (CPSP) to reduce the wholesale price of the second and third shipments of PL-480 rice from 142 CFA/kilo to 110 CFA/kilo.

5. It is recommended that the Management Committee offically establish life of project budgets denominated in CFA francs for each Title III project and policy study, based on the submission from each project manager indicating the respective financial needs of each project or study to achieve its original objectives.

6. It is recommended that the following procedure concerning exchange rates be used in planning and reporting dollar expenditures for all Title III project and study CFA franc accounts.

   A. Preliminary expenses should be expressed in CFA francs based on the approximate exchange rate.

   B. Reported expenses should be expressed in CFA francs, using the exchange rate in effect on the date of transaction.

   C. In the case of wide divergence between the estimated exchange rate and the actual exchange rate in effect on the date of transaction, the Management Committee can make adjustments in the project budget.

   D. In the case where a Title III project or study must reimburse a dollar advance from an outside entity (notably, the case of Princeton University and its Title III policy study), the exchange rate in effect on the date of transaction must be used.

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7. It is recommended that the Management Committee study and plan the financing of supplementary projects under the present Title III program which are of high priority vis-a-vis the Government of Senegal's policy reform commitments and economic Recovery Program, as well as possibly expanding the present Title III projects and policy studies.

8. It is recommended that the Management Committee officially assign to the Secretariat its duties and responsibilities and provide authority to the Secretariat to make expenditures from the Title III Program Management Budget to carry out its routine assigned functions.

9. It is recommended that the Ministry of Commerce approve the appointment of additional GOS staff, as needed, to assist the Caisse de Perequation et Stabilisation des Prix (CPSP) in its management tasks concerning the Title III Program.

10. It is recommended that the Management Committee study the possibility of amending the Title III Agreement to permit the Management budget to reimburse the actual cost of hotels, meals and travel incurred by members of the Management Committee, Secretariat and other persons accompanying them on trips undertaken for Title III program business.

11. It is recommended that the Title III Management Committee retain the funds of those projects which have not submitted their quarterly progress and budget expenditure reports to the Title III Secretariat, as required by the Title III program.

12. It is recommended that no PL-480 Agreement be authorized for negotiations for FY 1983 until it can be demonstrated that the FY 1981 and FY 1982 PL-480 rice is selling on the market at a reasonable pace.

13. It is recommended that the Government of Senegal and USAID/Dakar consider the following options for a future PL-480 food aid program.

    A. In the case that brokens rice becomes an available commodity under PL-480:

        1. a one-year Title I program; or

        2. a one-year extension of the present Title III program.

    B. In the case that American broken rice is not available, the GOS and USAID should discuss in depth all development opportunities and financial ramifications of carrying out a second phase Title III program before making a decision to continue.

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Three recommendations made in the Title III Evaluation Report last year[1] were accepted as preconditions to the delivery of the third and final tranche of rice under the Title III program.

Recommendation 2 required that consideration be given to including other commodities such as wheat and corn in the third tranche of the Title III program, and that agreement must be reached with other donors on the volume and usual marketing requirements (UMRs) for any alternative commodity. Apparently, neither the GOS nor USG were interested in pursing this recommendation. USDA informed USAID that it would not consider including wheat in the third tranche of the Title III program.[2] For its part, the GOS indicated its desire that the third tranche consist entirely of rice. The GOS, however, would be interested in considering wheat in a possible future Title III program.[3]

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[1]Senegal PL-480 Title III Program: Joint USG/GOS Annual Evaluation for the U.S. Fiscal Year 1981 (October 1, 1980 - September 30, 1981).

[2]See State Department cable, State 331557 (December 16, 1981).

[3]See Embassy cable, Dakar 00305 (January 13, 1982). Part III, Section E of this Evaluation Report discusses the possibility of wheat as an alternative to rice in a new PL-480 program.

Recommendation 3 required the GOS to deposit the required funds into the Title III Account to offset the loan for the first tranche of rice, including repayment of those funds withdrawn to pay ocean freight costs, before receiving the third tranche. This precondition was met in April 1982.[1]

Lastly, Recommendation 4 required the GOS to inform USAID when and at what price the second tranche rice (in storage at the time of evaluation) would be sold and how any shortfall in deposits to the Title III Account would be covered. In response, the CPSP issued periodic reports to USAID concerning the status of second tranche rice sales and the volume remaining in storage. The CPSP reduced the wholesale price by 21 percent in April 1982 to 142 CFA/kg. This price was noted in the Second Amendment to the Title III Agreement signed in July 1982.[2] The CPSP has further propcsed reducing the sales price to 110 CFA/kg for both the second and third tranches although this will still result in an overall deficit to the Title III Account. At this time, it is not known whether the GOS will make up the required amount from its own revenues or forfeit Title III loan forgiveness and repay the deficit on Title I terms.[2]

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[1]Please see Dakar 3490 (April 17, 1982). Refer also to Part IV, Section A.

[2]Memorandum of Understanding, Item III. C.

[3]These options are discussed in Part IV, Section D. (2. and 3.).

Part II. Program Objectives and Policies

A. Introduction

1. Policy Goals of the Food for Development Program.

The goal of the Title III Agreement is to increase agricultural production and strengthen the position of the rural poor in the process of economic and social development through a Food for Development program financed by food aid sales proceeds for a) activities which improve the production, storage and marketing of agricultural commodities, b) policy studies on food marketing and pricing, and c) conservation of natural resources.

To this end, the Agreement identifies the following food and agricultural policy measures which the Government of Senegal is to continue implementing during the course of the Title III program in order that the Title III activities can achieve their greatest impact.

- -- The decentralization of the development process through strengthening the role of the Regional Development Agencies;
- -- Strengthening the role of the cooperatives in the development process;
- -- A review of Senegalese marketing and pricing policies to obtain optimum results in its agricultural diversification program;

-- A concerted effort to manage and conserve Senegal's natural resources.[1]

After reviewing relevant background and recent policy initiatives, this part of the report will discuss developments to date concerning the four policy measures above.

2. Policy Background

The Title III Agreement was signed in May 1980 during Senegal's most serious economic and financial crisis since independence. Senegal's economy began to deteriorate rapidly by the end of the 1970s as the prolonged result of earlier trends (slow growth, low savings, overexpansive policies and widening resource gap) which were exacerbated by unfavorable exogenous factors (consecutive crop failures, a sharp drop in export revenues, and the 1979 increase in oil prices). The sudden downturn in Senegal's vulnerable economy resulted in a major public finance and balance of payments crisis which has continued for several years.[2] As foreign exchange earnings fell, the real GDP per capita declined by an estimated 18 percent over the period 1977-81.

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[1]Annex B Item II (PL-480 Title III Agreement dated May 16, 1980), p. 32. The order of these policy measures has been changed for purpose of presentation.

[2]Macroeconomic indicators for 1981, for example, reflected the gravity of the situation: The budget deficit of the central government rose to 13 percent of GDP, the deficit on the external current account shot up to 21 percent of GDP, foreign debts were equivalent to more than 60 percent of GDP, and debt servicing was approaching 28 percent of export earnings.

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This severe and unsustainable crisis led the GOS to seriously reconsider its development strategy and adopt a bold Economic Recovery Program[1] in late 1979. The broad objectives of this short- to medium-term Program are to a) stabilize the economy, b) stimulate growth and c) reduce urban-rural income disparities. The first two years of the Program focus on the stabilization objective. Thereafter, the economy is expected to resume a steadier growth pattern of up to 4 percent annually, a net increase in per capita GDP.

The Recovery Program calls for the structural reform of agricultural sector institutions, stimulating private investment and participation in the economy, adjusting price incentives in favor of exports and improving the selection and overall productivity of Government investments. These objectives are reflected in the Sixth Development Plan (1981-85)[2] which allocates 70 percent of the budget to directly productive investments, up from 45 percent in the previous Plan. The Recovery Program, therefore, constitutes the principal framework for donor assistance to Senegal. Its progress is monitored by the IMF and World Bank.

Already significant progress has been achieved in both policy and performance. With the benefit of improved weather conditions and recovery in the peanut sector, the GOS has successfully reversed the deteriorating economic

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[1] Plan de Redressement financier et economique.

[2] Sixieme Plan Quadrenniel du Developpement economique et social.

trend by adopting strong adjustment measures in the context of a financial program sponsored by the IMF. A one-year Standby Agreement was reached with the IMF for 1981/82 to a) reduce the share of GDP going to the public wage bill, the deficit of the CPSP[1] and government arrears; b) consolidate public accounts to better manage and reduce the overall public deficit; and c) improve agricultural productivity. Senegal's external position was further improved by exceptionally high levels of foreign aid in 1981/82 and by the rescheduling of its external public debt and commercial bank debt. Senegal is also assisted by a Structural Adjustment Loan from the World Bank, intended to improve overall economic productivity, reactivate the agricultural sector and to help the economy adjust to the consequences of the 1979/80 and 1980/81 crop failures and the recent adverse trends in world market prices.

All IMF performance criteria set in the 1981/82 program were satisfied by the GOS and the IMF has agreed to renew its Standby Agreement for 1982/83. The objective of 1982/83 program is to continue Senegal's recovery within a longer term context, calling for another set of measures dealing with the productive sector and fiscal, monetary and external policies. Despite cause for guarded optimism, it is clear that structural adjustments need to be pursued for several years in order to make recovery complete.

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[1]Caisse de Perequation et de Stabilisation des Prix, or Price Stabilization and Equalization Fund. Please refer to Section D, Review of Marketing and Pricing Policies.

3. Recent Policy Measures

The Recovery Program calls for the progressive disengagement of the Government from the agricultural sector and for reforms in the existing parastatals, particularly those in agriculture. Yet, the Program goes beyond administrative reform. It embodies a profound change in agricultural policy with the key objective of giving farmers greater responsibility in running their own affairs and reducing the cost of state intervention. With this new approach, the GOS hopes to achieve greater food security, diversification of production and increased farmer income.

While some of the important structural reforms are already underway, others are still in the planning stage. The major agricultural policies undertaken or introduced during the past year include:

1. A new pricing and distribution system for fertilizer to gradually eliminate subsidies and distribution by the public sector;
2. A new agricultural credit system;
3. A new system for storage and distribution of peanut seeds, requiring less public sector intervention;
4. A new marketing system for peanuts;
5. A new pricing, marketing, and storage system for millet and other food grains;
6. A greater role in agricultural production and marketing for the private sector;

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7. A restructuring of cooperatives to emphasize village and producer group responsibility and initiative,
8. A decrease in staffing and funding for the regional development agencies with greater concentration on providing agricultural extension and other services directly to farmers;
9. A strengthening and decentralization of agricultural research focused on practical results useful to farmers;
10. Preservation of the natural resource base with emphasis on reforestation and avoidance of soil degredation in the peanut basin; and
11. A general decentralization in all aspects of government interaction with the agricultural sector.

Each of the four Title III policy measures is affected by the above reforms. A review of progress to date follows.

B. The Rural Development Agencies

Beginning in the 1960s, the Government of Senegal created the Regional Development Agencies (RDAs), a large (and ultimately overextended) public enterprise sector for agriculture. Originally organized by cash crops, the RDAs were gradually turned into multi-purpose integrated rural development parastatals operating on a regional basis. It is acknowledged now that these parastatals were unable to perform their duties in a satisfactory and economic manner. The main deficiencies were lack of clearly defined objectives and

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priorities, shortage of managerial and technical skills, cumbersome administrative controls, inadequate monitoring and auditing practices, and insufficient funding of priority activities. At the same time, however, the RDAs were called upon to expand their roles without due regard to available personnel and financial resources. As a consequence, they accumulated large operating deficits. Delays in the implementation of priority projects and essential maintenance operations led to the preception that the RDAs were generally inefficient and weak.

The vehicle for reform of the RDAs is the "program-contract,"[1] which specifies the medium term objectives to be met by each Agency as well as the respective financial obligations of the GOS and Agency. Each program-contract is to contain an investment plan for the RDA, but allow greater financial and operational autonomy to reach the desired goals. The program-contracts signed to date have sought to reduce the scope of the RDA, its budget and staffing, while strengthening its extension and other productive activities. The remaining staff is to be retrained, as appropriate. The practical result of these changes is a loosening of bureaucratic control and more farmer and other private sector activity in the rural sector.

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[1]In French, <u>contrat-plan</u>.

It is GOS policy that all Regional Development Agencies operate on the basis of a program-contract. Since the RDAs are the primary intermediary for foreign-financed technical assistance projects, both the GOS and donors attach a high priority to restoring their organizational and financial soundness. It remains to be seen, however, how effective this new arrangement will be in strengthening the RDAs and reaching agreed upon goals.

The five RDAs in approximate order of importance and size (and need for reform) are: SODEVA (peanut basin); SAED (Senegal River basin): SOMIVAC (Casamance); SOFITEX (Senegal Oriental); and SODESP (pastoral central plains).

SODEVA was established to cover the broad peanut basin in the center of the country. Its main functions are to a) improve agricultural production at the smallholder level, b) extend technical packages aimed at increasing peanut yields and promoting corn, millet and sorghum cultivation in the peanut basin and c) integrate livestock and agricultural development.

SODEVA has received funds for specific projects from a number of donors. While USAID continues to implement its existing project with SODEVA, Senegal Cereals Production II (685-0235), the World Bank is holding up its Sine-Saloum Agricultural Development project with Sodeva due to poor project performance and the need to resolve outstanding agricultural policy issues. A program-contract has been negotiated and concluded between the GOS and SODEVA, but not yet signed by the World Bank, although all parties are continuing their discussions. In the interim, it does not appear that major changes will be forthcoming in the absence of a program-contract. Given the importance of SODEVA and the problems identified in its past operations, the delay in signing an approved program-contract represents a temporary setback for this policy reform.

SAED was originally charged with the promotion of irrigated agricultural production and with providing extension services, water control, land cultivation, credit and marketing services to farmers in the Senegal River basin. A program-contract was concluded between SAED and the GOS in September 1981. Execution to date has resulted in significant operational improvements, according to a first-year evaluation report, but decentralization in management and reduction in staff levels called for in the contract are still to be carried out. Continued adherence to the goals of the program-contract will determine the overall success of the reform of this agency. A USAID project to train SAED personnel (685-0218) is currently underway.

SOMIVAC was established to promote rural development in the Casamance by a) undertaking investment programs to improve cereal, cash crop and vegetable production, as well as integrate livestock and crop production, b) maintaining GOS-financed irrigation perimeters, c) coordinating all rural development projects in the region, d) processing and marketing agricultural products and e) providing extension services and training to farmers and cooperatives. The World Bank, French and Chinese have terminated their assistance projects in the Casamance, leaving the USAID Integrated Rural Development project (685-0205). While talks leading to a program-contract have been initiated, further negotiations are required to reach final agreement. As a newer and smaller Agency than either SODEVA or SAED, SOMIVAC appears to have less need for reform and some improvements may come about on an incremental basis. However the continued lack of a program-contract represents a delay in policy reform.

SODIFITEX is responsible primarily for direct marketing and ginning of cotton, supplying production inputs, providing extension services to farmers for all crops in the major cotton-producing areas (including the development of irrigated rice production) and cereals marketing. Its program-contract, signed in September 1981, eliminated a number of its former functions. Its basic operations are sound, based on a continuing implementation of its program contract.

To the extent that a program-contract reduces the myriad of functions of an RDA, focuses its objectives and improves efficiency, it can be claimed that the RDAs are being strengthened. However, the performance of RDAs in concluding and implementing their respective program-contracts is mixed. The GOS has spent longer than anticipated in reaching an agreed program-contract for each RDA. One primary factor influencing the delay is the current restructuring of the rural sector generally. Once definition of key agricultural policies is finalized and the respective roles for the RDAs determined, the desired reform of the Regional Development Agencies is expected to proceed.

C. Cooperatives

1. GOS Policy

Until recently, cooperatives in Senegal suffered from a bad reputation, particularly those in the peanut basin.[1] The major flaw in the agricultural marketing system was its failure to encourage farmer participation in cooperative management. As a result, the cooperatives were dominated by a centrally controlled agricultural and marketing policy represented by the national marketing board, ONCAD.[2] Cooperatives were subjected to manipulation and abuse by former ONCAD employees while distrusted by their own membership.

Within the framework of the Recovery Program, the GOS aims to re-organize the cooperatives to encourage farmer groups to accept more responsibility and manage their own affairs better. In a gradual and pragmatic manner, and counting on the voluntary participation of farmers, decision-making authority concerning purchase of inputs, acquisition of credit, and primary marketing of crops will

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[1]There are about 1,870 cooperatives in Senegal at present, of which 1,060 are located in the peanut basin. Throughout this section, the term 'cooperative' refers loosely to all farmer groups, whether cooperatives in the formal sense, producer groups, or village sections, unless otherwise indicated.

[2]L'Office National pour la Cooperation et le Developpement (ONCAD) used to be the foremost GOS agency dealing with producer cooperatives. ONCAD was dissolved in 1980 largely due to its untenable debt burden based on three converging factors: nonrepayment of loans on the part of many cooperatives, ONCAD's own laxity in debt collection, and several consecutive years of poor crops (including poor peanut seed distribution and localized drought).

be transferred to the reorganized cooperatives (village sections). The Direction des Cooperatives[1] will be called upon to provide extension and training services in management, particularly basic literacy and numeracy skills. This training should foster the long term autonomy of cooperatives and minimize the risk of renewed abuse by central bureaucracies.

The Government is also lending its support and awarding formal legal status to alternative forms of farmer associations, among them the village sections and producer groups.[2] For example, cooperatives are organized primarily by crop and encompass a number of member villages. The GOS will encourage the formation of village sections within the cooperatives to attract broader participation by farmers at the local level by offering marketing rebates or payments for services rendered, especially management of seeds and other inputs. Cooperatives may also consist of producer groups, local associations organized freely by farmers, corresponding more naturally to local social, ethnic and economic realities, having the authority to enter into

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[1]Cooperatives Administration, Ministry of Rural Development. The present Title III project to construct 100 cooperative warehouses with the Commissariat a l'Aide Alimentaire (CAA) was designed prior to the decision to eliminate ONCAD and restructure the cooperatives. Some 50 warehouses are about completed. The Direction des Cooperatives has submitted a proposal to the Title III Management Committee to train cooperative members in the proper use of these structures. A subcommittee consisting of representatives from the Ministry of Rural Development, Ministry of Finance, ENEA and USAID has been charged with making recommendations on the proposal and these are expected soon. It may be appropriate to reprogram Title III funds to provide immediately needed assistance for the cooperatives while longer-term plans are being formulated.

[2]Sections villageoises, groupements des producteurs.

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lending agreements. The Government objective is to ensure that all farmer organizations have access to required financial and material resources and that a decentralized cooperative structure will eventually emerge. Equally important, the GOS intends to increase the reponsibility of individual farmers by imparting the skills necessary to carry out cooperative functions.

2. Implementation of Policy

The following is a partial list of current or proposed policy changes which have an impact on the role of cooperatives to a greater or lesser degree.

a. Agricultural Credit

The former system of agricultural credit has been suspended. The GOS used to extend credit in kind through the cooperatives to be repaid by farmers in cash or by delivery of agricultural products valued at the guaranteed producer price. The cooperative was usually held collectively responsible for credit repayment. However, inadequate accounting practices and poor management of the credit system gradually built up a large debt. The GOS twice forgave credit debts in the past four years in response to crop failures and farmers' inability to repay. After ONCAD was abolished, all cooperative debts were ultimately cancelled. While the farmer was freed of his debt as a result of this action, the GOS is left with an unretired debt of 105 billion CFA francs to be repaid to the West African Monetary Union over a 15 year period. This debt forgiveness has seriously undermined the integrity of the agricultural credit system, making reform all the more essential.

A Prime Minister's Working Group on agricultural credit was organized in 1980 to consider the problems leading to the collapse of the credit system and draw up a plan for its complete revision.[1] The austerity imposed by the Recovery Program required that the GOS either restrict funds available for credit or ensure its repayment, neither accumulating nor forgiving debts. The Working Group has developed a plan to establish a private National Rural Bank for farmer groups (and artisans). Some lending will be made directly to individuals, although the main emphasis will be on group credit. In the new credit system the farmer group will receive a loan according to the collective needs of the membership and recipients will be given training and supervision in the establishment and maintenance of accounts as a precondition for lending. Loan recovery will be reinforced by restoring the link between marketing and production. Loan recording will be improved at all levels with regular audits at the end of each crop season.

The revised credit system is to be tested in the region of Thies and the department of Matam (region du Fleuve) during the 1982-83 crop year. If successful, the system will be instituted nationwide within five years. Operating expenses will be a heavy burden on the new credit system. Village section leaders of cooperatives will have important functions to perform if the new system is to fulfill its planned expectations. Further strengthening of participating cooperatives would seem to be a pre-condition of establishment of this new credit system.

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[1]USAID, along with other major donors, is represented on this high-level policy group.

b. Fertilizer

The collapse of the agricultural credit system has had alarming implications for use of fertilizer, the major use of credit in the past. Senegalese farmers were applying over 100,000 tons of fertilizers on their fields as recently as 1976-77 when credit was available. The farmer is now expected to pay cash for his fertilizer. For the 82-83 crop year, only 15,800 tons of fertilizer were sold on a cash basis, partly due to poor timing of distribution by SONAR[1] months after payment for the peanut crop when farmers still had cash to spend. As fertilizers used to be widely used for sorghum, millet and rice as well, production of food crops is similarly affected.

A new fertilizer policy has been instituted with two objectives: 1) to improve the distribution of fertilizer and 2) to greatly reduce the GOS subsidy on fertilizer prices. To carry out the first objective, the fertilizer manufacturer, SIES2, was authorized to set up its own system to market fertilizer directly to the cooperatives starting in November 1982. A program-contract with SIES, yet to be finalized, will require timely distribution of fertilizer and an intensive information campaign on the type of fertilizer, amounts and methods of application. Since SONAR will no longer be responsible for fertilizer distribution, its personnel will be reduced substantially.

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[1] Societe Nationale pour l'Approvisionement du Monde Rural (SONAR) took over one of ONCAD's former functions as the parastatal charged with supplying production inputs.

[2] Societe Industrielle des Engrais du Senegal.

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To carry out the second objective, the GOS raised the average price of fertilizer (varying according to type) for the 1982-83 crop year by 100 percent, from 25 CFA/kg to 50 CFA/kg. The average cost of fertilizer production, however, is estimated to be as high as 120 CFA/kg. Therefore, the GOS remains committed to progressively reducing its subsidy on fertilizers and is considering another reduction in fertilizer subsidies for 1983-84.

It is not clear whether the new credit to be extended to cooperatives on an experimental basis will be expanded to take into account the reduction in fertilizer subsidies.

c. Peanut Seeds

The GOS announced a new policy effective the 1982-83 crop year to encourage individual producers to treat and store their own peanut seeds. Under the previous system, a small portion of the producer price was retained by SONAR to finance the constitution of a national stockpile of seeds. About 126,000 tons of seeds from this stockpile were distributed to farmers free of charge for planting in 1982-83. This system proved too costly. The new policy offers the farmer a choice of being paid to keep his own seeds or receiving an amount of seeds from the national stockpile proportional to his sales to the oil mills. Participating farmers will be paid a one-time only premium of 80 CFA/kg to treat with fungicide and store their own seeds. By comparison, farmers selling their crop will be paid 70 CFA/kg, of which 10 CFA/kg will be withheld by SONAR. As this latter amount does not fully defray its costs, SONAR's operations are subsidized by the GOS. The new system places a limit on the seeds distributed by SONAR to 100,000 tons this year, with a goal of a 20,000 ton farmer-held seed reserve. It is planned that SONAR's stockpile of peanut seeds will steadily decrease to 40,000 tons by 1986-87 and that SONAR will be eventually abolished.

There is not an explicit role for the cooperatives in this new seed policy as seed reserves are to held on an individual level. The RDAs are to certify seed treatment and storage during the first year although it is likely that instruction for proper seed storage will be given through the cooperatives. Some farmers may store their seeds using cooperative facilities. One unanswered question at the time of this evaluation was whether, with doubled prices of fertilizer but no credit, more farmers than expected would accept the cash premium to store their own peanut seeds, thereby exceeding the planned level of 20,000 tons.

d. Peanut Marketing

With the abolition of ONCAD, cooperatives sold their peanut crop directly to the oil mills[1] for the first time in 1981-82, nearly 660,000 tons. Despite a few start-up problems, the major difficulty which arose was the occasional scarcity of small truckers to arrange delivery of the crop to the mills. On the whole, however, the marketing campaign was considered a general success and is to be carried out in the same manner for the 1982-83 season.

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[1] The two oil mills are SONACOS (Societe Nationale pour le Commerce des Oleagineux du Senegal) and SEIB (Societe Electrique et Industrielle du Baol). Responsibility for collection of the harvest was divided among the two mills on the basis of geographic location, SEIB awarded exclusive purchase rights in the region of Diourbel and department of Linguere (region of Louga), or about 25 percent of the market, and SONACOS responsible for the rest of the country.

The reorganization of marketing the peanut crop, including improved procedures for collecting and weighing the crop at the village section level, is now entrusted to the cooperatives and the oil mills. Beginning with the 1982-83 crop, the oil mills will become financially responsible for the entire peanut marketing and processing chain. The mills are to advance 35 percent of the expected purchase value of the peanuts to cooperatives in the border areas and 20 percent elsewhere. The GOS intends to motivate the mills to improve their efficiency and reduce processing costs by defining mutual responsibilities through contract. Collection points are to be regrouped, where necessary, and steps taken to resolve the delivery problem, preferably by private truckers or, failing that, by the oil mills themselves. The oil mills are to be aided in the peanut marketing campaign by personnel seconded from the Ministries of Commerce and of Rural Development. Significantly, the ministries have been instructed to factor the cost of these marketing operations into their future budgets.

Cooperatives are to be held responsible for quantity and quality control, but no longer for handling and storage losses after delivery to the mills. What remains to be seen, however, is whether the general training to be offered to cooperative members (in literacy, numeracy and accounts management) will be sufficient to protect them from the abuses cooperatives faced in the past, now that a new monopsonistic structure has replaced ONCAD.

e. Millet Marketing

Millet is the basic staple throughout the countryside,[1] second in production only to peanuts. Although most of the production is not traded, cooperatives presently sell the marketable surplus to either the Food Aid Commissariat (CAA)[2] or to a limited number of licensed traders who are to have access to bank credit for their purchases. Where possible, the CAA leases a portion of its unused storage facilities to private traders. There is unrestricted grain movement within the country but the border areas are patrolled against smuggling. To guard against sharp seasonal and inter-annual price and supply fluctuations, the GOS stocks and sells appropriate quantities of millet. The CAA plans to constitute a millet security reserve of 25,000 tons although farmers are encouraged to maintain their own millet granaries as well. The CAA also plans to investigate methods to improve the marketing process of millet through better collection and storage practices, more use of private traders and truckers, and transformation and distribution. Finally, the GOS is to carry out an in-depth review of the millet marketing system with a view to introducing whatever reforms seem warranted.

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[1]Millet also refers to sorghum. The two cereals are usually grouped together for accounting purposes.

[2]Commissariat a l'Aide Alimentaire.

D. Review of Marketing and Pricing Policies

Agricultural marketing and pricing changes lie at the heart of the reform program. The Government has been extraordinarily active in implementing this policy, partly due to the exigency of budgetary austerity and partly due to Senegal's success in meeting its performance criteria eligibility for IMF support.

Senegal's former agricultural pricing policy was based on low guaranteed producer prices and a comprehensive system of input price subsidies. A stabilization fund was established, la Caisse de Perequation et de Stabilisation des Prix (CPSP), to finance these subsidies, as well as subsidies on other major consumer items, from earnings from peanut and cotton exports and levies on rice imports. The purpose of the system was to maintain some measure of stability in the prices of basic necessities, especially food items. Domestic prices were set by an inter-ministerial Comite des Grands Produits Agricoles (CGPA) with set profit margins for intermediate transactions or processing. For imported items, the CPSP was receiving -- or paying out -- the difference between world market costs and these pre-determined domestic prices. In recent years, receipts did not cover outlays and the CPSP accumulated a very large deficit.

Under the Recovery Program the GOS began to implement a policy of true economic prices (verite des prix) to gradually restructure the seriously distorted price system and eliminate subsidies on basic foods. Four sensitive food products (rice, bread, sugar and peanut oil) remain under a system of fixed prices, but are priced closer to cost. In principle, the CPSP is to finance any remaining subsidies from the financial surplus on imported and exported items that pass through the organization, without recourse to the domestic banking system or Treasury for advance of credit. The CPSP now participates in decisions concerning the fixation of relevant producer and consumer prices. The CPSP has a separate account with the Central Bank and is accountable to the Treasury. A major objective of the Stand-by Agreement with the IMF is the progressive reduction of the CPSP's deficit.

Major changes have been made in the Government's set producer prices for domestic agricultural commodities. The GOS adjusts its producer prices annually at levels consistent with trends in world markets, while maintaining an optimal producer price relationship between various crops (especially peanuts, millet and cotton) to avoid undesirable short-term shifts in output. The table below shows current producer prices/kg and the percentage increase these prices represent over those in effect in 1980-81:

	CFA francs/Kg	Percent Increase
Peanuts (for oil)	70*	40
Millet	50	25
Paddy rice	51.5	24
Cotton	68	13

*Less 10 CFA/Kilo if seed is to be supplied by SONAR.

These price adjustments should be viewed against an average annual inflation rate of 10 percent.

Subsidies for key imported grains were also lowered or eliminated, an action which also should tend to increase domestic prices. In January 1982 the wholesale price of imported broken rice was increased 29.3 percent from 74.5 CFA/kg to 97 CFA/kg (or an increase in consumer price from 80 CFA francs to 105 CFA francs). At current world prices, imported broken rice is now sold at about a 5 percent profit over the CIF price. If rice were sold at a price to cover the full 15 percent CIF import duty, which is supposed to be paid on all imported items, the wholesale price would be raised to about 106 CFA/kilo (with a corresponding increase in the consumer price).[1]

Flour prices were raised 41 percent to 150 CFA/kg wholesale. The full 15 percent import tax is paid, but a small subsidy of about 3 percent of this wholesale price is paid by the CPSP. Current CIF wheat prices paid by Senegal reportedly are higher than those paid by other African countries.[2]

The section on cooperatives has already outlined to the main marketing changes. Peanuts are now marketed directly to the processing plants, SEIB and SONACOS. Fertilizer is to be marketed directly by the manufacturer, SIES, and sold on a cash basis with a gradually diminishing subsidy. Other agricultural inputs are marketed through commercial channels. The former ONCAD agricultural credit system no longer exists and a new system is being developed by a

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[1] For further discussion of rice prices, please refer to Part III, Sections B and C.

[2] Please refer to Part III, Section E.

government task force. The national stockpile of peanut seeds will increasingly be treated and stored by individual producers without intervention by parastatal organizations.

Due to the need to act rapidly to provide incentives to producers and cut subsidies that cause large budget deficits, it appears that the changes above have been made without benefit of careful research and analysis in some cases. It is not known if the new marketing and price structure will prove to be long lasting and viable. There is a need, therefore, for additional research and analysis that will help to guide policy decisions in the future.

The Title III program is expected to help in this effort. In 1982 Title III funds financed further studies based on the SONED/SEMA model for agricultural price determination. L'Institut Senegalais pour la Recherche Agricole (ISRA) is using Title III funds for an agricultural survey. A team from Michigan State University will assist ISRA in carrying out further research on agricultural pricing and marketing (through the bilateral Agricultural Decentralization and Research Project, 685-0223).

E. Conservation of Natural Resources

There was little change in the implementation of this policy during the preceding twelve months. The GOS and donor agencies continued to finance projects for sand dune stabilization, tree plantations, village woodlots, and soil management. Alternative systems of production and utilization of renewable energy sources are being tested on a pilot basis.

The economic Recovery Program, which has captured the Government's immediate attention, contains no policy measures per se concerning conservation of natural resources. There is widespread concern over degradation of soils in the peanut basin, the most heavily populated rural area. The next step in the conservation policy may be development of a comprehensive plan to conserve and restore natural resources in the basin.

F. Summary and Recommendations

The Government of Senegal is actively implementing the policy measures identified in the Title III Agreement. These policies form an integral part of its Recovery Program. There are probably few other countries in Africa at the moment where more broad reaching and fundamental changes in the agricultural system are underway. The former system has been revamped and various reforms have been instituted to restructure the rural sector. While it would be misleading to attribute these and other positive steps to the Title III program alone, extraordinary opportunities are presented for the Title III program to continue its contribution to this process.

Given that the GOS is continuing to restructure its rural sector:

1. It is recommended that the GOS continue its contract policy with the Regional Development Agencies. To this end, it is suggested that the program-contract for SOMIVAC be negotiated, signed and implemented quickly, and that the program-contract for SODEVA be concluded and implemented as well.

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2. <u>It is recommended that the GOS continue its policy of increasing the responsibilities of farmer groups at the village and cooperative level by providing training, support and other assistance, in order that these groups be capable of successfully participating in the planned rural sector reforms.</u>

3. <u>It is recommended that a particular priority be given to studies and research concerning the restructuring of the rural sector in Senegal and that to this end, the Title III Management Committee give particular attention to the price and marketing policy studies in order that the Title III program can also contribute in a significant manner in the restructuring of the rural sector.</u>

PART III: Commodity Issues

A. Introduction

The United States has delivered the third and final tranche of PL-480 rice under the Title III program. Reorganization of the procurement and marketing of commercial broken rice imports by the GOS has resulted in steady supplies and cost savings. The PL-480 rice, however, continues to sell very slowly, undermining the financing of the Food for Development program. The GOS has taken several steps over the past year in attempt to sell the remaining second tranche and the third tranche more quickly, including: a) a reduction of the sales price for the second tranche; b) a U.S. rice market familiarization trip and PL-480 seminar prior to purchase of the third tranche; and c) a proposal, still under consideration, to further reduce the sales price on the second and third tranches. Moreover, the GOS secured an apparent commitment from the USDA in August 1982, permitting Senegal to tender for the purchase of broken rice under future PL-480 programs in exchange for a possible commercial purchase of U.S. rice.

B. Review of Recent Developments in Rice Marketing

1. The Structure of Rice Supply

Senegal's rice consumption continues to expand steadily, increasing from an estimated 200,000 tons in 1972 to about 500,000 tons in 1982.[1] The country produced 127,000 tons of paddy for the crop year 1981/82 or about 82,500 tons of milled rice. It is expected that the 1982/83 crop will be less, partly due to late and poorly spaced rains.[2] Senegal's main producing areas are located primarily in the river basins around its periphery. High costs of production plus transport to metropolitan Dakar, the major rice consumption center, make most domestic rice uncompetitive with cheaper imported broken rice. Conversely, imported rice is competitive throughout the country, almost up to the producing areas.

The steep rise in Senegal's commercial imports of rice is even more dramatic -- from 169,000 tons in 1972 to 362,000 tons in 1982, an increase of 114 percent. Senegal is now the world's largest commercial importer of broken rice, consuming about 1,000 tons per day. Broken rice is a by-product of the milling process, having the same nutritive value as whole grain rice, but as

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[1]This figure includes domestic production, commercial and food aid imports.

[2]"Note sur l'estimation du deficit cerealier de l'Hivernage 1982," Ministry of Rural Development, Food Aid Commissariat (CAA), (November 5, 1982).

a lower grade, is far less costly. Even so, the cost of Senegal's brokens imports during the same period above rose about 520 percent.[1]

Food aid shipments of rice, by comparison, are expected to reach only 35,600 tons in 1982, of which PL-480 Title III supplied 23,909 tons (FY 1982).

2. Price Policy Adjustment

The rapid growth of rice consumption in Senegal can be attributed in large part to its low consumer price. Despite fluctuations in domestic rice production and the strong appreciation of the dollar, making import costs all the more expensive, the official consumer price remained fixed at 80 CFA francs/kg between 1976 and the beginning of 1982, thanks to a sizeable subsidy from the CPSP. Within three years after assuming responsibility for rice imports, this subsidy to stabilize prices had cost the CPSP 5.5 billion CFA francs. The CPSP's total operating deficit on all the commodities it handles had reached some 20 billion CFA francs.

This untenable situation was highlighted by the analysis of Senegal's economic and financial straits by the IMF and the World Bank. During the course of negotiations for its Structural Adjustment Loan from the World Bank, the GOS agreed to eliminate the broken rice price subsidy paid by the CPSP.

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[1]"Le Riz: Marche satisfaisant depuis huit mois," Le Soleil, November 15, 1982.

The consumer price of rice was raised form 80 CFA/kg to 105 CFA/kg at the end of January 1982, more or less removing the subsidy. Some criticized this measure as harmful to the poorest groups, but the CPSP had little alternative within the framework of economic and financial reform.[1]

3. Reorganization of Commercial Imports and Marketing

Two significant developments have transformed Senegal's rice marketing operations during the past year. First, the GOS concluded a government-to-government contract with Thailand for a major purchase of broken rice to ensure supply availability. Second, the GOS awarded an exclusive contract with a Senegalese firm to arrange shipment of this rice according to a carefully spaced schedule to ensure steady delivery.

When the responsibility for rice imports was transferred from ONCAD to the CPSP in 1980, the system was served by a dozen licensed importers. Despite economic controls and monitoring by the GOS, the system was not truly competitive. Due to its weak financial posture, moreover, the CPSP also encountered delays in bank transactions to finance its imports. The end result was occasional disruption of rice supply.

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[1]Despite this increase, consumer rice prices in Senegal remain relatively lower than prices in neighboring countries. The CPSP estimates that up to 100,000 tons of rice are re-exported clandestinely from Senegal each year due to this price differential.

To rectify this unsatisfactory arrangement, the CPSP entered into direct negotiations with two producer countries, Thailand and Pakistan, for a long term rice contract. The government-to-government contract ultimately concluded with Thailand, in effect for the year ending February 1983, called for the purchase of 360,000 tons of broken rice, subsequently increased to 400,000 tons,[1] at the minimum rate of 30,000 tons per month. Senegal plans to constitute a rice security stock of 60,000 tons (roughly equivalent to a two month supply), for which Thailand has agreed to offer more concessional repayment terms.

Shortly thereafter, the CPSP awarded an exclusive contract with the Senegalese firm, ECAMI, to arrange the shipment of Senegal's rice from Thailand according to a carefully timed schedule of deliveries throughout the year. The CPSP now takes possession of the rice after disembarkation in Dakar and is responsible only for its distribution.

This basic reorganization of commercial rice imports has resulted in tangible benefits for Senegal in two important respects. First, the combination of consumer price increase, long-term contract with Thailand plus ECAMI's organization and performance has resulted in considerable cost savings, allowing the CPSP to retire about three-fourths of its rice subsidy deficit. Second, sound

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[1]Senegal purchased an additional 128,000 tons in December 1982 within the framework of a future agreement with Thailand for delivery by the end of January 1983.

import management has resulted in abundant rice supplies. According to the press, there have been no supply shortages, hoarding of rice or illicit price increases for the past eight months[1] -- no small consideration, given the sensitivity of Senegal's urban population to the availability of its basic food staple.

C. Review of PL-480 Rice Sales

By contrast, PL-480 rice is not selling well at all. Last year's evaluation noted the slow sales of the FY 81 rice. Unfortunately, the situation this year may be even more troublesome. Instead of 12,962 tons of PL-480 rice to sell, there are now nearly 35,000 tons.

The GOS has sought to buy high percentage brokens rice from the United States each year of the Title III program. It has been USDA policy for the past fifteen years, however, not to ship rice under PL-480 with a brokens content greater than 20 percent (#5/20 percent brokens). This rice quality issue has had negative repercussions on program implementation: when priced at cost, the more expensive PL-480 rice has not sold quickly, delaying deposit of proceeds into the Title III Account and hence, implementation of Food for Development activities.

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[1]Le Soleil, November 15, 1982.

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The following background information is offered to better comprehend the nature of the brcken rice issue.

Broken rice is a by-product of the milling process and therefore a lower quality grade. The production of brokens in the U.S. can vary significantly year by year based on the size and quality of the crop as well as the level and composition of export demand. For example, milling of the 1980 drought-stressed crop produced about 30.1 pounds of brokens per hundred pounds of whole kernels when milling for a top-quality grade, compared to 21.7 pounds and 22.2 pounds respectively from the 1979 and 1981 crops.

The following table indicates the volume of brokens recently produced in the U.S. and their end uses.

	1980/81	1981/82
production:	767,000 tons	689,000 tons
end use:		
--breweries	272,000	331,000
--food uses	104,000	122,000
--exports	345,000	209,000
--residual use	46,000	27,000

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The American beer industry is the largest consumer of broken rice and brewery demand for brokens is on the increase. Some breweries even purchase whole grain rice if brokens are in short supply in order to maintain brewing standards and taste quality. Broken rice is also blended into whole grain rice as standard grade #5/20 percent brokens for export under PL-480.

It is expected that the supply of American brokens will substantially decrease during the present crop year (August 1, 1982 to July 31, 1983), chiefly as a function of a planned reduction in crop acreage. Record harvests in 1981 and 1982, combined with a worldwide economic recession, slack demand and a strengthened dollar have impaired U.S. agricultural exports. Consequently, American rice storage facilities are overflowing.

Paradoxically, while large stocks in the U.S. have depressed market prices, they have resulted in an unanticipated dramatic increase in the cost of USG farm programs (government-owned grain stocks, crop loans and price supports) from $4 billion to about $12 billion this year. Voluntary crop reduction programs[1] have not worked to date and net farm income is at its lowest point in 50 years. The continuation of this situation is causing USDA to consider more innovative means of taking a sizeable part of the country's cropland out of production so that grain prices go up and government outlays go down.

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[1]For example, agreement by farmers to set aside a certain portion of their land as a loan eligibility requirement.

Rice will also be affected by these measures. Already, it is estimated that rice fields planted in the U.S. declined in area from 1,539,000 hectares in 1981/82 to 1,330,000 hectares in 1982/83. As a result, milled rice production should drop from 6,060,000 tons to 5,192,000 tons, respectively. With such a drop in the volume of rice milled, there may be a commensurate drop in the amount of broken rice produced, further limiting supply and probably causing a price increase.

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The USDA policy to preclude the availability of 100 percent broken rice under PL-480 was known to the GOS before approval of the Title III program. Furthermore, it was expected that some market price or supply adjustments would be required by the GOS in order to sell the PL-480 rice quickly. What was not foreseen, however, was the high price paid for the second tranche of the Title III program or the strong appreciation of the dollar.

First tranche rice (18,459.945 tons) was purchased in late June 1980 at $379 per ton and loaded for shipment when the average exchange rate was 204.5 CFA/$1.00. This rice was sold upon arrival in August-September 1980 at prices reportedly ranging between 130 to 200 CFA/kg. Sales at these relatively high prices were erratic, aided by periodic shortages of Asian brokens on the market. The first tranche rice was finally sold out in November 1981, more than a full year after arrival.

If it was difficult to move the first tranche rice, moving the second tranche has proved even harder. When Senegal made its second purchase in April 1981, PL-480 rice was at its most expensive price in FY 81, hitting nearly $540 per ton. By the time of shipment in May 1981, moreover, the CFA franc had depreciated to an average exchange rate of 274.9 CFA/$1.00. This meant that based on an annual program level of $7 million, Senegal not only purchased a smaller volume of rice than the first year (12,962.170 tons), but due to the depreciation of the CFA franc, would have to sell it at an even higher price in order to cover its costs and meet the Title III deposit requirement.

Second tranche rice arrived at port in May-June 1981 and went on sale at the beginning of September. The CPSP computed its wholesale price for this rice (cost plus margin) at 179 CFA/kg, retailing at a price ranging from 185 to 200 CFA/kg (although prices could drop as low as 150 CFA/kg after hard bargaining). It should be recalled that the official retail price for Asian broken rice at this time, was still only 80 CFA/kg, making the PL-480 rice generally twice as expensive.

As might be expected, the second tranche rice barely moved. Cumulative sales registered by the CPSP are shown below as of the following dates:

November 18, 1981	462 tons
December 10, 1981	556
January 4, 1982	653
March 6, 1982	775

Faced with this situation, the CPSP reduced its wholesale price of PL-480 rice by 20.7 percent at the end of April 1982, from 179 CFA/kg to 142 CFA/kg. In so doing, it hoped to establish a uniform price for the remainder of the second tranche and the third tranche, yet to be purchased. This drop in wholesale price corresponded to a drop in the official retail price to 150 CFA/kg, although actual prices remained higher. As indicated previously, the CPSP had increased its wholesale price on Asian broken rice just two months earlier, from 74.5 CFA/kg to 97 CFA/kg, for a corresponding increase in the official retail price from 80 CFA/kg to 105 CFA/kg.

While these adjustments narrowed the official price gap between PL-480 and Thai rice, market prices continue to diverge widely. The price of PL-480 rice hovers around 175 CFA/kg while the Thai rice normally sells at 110 CFA/kg. As a result, second tranche PL-480 rice sales remain exceptionally slow. As of October 21, 1982, after more than a year on the market, the CPSP reported cummulative sales of only 2,538 tons, or 19.6 percent of the entire second tranche.[1]

The remaining 10,400 tons unsold appear not to have suffered more than normal damage in storage. The rice is stored in the following locations: Kaolack (approximately 6,000 tons); Rufisque, near Dakar (3,000 tons); Diourbel

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[1]Ironically, the reorganization of commercial rice imports in Senegal to function more effectively has meant there have been virtually no supply shortages to aid the sale of second tranche PL-480 rice as there were for the first tranche.

(750 tons); and Ziguinchor (500 tons). Accompanied by employees of the Food Aid Commissariat (CAA), members of the Title III evaluation team inspected the PL-480 rice in storage in Kaolack since July 1981 at the country's largest warehouse, run by the CPSP. The rice was stacked neatly on tarps but not pallets. It had been fumigated twice. The warehouse manager pointed out that the rice had been stacked without provision for proper aeration because it was expected to be moved quickly to inland markets. Despite high humidity and the potential for mold damage, only 20 bags had been lost due to a leaky roof. The CPSP reports that the 58 tons damaged at Rufisque have been sold to dealers at substantially reduced prices, as low as 10 CFA/kg. All in all, it appears that far less than one percent of the second tranche rice has been lost to damage, despite the long period in storage.

D. Efforts Undertaken by GOS to Resolve PL-480 Rice Problems

1. U.S. Rice Market Familiarization Trip by CPSP

Although the government-to-government contract with Thailand is proceeding smoothly, there is an element of risk in relying almost exclusively on one source of supply. The CPSP, therefore, desired to investigate means of diversifying its sources of commercial rice imports. The American rice market was an obvious alternative. Besides, some sort of favorable deal might be arranged related to a continued PL-480 program.

Prior to Senegal's purchase of the third rice tranche, two officials from the CPSP[1] were sent to the U.S. for several weeks in May 1982 to familiarize themselves with American rice marketing and transport operations, including PL-480. Their itinerary included consultations with the Rice Millers' Association and an analysis of the American rice market and PL-480 seminar with USDA officials in Washington, D.C.; visits to the New Orleans Grain Exchange, and rice handling facilities and port operations in Lake Charles, Louisiana; the annual world-wide Rice Millers' Convention in Boca Raton, Florida, for discussions concerning all aspects of the rice industry -- production, milling, trade, finance, ocean transport and research. The training period concluded with a wrap-up session in New York, with the GOS's American agent, St. John International.[2]

2. GOS Purchase of Third Rice Tranche

The GOS team[3] sent to Washington in August 1982 to purchase the third tranche of PL-480 rice pursued the contacts made by their colleagues in May, meeting with representatives of USDA, AID, State Department, the Rice Millers' Association and the Chairman of the Cotton, Rice and Sugar Subcommittee of the

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[1]The Secretary-General of the CPSP and the Chief of the Marketing Division.

[2]The sum of 2,000,000 CFA ($6,000.00) from the Title III Account (Program Management sub-account) was used to pay travel and related expenses.

[3]The Director-General of the CPSP and the Chief of the Supply Division, also a member of the Title III evaluation team.

House Agriculture Committee.[1] During the course of the review of PL-480 rice bids, the team expressed serious reservations about the CPSP's ability to market PL-480 #5/20 percent broken rice in Senegal based on: a) the extremely slow sales of the FY 81 rice due to its high cost compared to the price of Thai 100 percent broken rice;[2] b) the financial burden placed on the GOS' own budget resources to deposit into the Title III Account the difference between sales proceeds and sum required for Title III loan foregiveness; c) the unanticipated continuing costs of storage, handling, insurance and interest for the rice remaining from the FY 81 shipment; and d) prospects of the same difficulties for the FY 82 rice shipment, despite the dramatic reduction in U.S. rice prices.

It was agreed that a remedy should be found to enable Senegal to continue financing the Title III development activities. The GOS was urged to sell the rice at the highest possible price for deposit into the Title III Account. Any gap between actual deposits and required despoits would revert to Title I dollar repayment terms, some thirty years in the future, although this might cause a corresponding reduction in the local currency budgets for the Title III program. The GOS team leader noted that his preferred solution would be to sell the remaining FY 81 rice and the FY 82 shipment at 110 CFA/kg

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[1]Mr. David R. Bowen (D-Mississippi), now retired from Congress.

[2]The CIF cost of the FY 81 PL-480 rice was $615/MT, compared to $232/MT for Thai rice, a difference of $383/MT. (State 252652 of September 9, 1982).

wholesale (approximately 118 CFA/kg retail) which would cover the local currency deposit requirement for the FY 82 shipment but still result in a shortfall for that of FY 81. He was encouraged to adopt this course of action and procure FY 82 rice. On this basis Senegal purchased approximately 23,909 metric tons of #5/20 percent brokens rice at $292.72 per ton on August 17.

What transpired next is confusing and subject to differing interpretations. During preliminary discussions for an FY 83 PL-480 program, it was believed that USDA officials agreed that if an FY 83 program were approved, they would issue purchase authorizations (PAs) and permit Senegal to tender for up to 100 percent broken rice under PL-480. In return, the GOS team indicated that if broken rice were available under PL-480 at a reasonable price, Senegal would make a sizeable commercial purchase (of up to 150,000 tons) from the United States. The GOS team viewed this offer to allow tendering for brokens under an FY 83 program as a firm commitment by the USDA and as a quid-pro-quo for their FY 82 rice purchase. For its part, USDA indicated that it could not in any way guarantee the market's response to tenders for broken rice, neither price nor supply. These apparent understandings were confirmed several times in written communication internally within and among both parties.[1]

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[1]These statements of record include an internal USDA/FAS memorandum of August 19, 1982; an interagency USG cable (State 252652) to USAID/Senegal of September 9, 1982; a letter from the GOS's agent, St. John International to the USDA/FAS of August 23, 1982; a letter from the CPSP to USDA of September 20, 1982; and a letter from USDA/FAS to St. John International of November 4, 1982.

This was the situation up to the time of this evaluation which began in mid-October 1982. An accounting of developments since then concerning the broken rice issue is resumed in Part VII of this report.

3. Proposal by CPSP to Further Reduce the Sales Price of the PL-480 Rice

It became apparent by the end of August that the wholesale price reduction to 142 CFA/kg was not causing the second tranche of Title III rice to sell any faster. Some 10,400 tons remained unsold in CPSP warehouses around the country. Furthermore, the third tranche would be arriving within less than two months, exacerbating the storage problem.

The CPSP, therefore, began to press for its preferred solution, a reduction in its wholesale price of Title III rice to 110 CFA/kg for both the second and third PL-480 tranches, a price at which it believed the rice would clear the markets. All sales proceeds would be deposited into the Title III Account and the CPSP would cover the cost of ocean freight plus handling (perhaps to be reimbursed by the GOS). The CPSP estimated that this wholesale price would generate sufficient revenues to meet the deposit requirement into the Title III Account for the third tranche, but would result in a shortfall in deposits of about $1.8 million for the second tranche. The GOS had two options

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in such a case: a) let the amount of shortfall in required deposits revert to Title I dollar repayment terms not due for some 30 years; or b) make up this shortfall from other GOS resources.[1]

The CPSP, through the Ministry of Commerce, formally requested authorization from the Ministry of Finance and Economic Affairs in mid-October 1982 to reduce the wholesale price to 110 CFA/kg. The CPSP is waiting for a decision on this proposal before developing an alternate plan to sell the PL-480 rice more rapidly.

4. Changes in the Title III Agreement

The Second Amendment to the present Title III Agreement was signed on July 16, 1982, to permit the third $7 million rice purchase by the GOS. This amendment contained two provisions related to the sale of PL-480 rice.

First, it called for the prompt sale of the second tranche rice at the previously reduced wholesale price of 142 CFA/kg (a consumer price of 150 CFA/kg). As already indicated, sales of second tranche rice at this price had begun before the second amendment was signed.

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[1]The USAID has encouraged the GOS to take the second course of action as an indication of the GOS's interest in the present Title III program which would make approval of a second Title III program more likely.

Second, to avoid a repeat of the delays between arrival and marketing of the second tranche of PL-480 rice, the Second Amendment called for the third tranche to be priced and put on sale within 30 days after its arrival at port. As the final shipment arrived in late October 1982, the rice was to be put on sale by late November.

5. Problems Foreseen with the Third Tranche

The third tranche rice purchased in August at $292.72 per ton is equivalent to approximately 103,630 CFA francs per ton or 103.6 CFA/kg (based on the weighted average exchange rate at time of purchase of 354 CFA/$1.00). The average freight rate paid was $55.20 per ton. After other charges are added (insurance, import duties, port taxes, discharge costs, and storage), total costs are calculated at 151.5 CFA/kg. Deducting import duties of 15 percent, this figure is reduced to 131.7 CFA/kg.[1] As noted, the CPSP is seeking authorization to sell the second and third tranche rice at a wholesale price of 110 CFA/kg. This means that once again, the CPSP will require external financing to make up the difference between its cost and sales price.[2]

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[1]These figures are derived from calculations (based on an exchange rate, $1.00 = 343 CFA) made by the CPSP in a memorandum of August 26, 1982, to the Ministry of Commerce, adjusted by the weighted average exchange rate in effect at time of PL-480 rice embarkation from the United States ($1.00 = 354 CFA). Therefore, the CPSP's transaction costs for the third tranche are approximately 28.1 CFA/kg (131.7 CFA/kg - 103.6 CFA/kg), or 28,100 CFA/ton.

[2]These unrecovered costs are calculated in Part IV, Table VIII.

The third tranche of PL-480 rice arrived in Dakar while second tranche rice still filled CPSP-owned warehouses. Without sufficient public storage available, the CPSP was obligated to rent private storage at the port for the third PL-480 rice tranche at the rate of 6 CFA/ton per day, or close to $400 per day for the entire shipment, another unanticipated cost.

E. Alternative Commodities to Rice

There appears to be no suitable alternative commodity to rice under Pl-480. The commodities currently available under Title I/III are wheat, wheat flour, rice, coarse grains, vegetable oil and cotton. Senegal is not eligible to receive the latter two commodities under PL-480 due to the prohibition against supplying commodities (or similar substitutes) which the recipient country exports. The possibility of corn was considered but it was concluded that the quantity needed would not be substantial. This leaves only the possibility of wheat or wheat flour as an alternative to rice in the program.

Senegal imports wheat on commercial terms exclusively from France. Imports of flour are negligible as Senegal has two flour mills with excess milling capacity. Both mills are subsidaries of French firms and purchase FOB Le Havre or Rouen.

The GOS limits the volume of commercial wheat imports to 108,000 tons per year. The two mills share this volume on the basis of a fixed allocation formula, les Grands Moulins de Dakar receiving seven-eighths and les Moulins Sentenac receiving one-eighth.

Concessional term (food aid) wheat imports totalled 28,800 tons from a number of donors in 1981, although the Food Aid Commissariariat (CAA) expects to receive only 10,300 tons in 1982. The CAA sells this wheat to the mills on the basis of the same formula above, charging the same CIF price in CFA francs as the last commercial shipment received by the mill (based on price information provided by the CPSP). Sales proceeds are deposited into special accounts.

The CPSP becomes involved due to its price stabilization function. The price of flour is controlled, presently set at 150,000 CFA per ton wholesale for regular flour (plus a seven percent value added tax). A profit margin for the mills, fixed within this wholesale price, is strictly observed by the CPSP.

Depending on the relative wheat price plus associated milling costs, the CPSP either pays a subsidy to mills if they are unable to meet their set profit margin (as a result of relatively higher wheat prices plus milling costs), or collects a levy from the mills if they exceed their allowable profit margin (as a result of relatively lower wheat prices or milling costs). In theory, this sort of price stabilization should even out over time, subsidies being roughly equal to levies. At present, however, relative commodity prices require a net subsidy to the mills from the CPSP. It is estimated that the CPSP will pay about 3,000 CFA francs ($8.33) per ton of flour, or about 2,340 CFA francs ($6.50) per ton of imported wheat.[1]

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[1]In principle, the wholesale price of flour is based on the CIF price of wheat plus milling costs plus profit margin. The price of bread, on the other hand, is set primarily on the basis of consumer purchasing power, not necessarily related to the true cost to the bakeries, to which the CPSP also pays out subsidies. The GOS has authorized several sizeable increases in the consumer price of bread in the past several years as a means to drastically reduce these subsidies.

The quoted FOB price of French commercial wheat, as high as 65,000 CFA/MT (about $180.56/MT), is considerably higher than the present price of American wheat, about 46,800 CFA/MT (or about $130.00/MT). Assuming freight and insurance costs from France or the United States to be roughly equal, it would appear that U.S. Soft Red Winter (SRW) Wheat, which is similar in quality to the French soft white wheat, would be very competitive with the French exports.

Two factors mitigate against a rapid switchover from French to American imports. First, disrupting the standing commercial affiliation between French exporters and Senegalese importers would pose a political question for Senegal. Second, a sizeable increase in the volume of food aid wheat in any given year would likely encounter the usual marketing requirement (UMR). That is, given the relatively small and restricted size of the Senegalese market, any net increase in food aid wheat imports through PL-480 would cut into commercial trade. In summary, the potential in Senegal for PL-480 wheat, if any, would not exceed $2 million (roughly 16,000 MT) per year.

F. Recommendations and Conclusions

The last delivery of the third year (FY 82) PL-480 rice shipment arrived at port on October 25, 1982, thereby fulfilling the obligations of the United States under the present Title III Agreement to supply Senegal up to $21 million of U.S. rice over the three year period, FY 1980-1982. Accordingly, this evaluation makes only one recommendation concerning management of the remaining PL-480 rice to be sold, as follows:

4. It is recommended that the Government of Senegal consider favorably the proposal of the Caisse de Perequation et de Stabilisation des Prix (CPSP) to reduce the wholesale price of the second and third shipments of PL-480 rice from 142 CFA/kilo to 110 CFA/kilo.

Discussion: It is believed that such a reduction of sales price (to a price only marginally higher than the price of Asian broken rice) will permit rapid sales of the PL-480 rice. This reduction would have several important advantages. First, the consumer would be guaranteed a quality product (rice has a limited period of storage, after which it begins to deteriorate physically). Second, Government warehouses would be freed for other products and PL-480 rice storage costs would cease. Third, the local currency funds would be generated, thereby reactivating the implementation of the Title III development projects and policy studies (as well as improving the morale of the project managers). One major disadvantage is that the CPSP would not be able to recoup all its transport, handling and distribution costs from the lower wholesale price (although these costs could be reimbursed by the Government of Senegal).

This evaluation was conducted at a time when the GOS and USAID need to decide whether to plan for a follow-on phase of the PL-480 Food for Development program to begin as early as FY 1983. Based on the foregoing analysis of the rice situation for the present Title III program, this evaluation makes several recommendations concerning possible future programming of PL-480 rice in Senegal. These recommendations are found in Part VII of this Report.

Part IV. The Title III Account

A. Introduction

The status of the Title III Account is integrally linked to the pace of PL-480 rice sales. During FY 1982, the slow sales of rice limited the deposits that could be made into the Title III Account and, consequently, limited the funds that could be allocated to Title III projects. However, poor sales are only partial cause. Tardy deposit of funds into the Title III Account is another. Yet, enough funds were transferred to the project accounts to offset the interest payment for the second tranche that would have fallen due in May 1982.

The evaluation of the Title III program last year[1] recommended that, as a precondition for authorization of the third and final rice tranche, the GOS deposit the required funds into the Title III Account for loan offset purposes of the first tranche of rice, including repayment of those funds withdrawn to pay ocean freight costs. This recommendation was accepted during review of the evaluation report in Washington in October 1981 and the precondition met in April 1982.

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[1]Senegal PL-480 Title III Program: Joint USG/GOS Annual Evaluation for U.S. Fiscal Year 1981 (October 1, 1980 - September 30, 1981), Recommendation 3.

B. Recapitulation of the Title III Account

1. First Tranche

The problem of slow deposits to the Title III Account and the adverse impact on Title III projects was discussed at the highest levels within the GOS and even brought to the attention of the Prime Minister. He instructed the Ministers of Finance and Commerce, respectively, to meet with Embassy and USAID personnel to find "urgent and adequate solutions" to the funding problem which otherwise risked compromising implementation of the Title III program.[1]

As a result of actions taken by the Ministry of Finance, the GOS borrowed 287.3 million CFA francs from its Solidarity Fund[2] in April 1982 to redeposit into the Title III Account those funds it had withdrawn in May 1981 to cover transport and handling costs for the first tranche of rice. (The withdrawal of these funds had been authorized by USAID in return for a GOS promise to replace the funds within four months.) A request by the GOS for repayment to the Solidarity Fund from Title III funds was rejected by the Management Committee. The Title III Account was debited for bank charges associated with the ocean freight loan which were subsequently repaid by the CPSP. The GOS

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[1]Letter from the Prime Minister to the Charge d'Affaires, American Embassy January 6, 1982.

[2]Fonds de Solidarite. These funds come from small deductions in the monthly salaries of GOS employees as a temporary measure to ease the GOS's current budget deficit.

also used the cumulative sum of 90.0 million CFA francs from the second tranche sales proceeds to complete the deposits required for the first tranche. All of these funds, in turn, were disbursed into the project accounts to achieve total loan offset for the first tranche. (Please refer to Table I).

2. Second Tranche

In July 1982 the Government transferred 58.9 million CFA francs from the Treasury as partial replacement for funds taken from second tranche sales proceeds to complete the deposit required for the first tranche and make up for interest earned by the Title III Account which was incorrectly calculated for loan offset purposes.[1] Other funds eligible for loan offset of the second tranche totalled 5,245,530 CFA francs as of September 30, 1982.

C. Changes in the Title III Amendment

The Second Amendment (FY 1982) to the Title III Agreement (for the third rice tranche) contains several provisions to safeguard the integrity of the Title III Account. First, to prevent further mingling of funds, only the CPSP

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[1]The Second Amendment to the Title III Agreement (FY 82) restricts any interest earned from the local currency proceeds deposited in the Title III Account from being eligible for use under the loan forgiveness provision of the Agreement. Such interest, however, is to be used for the same general development purposes as outlined in the Title III Account. (Memorandum of Understanding, Item II (c)).

Table I: Status of Title III Account as of September 30, 1982
(CFA francs)

	Eligible for Loan Offset	Interest	Total in Title III Account, Including Interest
1. Local Currency Deposit Requirement			
a. First Tranche	1,431,124,782		
b. Second Tranche	1,923,798,437		
c. Total	3,354,923,219		
2. Deposits to Title III Account through September 30, 1981	918,996,324	25,021,092	944,017,416
3. Deposits to Title III Account from October 1, 1981, to September 30, 1982	645,247,695	9,223,609	664,471,304
4. Total Deposits as of September 30, 1982	1,574,244,019	34,244,701	1,608,488,720
5. Remainder to be deposited for the second tranche	1,780,679,200		
6. Allocations to Project Subaccounts through September 30, 1981	670,154,782		
7. Balance in Title III Account as of September 30, 1981			273,863,034
8. Allocations to Project Subaccounts from October 1, 1981, to September 30, 1982	801,407,000		
9. Total Allocations as of September 30, 1982	1,471,561,782		
10. Remainder to be allocated for the second tranche	1,883,361,437		
11. Balance in Title III Account as of September 30, 1982			136,926,938

is authorized to deposit funds into the Title III Account[1] and only the Ministry of Finance is authorized to withdraw funds from the Title III Account.[2] This requirement should prevent the CPSP from borrowing funds from the Title III Account that have to be repaid by other entities within the GOS and should make it easier for the Ministry of Finance to ensure that Title III funds are used only for purposes proposed in the Title III Agreement or authorized by the Management Committee.

Second, the Management Committee was often frustrated during the past year in getting the CPSP to deposit second tranche sales proceeds into the Title III Account within a reasonable period. The CPSP was frequently delinquent in making the deposits by withholding some of the sales proceeds in order to recoup its associated costs of importing PL-480 rice. On at least three occasions, the Ministry of Finance had to petition the CPSP to urgently deposit the sums overdue. The CPSP was advised not to make its own cost deductions directly from the sales proceeds but submit supporting documentation on a regular basis to the Ministry of Finance for reimbursement.[3] That is, the Title III Account was not supposed to function as an operational budget for the CPSP.

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[1]Memorandum of Understanding, Item II (B).

[2]Memorandum of Understanding, Item II (E).

[3]Letters from the Secretary-General, Ministry of Finance, to the Director-General, CPSP, dated January 27, 1982; March 12, 1982; and August 24, 1982.

To remedy this situation, the Second Amendment requires that the CPSP deposit local currency funds from Title III rice sales no later than fourteen days after the CPSP receives funds from Title III sales and that such funds will not be allocated to pay other GOS expenses until full deposit requirements have been met.[1] The Management Committee has interpreted this requirement liberally to mean that the CPSP can withhold from the Title III Account that amount of sales proceeds to cover the CPSP's expenses, based on supporting documentation, on a proportional basis to the rice sold.[2] It is not certain yet that this new system of steady deposits is working. After August 24, 1982, the CPSP did not make its next deposit until October 9, 1982, in the amount of 90 million CFA francs, a sizeable deposit. Presumably, some PL-480 rice had been selling during the interim, however, for which smaller amounts should have been deposited within the fourteen-day period.

A recapitulation of the Title III Account for the first and second tranches is shown in Tables II and III.

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[1]Memorandum of Understanding, Item II. (B).

[2]The CPSP calculated the cost of its transactions for the second tranche to be 30.689 CFA/kg. This amount was deducted from the sales proceeds of PL-480 rice before deposit into the Title III Account.

Table II: Recapitulation of Accounts - First Tranche
(CFA francs)

	Eligible for Loan Offset	Interest	Total in Title III Account, Including Interest
1. Local Currency Deposit Requirement	1,431,124,782		
2. Deposits to Title III Account			
a. 11/11/80	400,000,000		
b. 11/18/80	500,000,000		
c. 12/31/80	--	2,472,265	
d. 2/11/81	300,000,000	--	
e. 3/31/81	--	6,301,113	
f. 7/20/81	4,600,971	6,691,964	
g. 8/06/81*	- 287,262,077	--	
h. 9/30/81	1,657,430	9,555,750	
(Subtotal as of September 30, 1981)	918,996,324	25,021,092	944,017,816
i. 12/31/81	2,887,646	2,082,730	
j. 2/23/82	135,141,287	--	
k. 3/31/82	1,296,904	1,895,349	
l. 4/05/82	90,000,000	4,459,456	
m. 4/07/82°	282,802,621	--	
3. Total Deposits for First Tranche	1,431,124,782	33,458,627	1,464,583,409
4. Allocations to Project Subaccounts			
a. 11/20/80	376,600,000		
b. 4/06/81	120,191,000		
c. 9/30/81	173,363,782		
(Subtotal as of September 30, 1981)	670,154,782	--	273,863,034
d. 10/06/81	61,000,000		
e. 10/28/81	52,000,000		
f. 11/10/81	70,000,000		
g. 11/20/81	25,000,000		
h. 3/10/82	69,000,000		
i. 5/10/82	177,970,000		
j. 5/14/82	306,000,000		
5. Total Allocations	1,431,124,782		
6. Balance in Title III Account from First Tranche			33,458,627

*Withdrawal for ocean freight, insurance and handling costs.

°Borrowed from the Solidarity Fund.

Table III: Recapitulation of Accounts - Second Tranche
(CFA francs)

	Eligible for Loan Offset	Interest	Total in Title III Account Including Interest
1. Local Currency Deposit Requirement	1,923,798,437		
2. Balance from First Tranche			28,999,171
3. Deposits to Title III Account			
a. 4/07/82*	4,459,456	--	
b. 4/20/82	8,200,000	--	
c. 6/21/82	20,000,000	--	
d. 6/30/82	2,902,575	3,653,115	
e. 7/28/82°	58,909,582	--	
f. 8/24/82	45,000,000	--	
g. 9/30/82	3,647,624	1,592,415	
(Subtotal as of September 30, 1982)	143,119,237	5,245,530	177,363,938
h. 10/09/82	90,000,000		
4. Total Deposits for Second Tranche as of evaluation	233,119,237	5,245,530	267,363,938
5. Allocations to Project Subaccounts			
a. 5/10/82	2,437,000		
b. 5/17/82	38,000,000		
(Subtotal as of September 30, 1982)	40,437,000		
c. 10/13/82	70,000,000		
d. 10/21/82	25,000,000		
e. 10/28/82	25,000,000		
6. Total Allocations as of evaluation	160,437,000		

*Borrowed from the Solidarity Fund.

°Transfer from GOS Treasury.

D. Impact of the Second Tranche PL-480 Rice Sales Price

1. Background

Part III of this Report attributed the slow rate of the sales of second tranche PL-480 rice on Senegalese markets chiefly to its relatively expensive price. The Second Amendment to the Title III Agreement, signed in July 1982, acknowledged the problem of limited funds in the Title III Account by retroactively revising the annual program budgets for projects and policy studies downward from $7 million to $4.3 million for the first year and upward for the last two years accordingly. These revised annual budgets are shown in Table IV, compared to the original funding levels.

2. Shortfall in the Title III Account

The wholesale price of second tranche rice was priced at 179.285 CFA/kg by the CPSP to cover all its costs. Although the official retail price was set at 187 CFA/kg, the actual market price was usually slightly higher. As the PL-480 rice was considerably more expensive than broken rice, only 702 tons were sold from September 1981 through April 1982. The GOS reduced its wholesale price of PL-480 rice to 142 CFA/kg at the end of April 1982, hoping to recoup its shortfall by selling the third tranche rice above cost. This price reduction allowed an additional 1,836.5 tons to be sold by October 21, 1982. By that date, however only 2,538.5 tons of rice out of 12,962.2 tons had been sold leaving more than 10,400 tons still in storage.[1]

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[1]Please refer to Part III, Section C for an analysis of PL-480 rice sales.

Table IV. Second Amendment Budgets (thousands of U.S. dollars)

	Year 1		Year 2		Year 3		Total	
	Original	Revised	Original	Revised	Original	Revised	Original	Revised
1. Agricultural Policy Studies	300	25	300	466	300	573	900	1064
a. ISRA	(300)	(25)	(300)	(330)	(300)	(245)	(900)	(600)
b. Princeton	--	(0)	--	(136)	--	(328)	--	(464)
2. Local Cooperative Storage	2000	664	1000	2075	1000	1245	4000	3964
3. Decentralization of Research	1520	479	1520	1947	1710	2191	4750	4617
4. Rural Technical Schools	900	1644	900	960	240	0	2040	2604
a. ENEA		(1241)		(960)		0		(2201)
b. ENCR		(403)		(0)		0		(403)
5. Reforestation and Dune Fixation	2080	1428	2180	1665	2650	3572	6910	6665
6. Development Funds for Rural/ Agricultural Activities	0	0	1000	691	1000	1143	2000	1834
7. Program Management	200	100	100	73	100	76	400	249
Total	7000	4320	7000	7877	7000	8800	21000	20997

At the time of this evaluation, the GOS was considering a proposal to further reduce the wholesale price of PL-480 rice to 110 CFA/kg in order to sell the rice more quickly. If this price reduction is approved and all of the remaining rice is sold, the GOS would have to subsidize the CPSP by 826.1 million CFA francs to make up for its loss of revenues. Of this sum, 425.9 million CFA francs would be required to meet the Title III Account deposit requirement for the second tranche and the remainder, about 400 million CFA francs, to cover the GOS's associated costs (ocean freight, insurance and handling) for the entire second tranche transaction. (Please refer to Table V).

Looking ahead, if the volume of rice for the third tranche is also sold at 110 CFA/kg, sales proceeds will exceed the deposit requirement by about 152.3 million CFA francs. (Please refer to Table VI).[1] This sum could either help defray the CPSP's PL-480 transaction costs or be applied against the deficit in deposits for the second tranche. Assuming the latter option, the net deficit in deposits into the Title III Account for the three-year program reduces from 425.9 million CFA francs to about 273.6 million CFA francs.

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[1]Figures shown in both Tables V and VI should be considered indicative and not official. The GOS (CPSP) and Title III Management Committee will have to reach agreement on definitive figures.

TABLE V. Shortfalls for Second Tranche

1.	Total cost of second tranche to CPSP (rice, transport and handling), as originally calculated (excluding subsequent storage costs) 12,962,170 kg x 179.285 CFA/kg	2,323,922,648 CFA
2.	Deposit requirement for Title III Account $6,997,543.89 x 274.9248 CFA/$1.00	1,923,798,437
3.	Total Volume of Rice sold (as of October 21, 1982)[1]	
	a. good quality - wholesale	
	667,424 kg x 179.285 CFA/kg	119,659,111
	1,671,560 kg x 142.0 CFA/kg	237,361,520
		357,020,631
	b. good quality - retail	
	34,592 kg x 181.76 CFA/kg	6,287,764
	2,742 kg x 145.826 CFA/kg	1,858,064
	230 kg x 113.826 CFA/kg	26,180
		8,172,008
	c. poor quality 151,900 kg x 49.093 CFA/kg (weighted average price)	7,457,200
	d. total proceeds	372,649,839
	e. total tonnage sold 2,538,488 kg	
4.	Less second tranche revenues attributed to first tranche deposits (90,000,000 CFA)	282,649,839
5.	Total value of remaining rice at 110 CFA/kg 12,962,170 kg -2,538,488 10,423,682 kg x 110 CFA/kg[2]	1,146,605,020
6.	Total sales proceeds (4 + 5)	1,429,254,859
7.	Other funds available for loan offset	
	a. Solidarity Fund	4,459,756
	b. Interest from project sub-accounts	5,245,530
	c. Treasury Funds	58,909,582
		68,614,868
8.	Total funds available for second tranche deposit requirement (6 + 7)	1,497,869,727
9.	Total loss to GOS for second tranche (1 - 8) (or subsidy required for GOS to avoid loss)	826,052,921
10.	Of which shortfall for Title III Account second tranche (2 - 8) (or subsidy required for CPSP)	425,928,710
11.	Of which loss to GOS on its PL-480 rice transactions (9 - 10)	400,124,211 CFA

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[1]DP/AD, Ministere du Commerce, Caisse de Perequation et de Stabilisation des Prix, October 21, 1982.

[2]The figures shown in this calculation represent the most optimistic scenario as no rice losses are assumed. A reasonable assumption would be losses of one percent.

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Table VI. Overall Shortfall in Title III Account

1.	Shortfall in second tranche deposit requirement to Title III Account (from Table V, No. 10)	425,928,710 CFA
2.	Deposit requirement for Title III Account, third tranche $6,998,642.48 x 354.025 CFA/$1.00	2,477,694,404
3.	Value of third tranche at 110 CFA/kg 23,909,000 kg x 110 CFA/kg[1]	2,629,990,000
4.	Surplus sales proceeds (3 - 2)	152,295,596
5.	Reduction in shortfall if third tranche surplus proceeds are applied against current shortfall in deposits for second tranche (1 - 4)	273,633,114 CFA

3. Forfeiture of Title III Loan Forgiveness?

If the GOS decides not to subsidize the Title III Account, the difference between the deposits in the Title III Account and the value required to be deposited for full loan offset reverts to a loan under the terms of PL-480 Title I (two percent interest over a ten year grace period and three percent for the following 30 years). As it is in Senegal's best interest to defer loan repayments as long as possible, this deficit should be applied against the third year of the Title III program, rather than the second year. This means that, just as some sales proceeds from the second tranche were used to meet the deposit requirements for the first tranche, some sales proceeds from the third tranche will be used for the deposit requirements for the second.[2]

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[1]This calculation assumes no rice losses.

[2]The USAID has urged the GOS to make up the full deficit in the Title III Account and not forfeit loan forgiveness.

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To repay a loan of $772,921 (the third tranche equivalent of 273,633,114 CFA francs, from Table VI), the GOS would have to make eight annual installments averaging $252,431.81 beginning 33 years after CCC[1] disbursement (date of on-board bill of lading). Thus, it would spend a total of $2,019,454.54 in dollars to repay the loan. (Please refer to Table VII.)

Earlier in the second year, when the GOS and USAID were discussing different options to reduce the wholesale price of second tranche rice, it was calculated that, at a wholesale price of 147 CFA/kg for both the second and third tranches and based on an exchange rate of ($1.00 = 287 CFA) for purchase of the third tranche, sales revenues from both tranches would a) meet the Title III deposit requirement and b) recoup all the CPSP's costs for the second and third tranches.[2] Unfortunately, the continued appreciation of the dollar to ($1.00 = 354 CFA) at the time of purchase for the third tranche, has made this impossible. The CPSP is faced with contining losses on its PL-480 rice transactions, in addition to the shortfall in Title III deposits.

According to Table VIII, the unrecovered cost of the GOS for the Title III program range between 1,164 million CFA and 1,011 million CFA (or between $3.8 million and $3.4 million). In view of the goal of the IMF Standby Agreement to sharply reduce the operating deficit of the CPSP, the GOS may elect to

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[1]Commodity Credit Corporation, the USG commodity procurement agency for PL-480 programs.

[2]See Embassy cables Dakar 100 (January 6, 1982) and Dakar 305 (January 13, 1982).

TABLE VII. Repayment Schedule, assuming Third Tranche Surplus Proceeds are applied against Second Tranche Deficit

A. Deficit (from Table VI)[1] 273,633,114 CFA ($ 772,921)

B. Repayment Schedule

Year	Payment of Interest and Principle	Loan Offset	Actual Payment
1	$140,000	$6,232,227.57	$ 0
2	140,000	6,216,872.12	0
3	140,000	6,201,209.56	0
4	140,000	6,185,233.75	0
5	140,000	6,168,938.43	0
6	140,000	6,152,317.20	0
7	140,000	6,135,363.54	0
8	140,000	6,118,070.81	0
9	140,000	6,100,432.23	0
10	435,806	5,847,639.20	0
11	429,632	5,593,436.38	0
12	422,258	5,338,981.47	0
13	415,483	5,083,667.91	0
14	408,709	4,827,468.95	0
15	401,935	4,570,358.02	0
16	395,161	4,312,307.76	0
17	388,387	4,053,289.99	0
18	381,613	3,793,275.69	0
19	374,839	3,532,234.96	0
20	368,064	3,270,138.01	0
21	361,290	3,006,952.15	0
22	354,516	2,742,644.71	0
23	347,742	2,477,182.05	0
24	340,968	2,210,529.51	0
25	334,194	1,942,651.40	0
26	327,419	1,673,511.94	0
27	320,645	1,403,072.30	0
28	313,871	1,131,293.47	0
29	307,097	858,135.27	0
30	300,323	523,556.33	0
31	293,548	307,515.02	0
32	286,774	29,966.47	0
33	280,000	0	249,134.54
34	273,226	0	273,226.00
35	266,451	0	266,451.00
36	259,677	0	259,677.00
37	252,903	0	252,903.00
38	246,129	0	246,129.00
39	239,354	0	239,354.00
40	232,580	0	232,580.00
TOTAL			$2,019,454.54

[1]These are the figures at the time of evaluation (both Tables VII and IX). If the GOS elects not to deposit the required sum (under either scenario), the GOS and USAID should verify these repayment schedules.

Table VIII. Unrecovered Costs of the GOS for PL-480 Rice Transactions

1. **First Tranche**

According [illegible] last year's Evaluation Report (page 15), the [illegible],000 CFA per ton of first tranche PL-480 rice

5,000 [illegible]/MT x 18,459.95 MT =	92,299,750 CFA

(or $451,436 at the first tranche exchange rate)

2. **Second Tranche**

According to Table IV, the loss to the CPSP on second tranche PL-480 rice will be	400,124,211 CFA

(or $1,455,420.50 at the second tranche exchange rate, of which 287,262,077 CFA francs represents a loss to the Solidarity Fund)

3. **Third Tranche**

According to the CPSP, its transaction costs on the third tranche will be 28,100 CFA per ton.

It is unknown whether the CPSP will apply the difference between the proposed wholesale price of $110,000 CFA per ton and the Title III deposit value of 103,630 CFA per ton to the shortfall in second tranche deposits.

a) If so, then the CPSP will not recover the difference above and lose the full 28,100 CFA per ton, as follows:

28,110 CFA/MT x 23,909.0 MT =	671,842,900 CFA

(or $1,897,727 at the third tranche exchange rate)

b) If the CPSP does not apply the difference between 110,000 CFA per ton wholesale price and 103,630 CFA per ton deposit requirement to the shortfall in the Title III Account, the CPSP's losses are reduced as follows:

(103,630 CFA/MT + 28,100 CFA/MT) - 110,000 CFA/MT x 23,909.0 MT =
131,730 CFA/MT - 110,000 CFA/MT x 23,909.0 MT =
21,730 CFA/MT x 23,909.0 MT = 519,542,570 CFA
(or $1,467,530.74 at third tranche exchange rate)

4. Total Unrecovered costs

a) high estimate		b) low estimate	
1.	92,299,750 CFA	1.	92,299,750 CFA
2.	400,124,211	2.	400,124,211
3.	671,842,900	3.	519,542,570
	1,164,266,861 CFA		1,011,988,261 CFA
1.	$ 451,436.00	1.	$ 451,436.00
2.	1,455,420.50	2.	1,455,420.50
3.	1,897,727.00	3.	1,467,530.74
	$3,804,583.50		$3,374,387.24

The CPSP has independently calculated its unrecovered costs for both the second and third tranches at approximately 1,008,000,000 CFA which compares to the high and low estimates above as follows:

2.	400,124,211 CFA	2.	400,124,211 CFA
3.	671,842,900	3.	519,542,570
	1,071,967,111 CFA		919,666,781 CFA

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apply the third tranche sales proceeds in excess of the third tranche deposit requirement against the CPSP's unrecovered loss on PL-480 rice (the lower estimate), rather than reducing the overall deficit in the Title III Account. In this case, the total deficit in the Title III Account would be 425,928,710 CFA francs (Table V), instead of 273,633,114 CFA francs (Table VI). To repay the sum of $1,203,104.00 (the third tranche dollar equivalent of 425,928,710 CFA francs) on Title I terms, the GOS would have to make 12 installments averaging $248,855.00 beginning 29 years after CCC disbursement (date of the on-board billing of lading), or a total of $2,986,257.55. (Please refer to Table IX).

4. Impact on Project Accounts

Naturally, the larger the deficit in the Title III Account, the greater possible adverse impact on the Title III project budgets. By January 1982 USAID determined that given the rate of market turnover, the Title III Account would not have sufficient funds to meet the project budget requirements for the second year of program implementation. To prepare for this shortfall, USAID proposed to the Management Committee and project managers that each project budget be reduced and project objectives be modified accordingly. The sum of all project budget requests were cut in half from 2.074 million CFA francs to 0.984 million CFA francs. Even this reduced funding level was not achieved.

TABLE IX. Repayment Schedule, assuming Third Tranche Surplus Proceeds are not applied against Second Tranche Deficit

A. Deficit (from Table V, no. 10) 425,928,710 CFA ($1,203,104)

B. Repayment Schedule

Year	Payment of Interest and Principle	Loan Offset	Actual Payment
1	$140,000	$5,800,580.92	$ 0
2	140,000	5,776,592.54	0
3	140,000	5,752,124.39	0
4	140,000	5,727,166.88	0
5	140,000	5,701,710.22	0
6	140,000	5,675,744.42	0
7	140,000	5,649,259.34	0
8	140,000	5,622,244.50	0
9	140,000	5,594,689.39	0
10	435,806	5,326,724.07	0
11	429,632	5,056,893.79	0
12	422,258	4,786,342.60	0
13	415,483	4,514,449.88	0
14	408,709	4,241,174.38	0
15	401,935	3,966,474.61	0
16	395,161	3,690,307.85	0
17	388,387	3,412,630.09	0
18	381,613	3,133,395.99	0
19	374,839	2,852,558.87	0
20	368,064	2,570,071.64	0
21	361,290	2,285,883.79	0
22	354,516	1,999,944.30	0
23	347,742	1,712,200.63	0
24	340,968	1,422,598.65	0
25	334,194	1,131,082.61	0
26	327,419	837,596.09	0
27	320,645	542,078.97	0
28	313,871	244,470.34	0
29	307,097	0	55,292.55
30	300,323	0	300,323.00
31	293,548	0	293,548.00
32	286,774	0	286,774.00
33	280,000	0	280,000.00
34	273,226	0	273,226.00
35	266,451	0	266,451.00
36	259,677	0	259,677.00
37	252,903	0	252,903.00
38	246,129	0	246,129.00
39	239,354	0	239,354.00
40	232,580	0	232,580.00
TOTAL			$2,986,257.55

Title III projects received only 801.4 million CFA francs in FY 1982, slightly over one-third of their project budgets for the second year as specified in the Second Amendment. All but 40.4 million CFA of this amount was attributed to the first tranche budget. This latter sum also offset the two percent dollar interest payment that would have come due on the first $7 million PL-480 loan. Projects were funded according to their immediate needs and the availability of funds, so that the portion of second year budgets received varied from project to project. (Please see Table X).

E. Recommendations

1. Title III Budgets in CFA Francs

Last year's Evaluation Report recommended that the total three year Title III Account be denominated in CFA francs and that, in turn, the Title III project accounts also be denominated in CFA francs in order that the project managers can estimate their life-of-project funding and plan activities accordingly.[1]

This recommendation was not fully carried out. The Management Committee calculated project budgets in CFA francs using the exchange rates for the on-board dates of the first and second tranche and using an estimated exchange rate for the third tranche. However, the Management Committee did not formally

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[1] Recommendation 10.

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Table X. Status of Title III Project Allocations as of September 30, 1982
(000s CFA Francs)

Project	a.	b.	c.	d.	e.	f.	g.	h.	i.	j.	k.	l.	Total	m.	n.	o.
1. Agriculture Policy Studies																
(a) ISRA			5000							38000			43000			
(b) Princeton U.										17000			17000		15000	
2. Local Cooperative Storage	11000		120000					15000	139970			38000	323970	40000		
3. Decentralization of Research	45400				52000					96000			193400			
4. Rural Technical Schools																
(a) ENEA	71000	120191		61000				25000		55000			332000			25000
(b) ENCR	40000		42000										82000			
5. Reforestation and Dune Fixation	195200					70000				100000			365200			
6. Rural Development Fund																
(a) OFADEC							25000	20000	28000				73000			25000
(b) Millet Transformation								5000	10000				15000			10000
7. Program Management	14000		6363.782					4000			2437		26800.782	5000		
Subtotals	376600	120191	173363.782	61000	52000	70000	25000	69000	177970	306000	2437	38000	1471561.782	45000	15000	60000

Dates of Disbursement to Project Accounts

a. November 20, 1980
b. April 6, 1981
c. September 30, 1981 (End of disbursements during FY 1981)
d. October 6, 1981
e. October 28, 1981
f. November 10, 1981
g. November 20, 1981
h. March 10, 1982
i. May 10, 1982
j. May 14, 1982 (End of disbursements for first tranche)
k. May 10, 1982
l. May 17, 1982 (End of disbursements during FY 1982)
m. October 12, 1982
n. October 20, 1982
o. October 22, 1982

approve these project budgets. Instead, it allowed the Title III project managers to use arbitrary exchange rates in determining their budgets. Hence, confusion persists in comparing the planned project budgets in dollars (Table IV) with allocation of CFA francs to the project accounts (Table X).

In a practical sense, there was no immediate urgency in establishing precise project budgets denominated in CFA francs because the Management Committee could not meet second year project funding needs anyway, due to the low availability of funds in the Title III Account most of the year. As funding becomes available, however, and with agreement on revised project budgets (denominated in dollars) for the life of the Title III program (Table IV), it is becoming increasingly necessary for the Management Committee to establish project budgets in CFA francs. To establish these budgets, it will have to agree upon the exchange rates to be used for conversion of the dollar budgets indicated in the Second Amendment into CFA franc budgets. If the exchange rates in effect on the dates of embarkment are used to determine each year's budget, project budgets will simply inflate accordingly. It will be difficult, however, for the present projects to efficiently absorb all of the funds in the Title III Account. (Please see Table XI).

On the other hand, if the Management Committee uses the exchange rate used in the original Title III Program Proposal, ($1.00 = 200 CFA), the projects will probably be underfunded and life-of-project budgets will need to be modified by the Management Committee (if less than the fifteen percent specified in the Second Amendment) or by a new amendment (if more than fifteen percent).

Table XI. Net Increase in CFA Franc Deposits to the Title III Account as a Result of Dollar Appreciation

The increase in the sum of CFA francs to be deposited into the Title III Account (to achieve full loan offset) as a result of the appreciation of the dollars is simply demonstrated by comparing a) the sum of all three tranches maintaining the exchange rate for the first tranche, and b) the sum of all three tranches using their respective exchange rates.

a) Maintaining the exchange rate for the first tranche.

1.	\$6,999,598 x 204.458 CFA/\$1.00	=	1,431,124,782 CFA
2.	6,997,544 x 204.458	=	1,430,703,800
3.	6,998,642 x 204.458	=	1,430,928,346
			4,292,756,928 CFA

b) Using the respective exchange rate for each tranche.

1.	\$6,999,598 x 204.458 CFA/\$1.00	=	1,431,124,782 CFA
2.	6,997,544.89 x 274.924	=	1,923,798,437
3.	6,998,642.48 x 354.025	=	2,477,694,404
			5,832,617,623 CFA

c) The net increase in CFA francs due to appreciation of the dollar.

5,832,617,623 CFA
\- 4,292,756,928
1,539,860,695 CFA, which is itself more than seven percent greater than the deposits required for the first tranche.

Therefore, taking the deficit of 425,928,710 CFA for second tranche deposits to the Title III Account

d) The difference between the net increase in CFA francs (c) and the deficit in the Title III Account of 273,633,114 CFA if third tranche surplus sales proceeds are applied against the second tranche deficit (Table VI) is

1,539,860,695 CFA
\- 273,633,114
1,266,227,581 CFA net increase in deposits

e) Furthermore, the difference between the net increase in CFA francs (c) and the full second tranche deficit in the Title III Account of 425,928,710 CFA (Table V) is

1,539,860,695 CFA
\- 425,928,710
1,113,931,985 CFA net increase in deposits

Therefore, the net increase in CFA francs to be deposited into the Title III Account as a result of the appreciation of the dollar far exceeds the possible reduction in the Title III Account if the GOS does not make up the shortfall. In either case, it is highly probable that all original Title III projects will receive sufficient funds to complete their activities.

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As one option to limit some of the inherent difficulties in using either of the two above methods for denominating project budgets in CFA francs, the Management Committee could select an intermediate exchange rate which would give the projects enough funds to easily meet their objectives while leaving funds in the Title III Account for use in new projects.

The most efficient method for determining project budgets, however, is for the Management Committee to request Title III project managers to determine their respective life of project financial needs in CFA francs which will accomplish the project objectives as originally defined in the Title III Program Proposal and Agreement. The Management Committee could work with project managers to finalize the budget requests.

5. It is recommended that the Management Committee offically establish life of project budgets denominated in CFA francs for each Title III project and policy study, based on the submission from each project manager indicating the respective financial needs of each project or study to achieve its original objectives.

The primary advantage of this recommendation is that it permits better planning of Title III activities and expenditures by project managers as well as the Management Committee.

In a related matter, last year's Evaluation Report recommended that the GOS and USAID agree on a procedure to review potential cost over-runs or shortfalls and reach decisions on adjustments in life-of-project funding to ensure that high priority activities are funded within total Title III Account availabilities.[1]

The GOS and USAID took three steps to carry out this recommendation. First, the Second Amendment to the Title III Agreement revised the three-year Title III project accounts as shown in Table IV. Some project accounts were increased and others decreased by this action. Second, the Second Amendment allows for possible future funding changes in any project account, not to exceed 15 percent, to be authorized by side letter to the Agreement.[2] Third, the Management Committee adopted a procedure whereby USAID approves each project contract in order to see that it squares with the revised project budget as a means to avoid cost overruns. These positive steps, however, do not address the issue of funding individual projects according to priority ranking. During the past year, the Management Committee has allocated funds to all Title III projects, despite the periodic shortage of funds, in order to respect a basic equilibrium for implementation of all projects.[3]

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[1]Recommendations 7 and 8.

[2]Title III Agreement, Annex B, Item III. A.

[3]This policy was reaffirmed by the Director of Debts and Investments (Ministry of Finance and Economic Affairs) in a meeting with Title III project managers and the Title III evaluation team, October 25, 1982.

2. Budgeting for Foreign Exchange Cost Components

A number of the Title III projects and policy studies have inputs which are paid in foreign exchange (dollars), either technical assistance or procurement of equipment and materials. The fluctuating dollar-CFA franc exchange rate has caused problems in budget planning and in payment for goods and services received. Project managers find it difficult to make accurate budget estimates for dollar expenditures because exchange rates cannot be foreseen in advance.

6. <u>It is recommended that the following procedure concerning exchange rates be used in planning and reporting dollar expenditures for all Title III project and study CFA franc accounts.</u>

   a. Preliminary expenses should be expressed in CFA francs based on the approximate exchange rate.

   b. Reported expenses should be expressed in CFA francs, using the exchange rate in effect on the date of transaction.

   c. In the case of wide divergence between the estimated exchange rate and the actual exchange rate in effect on the date of transaction, the Management Committee can make adjustments in the project budget.

d. In the case where a Title III project or study must reimburse a dollar advance from an outside entity (notably, the case of Princeton University and its Title III policy study), the exchange rate in effect on the date of transaction must be used.

3. New Projects for Title III Funding.

Once all of the project budgets are established in CFA francs, the Management Committee will have to consider how to use the remaining funds in the Title III Account. The unforeseen change in the exchange rate will cause the Title III Account to have more than 1.5 billion CFA francs more than originally expected if the GOS deposits all the funds required.[1] It will be the task of the Management Committee to ensure that all of these remaining funds are used effectively to offset the PL-480 loan. The Management Committee will have to carefully develop and authorize additional development projects for funding which are consistent with GOS priorities and Title III program objectives.[2]

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[1]Please refer to Table XI.

[2]The GOS has identified artisanal fisheries as a project area for additional Title III funding. The GOS will support new projects for Title III funding which correspond to the priorities defined in the framework of its Sixth Development Plan, particularly development of the rural sector.

7. It is recommended that the Management Committee study and plan the financing of supplementary projects under the present Title III program which are of high priority vis-a-vis the Government of Senegal's policy reform commitments and economic Recovery Program, as well as possibly expanding the present Title III projects and policy studies.

It is suggested that the Management Committee first consider the CFA franc life of project budget request submitted by each project manager (according to Recommendation 5 above), before considering additional projects to be financed. The PL-480 loan offset that occurs due to transfer of funds into the accounts of the original projects will allow the newly authorized projects to continue well past the completion of the original projects without the GOS having to pay any interest or principle. Therefore, the new projects need not finish within the life-span of the Title III program and the Management Committee could defer authorizing new projects until the original projects are nearing completion.

Part V. Title III Program Management

A. Introduction

All but one of the recommendations made one year ago concerning management of the Title III program, greater utilization of the Title III Secretariat, were satisfactorily met. This Evaluation Report makes three recommendations for more effective program management. The first, which reiterates the need to lend greater definition to the role of the Secretariat, is largely within the authority of the Management Committee to carry out. The two other recommendations, concerning more staff support for the CPSP's Title III workload and a new per diem policy for official Title III business, will require either GOS or joint GOS and USAID action.

B. Review of Recommendations from last year's Evaluation Report.

More than half of the recommendations from last year's Title III Evaluation Report concern program management issues to be carried out during the course of the year. A review of these recommendations and actions taken follows.[1]

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[1]Several of these recommendations (Recommendations 3, 7, 8 and 10) are discussed in Part IV.

1. Recommendation 5

It was recommended that USAID appoint a Title III Coordinator experienced in development programming, budgeting and project monitoring and available to spend most of his work time, if necessary, for the Title III program.

In response, USAID reorganized its internal division of responsibilities for the Title III program. The Food for Peace Office (RFFPO) retained all responsibilities for PL-480 rice up through the deposit of the rice sales proceeds into the Title III Account, as well as reporting on the allocation of these funds into the individual project accounts.

The USAID deputy agricultural development officer (ADO) was named as Title III Coordinator. Members of his staff were assigned responsibilities to monitor each respective Title III project or policy study and offer technical advice to the GOS project managers where necessary. Therefore, the responsibility of the USAID project monitors begins from the moment that funds are allocated to the individual project accounts from the Title III Account. The Coordinator reports spending up to one-fourth of his time on Title III matters, although this workload may vary.

2. Recommendation 6

It was recommended that the GOS designate a counterpart to the USAID Coordinator who can dedicate the necessary time required for effective programming and who has decision-making authority to ensure the effective implementation of the Title III program.

To assess this recommendation requires discussion of the Title III Management Committee. As originally constituted in the Title III Program Proposal, the Management Committee was authorized to make executive-level decisions concerning the sale of PL-480 rice and deposit of proceeds, questions of budget allocations and project implementation, preparation of periodic reports and resolution of problems inhibiting the achievement of program goals. The Management Committee was to be comprised of members from each respective GOS ministry or agency implementing a Title III project and to be chaired by a representative of the Ministry of Plan. In practice, the Management Committee came to include representatives of the Ministries of Plan and Cooperation, Finance and Economic Affairs, and Commerce, the CPSP, each Title III project manager plus the USAID Coordinator -- about a dozen members. More often than not, especially when slow rice sales and deposits limited the availability of Title III funds, the role of the project managers became one of advocacy for their respective projects to receive more funds rather than overall program management objectives.

Recognizing the need to streamline a cumbersome management and decision-making process, the USAID and GOS agreed in April 1982 to establish a new, smaller Management Committee, consisting of one representative from the Ministries of Plan, Finance and Commerce and the USAID Coordinator.[1] The

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[1]Membership of the Management Committee during the past year has been Mr. Mademba N'Diaye (Ministry of Plan), Mr. Lamine Diouf (Ministry of Finance), Mr. Amadou Ba (Ministry of Commerce) and Mr. Lance Jepson (USAID/ADO). Mr. Ibrahima Samb replaced Mr. Diouf in April 1982. Mrs. Fatou Ly (CPSP, Ministry of Commerce) often attends as an observer.

representative from the Ministry of Plan is Chairman of the Management Committee and the representative from the Ministry of Finance is permanent Secretary. The Title III project managers are to serve as technical advisors and resource personnel for the Committee. The Second Amendment (FY 82) to the Title III Agreement gave official sanction to the revised structure for the Management Committee.[1]

The structure of the Management Committee emphasizes collective management responsibilities. Decisions are reached by concensus among all members. Thus, there is no GOS counterpart to the USAID Coordinator with sole executive decision-making responsibilities in the formal sense. To the extent there is one, the de facto counterpart is the Committee chairman.

3. Recommmendation 9

It was recommended that the USAID Coordinator work with the GOS counterpart [Management Committee or its Chairman] to get the underutilized Title III Secretariat to take on more project reporting, monitoring and budgeting functions than being done by USAID. If this proved impossible, the GOS was to seriously consider reducing the staff of the Secretariat.

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[1]Title III Agreement, Annex B, Item IV. A.

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The role of the Secretariat, according to the original program proposal, was to prepare periodic and special reports, draft the annual evaluation report, approve and assist in the evaluation systems for each Title III project and carry out other duties as delegated by the Management Committee. The Secretariat staff is headed by an executive secretary.[1] The evaluation team last year found that the Secretariat was not doing enough to assist the permanent Secretary.

The Secretary of the Management Committee and the USAID Coordinator developed a draft list of clearly defined responsibilities for the Secretariat which were put into final based on discussions with the executive secretary. Under this new arrangement, the Secretariat was to coordinate the preparation and evaluation of quarterly work plans, budgets and reports, and bring to the attention of the Management Committee any problems affecting program execution. This new list of responsibilities, however, has not been officially presented to the Secretariat or approved by the Management Committee. Without this list and the authority it confers, the executive secretary does not feel properly supported to carry out these expanded duties.

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[1]Mr. Assane Sambe.

4. Recommendation 11

This recommendation commended the initiative of the USAID Food for Peace Office in preparing a draft handbook on Title III implementation. It was recommended that this handbook be reviewed and cleared by the AID Regional Legal Advisor (RLA) in Abidjan to ensure that it conformed to any statutory or treaty requirements (with particular view to determining whether PL-480 Title III program comes within the purview of the 1961 Accord between the United States and Senegal), be revised, if needed, and issued.

The draft handbook was reviewed by the Regional Legal Advisor and revised accordingly. The RLA determined that Title III local currencies, as GOS-owned funds, do not fall under the provisions of the 1961 Accord with the requirement to follow AID regulations concerning source of origin for commodity procurement.

The handbook was translated into French and delivered to the Ministry of Finance in February 1982 for review and approval. The GOS has yet to comment on the handbook. The handbook was also distributed to the Title III project managers in early 1982 as a guide to planning quarterly activities and estimating quarterly expenditure requirements.

5. Recommendation 13

It was recommended that the GOS Coordinator [Management Committee or its Chairman] investigate the following issues related to Title III project implementation: a) means of obtaining tax exempt status of equipment and materials and b) means of facilitating the time consuming GOS contracting procedures.

For the first issue, requests for tax exemption for materials procured for use by the Title III program are now approved expeditiously. It would be far more preferable, however, to obtain a blanket waiver for all equipment and materials. For the second issue, a procedure of special urgency has been set up by the GOS contract review authorities to provide priority review and approval for Title III related contracts while observing basic GOS bidding, contracting and procurement standards.

C. Continuing and New Management Issues

The reorganization of the Management Committee and the new delineation of responsibilities within USAID appear to have improved and facilitated program management. The Management Committee formally convened eight times during the past year.[1] This frequency is considered adequate as there were many more informal contacts among Committee members and the Secretariat on a day-to-day basis. All decisions regarding allocation of funds, however, were made in formal session.

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[1]These meetings were held January 11, 1982; February 13, 1982; March 30, 1982; April 23, 1982; August 12, 1982; August 27, 1982; September 3, 1982; and September 11, 1982.

The GOS has responded positively to the new management structure, believing it has simplified and speeded up the decision-making process while placing greater management control within the Management Committee as originally envisioned, particularly over allocation decisions.[1] It should be noted, however, that the Management Committee has just begun to function in its new form since July 1982, with the signing of the Second Amendment to the Title III Agreement.

1. Title III Secretariat

The Secretariat staff, incuding its executive director, are fully aware of the previous recommendation to either increase their responsibilities and play an active role in assisting the Secretary of the Title III Committee or alternatively, reduce the staff size.[2] Although in principle, the Secretariat is to exercise its full responsibilities, and the staff appears eager to take on a more active administrative role, this has not come about yet, mostly due to bureaucratic and procedural delays.

Typically, the purpose of a secretariat is to carry out the policy, programming and budgetary decisions of a higher deliberating body in whose name it acts on the basis of clearly defined responsibilities and to wnom it

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[1]The Evaluation Report last year perceived USAID to be unduly influencing major allocation decisions directly with GOS project managers and outside the Management Committee structure (page 37).

[2]The Secretariat staff includes an executive director, an assistant accountant, two secretaries, a messenger and a driver.

is held accountable. As indicated, the Title III Secretariat has not received official notification of its revised duties and has been hampered in fully exercising its expected responsibilities, such as collecting project reports or spending Title III funds in the name of the Management Committee.

Part of this problem is simply explained by the fact that the executive secretary of the Secretariat is not a direct-hire employee of the GOS with the authority to disburse GOS (Title III Account) funds. The executive secretary works under contract to the Ministry of Finance, Department of Debt and Public Investment. The Secretary of the Management Committee, an employee of the Ministry of Finance, is obliged to approve all correspondence prepared by the Secretariat, authorize all project site visits proposed by the Secretariat as well as any Secretariat expenditures, including per diem for visits and use of the vehicle. This procedure is time-consuming, a problem which is exacerbated if the Secretary or other GOS members of the Management Committee are unavailable to authorize the proposed activity.

Part of the problem of getting the Secretariat to assume greater responsibilities for the day to day functions of the Management Committee, however, can be resolved by agreement on the exact responsibilities -- and authority -- of the Title III Secretariat.

8. <u>It is recommended that the Management Committee officially assign to the Secretariat its duties and responsibilities and provide authority to the Secretariat to make expenditures from the Title III Program Management Budget to carry out its routine assigned functions.</u>

Discussion: It is believed that such a recommendation will increase the operational efficiency of the Title III Secretariat, eliminating the currently long delays requiring the Secretariat to first obtain the approval of the Management Committee for making budget expenditures in order to carry out its functions, (recognizing that some control method may still be required, such as countersigning the checks). However, just like the project managers, the Secretariat can expend funds only within the budgetary limits approved by the Management Committee. Moreover, the Secretariat must also submit its own quarterly progress and budget reports.

2. Workload of the CPSP

The Title III program has significantly added to the workload of the CPSP. The current staff, particularly those who deal with rice procurement, feel they are unable to spend sufficient time required to carry out their Title III responsibilities, such as acquisition, receipt, storage and sale of PL-480 rice, collection and deposit of sales proceeds into the Title III Account and its management. The CPSP requested that a member of the Secretariat staff be permanently assigned to the CPSP to take over the CPSP's Title III responsibilities or, failing that, the CPSP agent be indemnified for doing this job.[1] The CPSP believes that such first-hand participation within the CPSP by Secretariat personnel would work to the benefit of the Management Committee and ease its workload.

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[1] Detachement d'un agent permanent au niveau de la CPSP pour suivre le PL-480 et tenir sa comptabilite ou, a defaut, verser les indemnites a l'agent de la CPSP qui fait ce travail.

This recommendation was debated at some length[1] and revised as follows:

9. It is recommended that the Ministry of Commerce[2] approve the appointment of additional GOS staff, as needed, to assist the Caisse de Perequation et Stabilisation des Prix (CPSP) in its management tasks concerning the Title III Program.

Discussion: The principle of charging one person within the CPSP with overall management responsibilities for the Title III program is accepted. However, it is not considered appropriate that Title III funds (probably drawn from the program Management budget) be used to cover personnel costs within the CPSP for management of the Title III rice. Moreover, the reported improved efficiency in imported rice operations[3] should make the CPSP all the more capable to devote the required attention to the Title III program.

3. The problem of the per diem rate

Interviews with the executive secretary of the Secretariat and GOS members of the Management Committee pointed out a disturbing factor which effectively prevents more visitations to Title III project sites, the per diem rate. As

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[1]The Secretary-General of the CPSP presented his organization's viewpoint and participated in this discussion.

[2]The parent ministry of the CPSP.

[3]As discussed in Part III, Section B.

GOS employees, they are prevented from receiving more than the official per diem rate of 3,500 CFA francs which, it was pointed out, might cover the cost of meals but not lodging.[1]

The USAID has been able to work around this per diem ceiling for its bilateral program by a clause in each project agreement with the GOS to the effect that GOS employees who accompany their AID counterparts on official project travel shall be paid from the project budget at the same in-country per diem rate as the AID employee. This procedure has worked successfully for bilateral projects. The Title III program, on the other hand, is not considered a bilateral program but a GOS program because it is financed by GOS-owned funds. Thus, the GOS per diem policy applies.

It was agreed that on-site inspection of Title III projects and verification of progress is a very useful management technique and that means should be found to finance the official travel expenses of GOS personnel when carrying out Title III business to avoid paying out of pocket. One means would be to charge the costs of official Title III travel to the Title III Management budget. To do this would require another amendment to the Title III Agreement.

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[1]Equivalent to about $9.72 at ($1.00 = 360 CFA francs). This per diem issue affects all GOS personnel, many of whom are forced to stay with friends or relatives when on official travel to make ends meet. A probable unintended result of this per diem rate is that many civil servants do not travel on Government business as often as desired.

10. <u>It is recommended that the Management Committee study the possibility of amending the Title III Agreement to permit the Management budget to reimburse the actual cost of hotels, meals and travel incurred by members of the Management Committee, Secretariat and other persons accompanying them on trips undertaken for Title III program business.</u>

A proposal was made that the above recommendation contain a proviso that the per diem rate should not exceed the maximum rate in effect at the moment for GOS/USAID bilateral projects. This proviso was not accepted by the evaluation team as part of the recommendation itself but instead will be considered by the Management Committee as it carries the recommendation out.

4. Lack of funds in the Title III Account

As mentioned repeatedly throughout this report, the slow sales of PL-480 rice and deposits into the Title III Account have been critical factors in the slowdown of project and policy studies implementation. The terms of reference for this evaluation asked for possible procedures for continuing the funding of Title III projects in these circumstances. GOS members of the Management Committee asked whether USAID could not advance funds from its bilateral accounts when funds in the Title III Account ran low, to be reimbursed from future PL-480 rice sales.

In response, it was indicated that the USAID funding cycle is at least fifteen months ahead of the present date and that funds are tied to discrete approved projects. Therefore, USAID funds were not available either to replace Title III proceeds for deposit into the Account or to borrow against later reimbursement when PL-480 sales proceeds became available. A more feasible possibility would be for the GOS, from either the Treasury or the CPSP, to advance funds to ensure that Title III program implementation is not seriously disrupted.

5. Representation of the CPSP on the Management Committee

The question was raised whether the CPSP (through whom the PL-480 rice is distributed, stored and sold) should be more actively involved and represented in the Title III program management. It was decided that, since the CPSP is represented by its parent ministry, the Ministry of Commerce, which is a full member of the Management Committee and since the CPSP attends Management Committee meetings as an observer, participates in discussions, and can even request convocation of the Committee, the CPSP is adequately represented in issues of program management.

D. Conclusions

Last year's evaluation found that USAID ended up doing too much of the Title III program managing, monitoring and reporting which should have been done instead by the Title III Management Committee and its Secretariat. The present evaluation observed a great deal more direct involvement by the GOS in global program management issues, a change in the right direction. It should be borne in mind that the GOS managers of what is considered a GOS program have to conform to what are largely USG programming, reporting and evaluation requirements. For this reason, a certain amount of program oversight and guidance from USAID is not only necessary but desirable.

Lastly, the terms of reference asked what could be done to bring about a better and more efficient Title III program management system. Certainly, putting the new Management Committee structure into place was a good starting point. In addition, the three recommendations made in this Part of the Report, if carried out, are expected to bolster the role and responsibilities of the Secretariat, facilitate the Title III workload of the CPSP, and ease the GOS per diem policy which presently restricts visitation of Title III project sites. Finally, the GOS expressed interest in having Secretariat personnel receive training in accounting from USAID, like Senegalese participants in bilateral projects.

Part VI. Title III Program Implementation

A. Overview of Program Implementation

1. Impact of Insufficient Funds

It became a foregone conclusion that the Title III projects and policy studies were seriously underfunded in comparison to their planned budgets. In the absence of official project budgets denominated in CFA francs, however, it was difficult to determine the exact shortfall.

The following table serves as a proxy indicator, based on the revised project budgets in dollars from the Second Amendment (please refer to Part IV, Table IV) and the exchange rates used to calculate the deposit requirements for the first and second tranches of PL-480 rice, ($1.00 = 204.5 CFA) and ($1.00 = 274.9 CFA), respectively. Table XII compares the cumulative planned budgets for each project through the end of the second year of implementation (September 30, 1982) with the cumulative sum of funds received. The table indicates that even though the revised budgets for the first two years were decreased by about 12.9 percent (from approximately $14 million to $12.197 million), the projects received only 48 percent of their planned allocations -- less than half. All of the first year budgets have been allocated, but only 27.16 percent of the second.

Table XII. Indicative Status of Project Allocations as of September 30, 1982

(000s CFA francs)

Project[1]	Year One, Revised	+ Year Two, Revised	= Subtotal, planned allocations	Actual allocations received	Percentage of planned allocations received
1. Agricultural Policy Studies					
a. ISRA	5,112.5	90,717.0	95,829.5	43,000.0	44.87
b. Princeton U.	0	37,386.4	37,386.4	17,000.0	45.47
2. Local Cooperative Storage	135,788.0	570,417.5	706,205.5	323,970.0	45.87
3. Decentralization of Research	97,955.5	535,230.3	633,185.8	193,400.0	30.54
4. Rural Technical Schools					
a. ENEA	253,784.5	263,904.0	517,688.5	332,191.0	64.17
b. ENCR	82,413.5	0	82,413.5	82,000.0	99.50
5. Reforestation and Dune Fixation	292,026.0	457,708.5	749,734.5	365,200.0	48.71
6. Rural Development Fund[2]	0	189,955.9	189,955.9	88,000.0	46.33
7. Program Management	20,450.0	20,067.7	40,517.7	26,800.782	65.15
TOTALS	883,440.0	2,165,387.3	3,052,917.3	1,471,561.782	48.20

1 Budgets in CFA francs are calculated from the revised project budgets in dollars times the exchange rate in effect at the embarkation of first tranche and second tranche PL-480 rice, using ($1.00 = 204.5 CFA) and ($1.00 = 274.9 CFA), respectively.

2 The Second Amendment did not disaggregate this project budget into its components, OFADEC and Millet Transformation.

The purpose of this Part of the Report is to evaluate the rate of Title III project progress against financial and implementation benchmarks. Unfortunately, lack of sufficient funds is the primary reason why the Title III projects and policy studies are so far behind schedule.[1]

A general meeting with all of the Title III project managers[2] confirmed this point. For some projects, it was a question of immediate need of funds in order to avoid a complete halt to all activities. For others, a certain minimum of funds had to be guaranteed in advance to avoid interruption of activities during a critical phase. For purpose of implementation schedules, all the project managers agreed on the necessity to know the sum of funds to be allocated to their respective projects at least several months in advance.

2. Summary of Program Implementation

Paradoxically, the slowdown of allocations to the projects and policy studies may have had the unexpected effect of tightening up project management. Project managers were forced to do with less and, in an ascetic sense, some have managed quite well under the circumstances. This does not deny the fact that all the projects and policy studies are behind schedule.[3]

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[1]Parts III and IV of this Evaluation Report discussed the efforts of the GOS to sell PL-480 rice, even at a loss, in order to generate sufficient funds for implementation of the Title III program.

[2]October 25, 1982.

[3]The sole exception is the ENCR component of the Rural Technical Schools project which is completed.

B. Project and Policy Study Implementation

The methodology for evaluating project implementation is based on the following:

1. a general meeting of all project managers for the purpose of describing the implementation of their respective projects, achievements made and continuing constraints to implementation;
2. a review of quarterly project implementation and budget reports as submitted by project managers to the Management Committee;
3. a review of reports submitted in response to a request from the Management Committee for a written comparison of progress achieved and funds received with the original Year Two benchmarks and the budgets as revised in the Second Amendment to the Title III Agreement;
4. site visitations on a selective basis;
5. follow-up interviews with selected project personnel; and
6. discussions with USAID project monitors.

1. Agricultural Policy Studies

As originally planned, these studies were to provide systematic analysis of the most urgent agricultural development questions to GOS policy makers in the areas of price, marketing and investment policy. These policy studies were to be undertaken by the Secretariat of State for Scientific and Technical

Research (SERST) and the Senegalese Institute for Agricultural Research (ISRA).[1] The studies were to be funded in annual increments of $300,000 for a total of $900,000 during the Title III program.

Terms of reference were finalized for the price and marketing studies (the investment study was integrated into the price policy study) and submitted to ISRA in July 1981. ISRA expected to select a contractor to carry out the studies in October 1981. At this time the project manager was under the impression that ISRA would receive the entire $900,000 allocated to policy studies in the original budget. Meanwhile, USAID was considering partially funding an additional policy study through the Title III program, an unsolicited proposal from Princeton University to study the political economy of the Senegalese agricultural development, entitled, "Agricultural Development in Senegal: Perspectives, Risks and Production Strategies," costing $412,206 over three years.

USAID formally proposed to the GOS in December 1981 that the local costs of the Princeton Study be funded from the Title III Agricultural Policy Studies project, reducing the ISRA component to $600,000 over three years and allocating $300,000 to Princeton. ISRA tried to resist this proposal, indicating it would be forced to drop the agricultural investment policy component from

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[1]Secretariat d'Etat a la Recherche Scientifique et Technique and L'Institut Senegalais de Recherche Agricole.

the terms of reference and that the SONED/SEMA price modell would not be fully tested. After consideration, however, the GOS (Ministries of Plan and Finance) concurred with the USAID proposal in March 1982 on the condition that USAID fully inform ISRA of the nature and complementarity of the ISRA and Princeton studies. The Management Committee formally accepted the Princeton Study for Title III financing in April 1982 at the budget levels above. The Second Amendment to the Title III Agreement, signed in July 1982, maintained the budget for the ISRA policy studies at $600,000 but revised the Princeton budget upward to $464,000. This issue became a source of hard feelings between ISRA and the Management Committee.

<u>Agricultural Pricing and Marketing Policy Studies (ISRA)</u>

a. Description of Project and Objectives

The purpose of these studies is to undertake systematic and analytical research whose results will permit the GOS to reorient its food production, pricing and marketing policies, specifically to improve the efficiency of the marketing process and price fixing institutions, recommending adjustments in producer prices to make them more remunerative, reach an optimum level of marketed production and encourage crop storage throughout the year at reasonable cost.

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[1]A major item in the terms of reference for the Price Policy study.

b. Review of Situation Last Year

This has been discussed above. The Evaluation Report last year noted that the ISRA study was approximately one year behind schedule as a result of the long time involved in reviewing proposals and selecting ISRA as the implementing agency, and then again when ISRA underwent a major internal reorganization.

c. Budget

Planned allocations of Title III funds are shown in Table XII. The actual allocation of funds through the end of the second year (September 30, 1982) is shown below:

Planned Allocations			Allocations	Percentage of
Year One	Year Two	Total	Received	Planned Allocations
5,112,500	90,717,000	95,829,500	43,000,000	44.87

At the time of evaluation, this project had not been allocated funds since May 14, 1982.

d. Implementation Progress

The purpose of the Agricultural Price Policy study was to improve the existing SONED/SEMA model used for fixing agricultural prices (based on revised demand functions) and make it applicable for future computer use. According to the original benchmarks, ISRA was to review relevant literature and determine where further research was required, assist the GOS test and implement the SONED/SEMA model, and develop a market structures model during Year One (now effectively Year Two) and develop an analytical model for evaluating major GOS investments in cereals production during Year Two.

Similarly, the purpose of the Agricultural Marketing Policy study was to define the optimal policy to ensure the seasonal availability of cereals on the market throughout the country. ISRA was to determine where further marketing research was required, develop an analytical market structures model of the foodgrain production, marketing and distribution systems (in conjunction with the Price Policy study above), and complete a study on interregional grain trade anticipated over the next ten years by the end of Year Two.

In a word, these studies are underway but not completed. In May 1982 ISRA concluded a contract worth 94,700,000 CFA francs with SONED, a local consulting firm, to carry out the two Title III policy studies on agricultural price determination (fixation) and on the cereals market. Both studies are to be completed within 18 months after approval of the contract (August 18, 1982). The scope of work for both studies corresponds to the Title III benchmarks. The agricultural pricing and cereals market transportation models are to be made available to ISRA for computer use.

At the time of this evaluation, ISRA was completing its cereals production surveys, SONED was working on a preliminary report of the findings of its Price Policy study and entering the SONED model and cereals price and production data into the computer. ISRA has not been able to make its initial payment of 30,000,000 CFA francs to SONED due to shortage of funds.

e. Observations, Issues and Recommendations

ISRA is believed to currently lack the technical personnel to effectively oversee these policy studies. Although some 16 members of ISRA's staff are receiving graduate training in the United States (among other countries) which will significantly enhance ISRA's research capabilities, it will be one year before the first participants return to resume their responsibilities. On this basis, it is recommended that USAID follow the progress on the policy studies much more closely and give guidance to ISRA when sought. In this respect, the Michigan State University manager for the bilateral Agricultural Research and Planning project (685-0223) has been collaborating with ISRA management in developing recommendations for restructuring ISRA's approach to policy research.

Agricultural Development in Senegal: Perspectives, Risks and Production Strategies (Princeton University)

a. Description of Project and Objectives

This three-year project is a collaborative effort between Princeton University and the Ministry of Plan and Cooperation to study GOS agricultural development policy and strategy. This research is designed to show the GOS how to evaluate the political factors of risk and uncertainty when selecting policy options during the present period of economic stabilization and administrative reform. Computer modeling (sensitivity analysis) will be developed for the purpose of comparing the consequence of different policies and their effect on agricultural development in Senegal.

Specific topics to be examined, in addition to the implications of uncertainty on development policy decisions above, include the impact of various development strategies on the balance of payments and macroeconomic policies; donor objectives; the evolution of agricultural production in the peanut basin and the role of SODEVA; past agricultural strategies and their effect on credit and marketing institutions; and the nature and role of rural credit and cooperative organization under the current reforms.

b. Review of Situation Last Year

This project had not been approved by the Management Committee for Title III funding at the time of evaluation last year.

c. Budget

This project received its first Title III allocations on May 14, 1982, although work on this project began officially on February 22, 1982, with funds advanced from Princeton University. The University's contribution for project operations in the United States is shown below, corresponding to the U.S. fiscal years 1982, 1983, and 1984, or the second and third years of the Title III program, plus an additional year of follow-on activities.

Year One (Title III Year Two)	Year Two (Title III Year Three)	Year Three (------------------)	Total
$45,000	$52,000	$52,000	$149,000

Planned allocations of Title III funds are shown in Table XII. The actual allocations of funds through the end of the second year (September 30, 1982) is shown below:

Planned Allocations			Allocations	Percentage of
Year One	Year Two	Total	Received	Planned Allocations
0	37,386,400	37,386,400	17,000,000	45.47

The Management Committee allocated an additional 15,000,000 CFA francs to the project on October 20, 1982, bringing its cumulative total to 32,000,000 CFA francs, or 85.59 percent.

d. Implementation Progress

There are no progress benchmarks for this study listed in Annex B. Various personnel from Princeton (faculty and graduate researchers) have been on the ground in Dakar since September 1981 and others make periodic visits. Studies underway include an examination of the historical role of cooperatives in Senegalese economic development; an analysis of credit and market institutions (including private sector operations); an examination of the role of RDAs and other parastatals in reducing (or increasing) production uncertainty; analysis of the effects of short-term and medium-term macroeconomic stabilization policies on production uncertainty; and an investigation of foreign aid as a policy instrument for Senegalese agricultural development.

The project intends to produce a set of papers, possibly a book, that will make major contributions to the scholarly literature on development strategies and on Senegal. The first draft of these papers will be completed in early 1983 and made available during summer 1983. The final product is expected to be completed by September 1984.

e. Observations, Issues and Recommendations

This is an exciting study due to its longer range perspective in making recommendations to the GOS for agricultural development policy through the rest of the century. Princeton has assembled an impressive team of agricultural economists and political economists familiar with Senegal for this effort.

2. <u>Local Cooperative Storage Project</u>

a. Description of Project and Objectives

The purpose of this project is to construct 100 small (400 ton capacity) warehouses to be managed by agricultural cooperatives. These multipurpose warehouses will be used to store peanuts, sorghum and millet and agricultural production inputs (such as fertilizer, seeds and equipment) on a rotational basis. This project serves two policy goals of the GOS: enhancing national food security and increasing the responsibilities of cooperatives in storing and marketing their own production. According to the original implementation plan, 50 warehouses were to be constructed in Year One and 25 each during the remaining two years of the Title III program. Significantly, 75 of these warehouses are to be built in those regions (Sine-Saloum, Thies, Diourbel and Louga) where cooperative reorganization is being tried first.

b. Review of Status Last Year.

Project sites for construction of the warehouses had been selected jointly by the GOS and USAID. Standardized architectural plans had been completed and contracts awarded to eight firms for the construction of the first 50 warehouses.

A confluence of factors was causing considerable delays in the start-up of this project. The most critical was the dissolution of ONCAD, the original implementing agent for the project, which was long plagued by financial and managerial problems.[1] Responsibility for the warehouses was transferred to the Division of Technical Projects within the Food Aid Commissariat (CAA). This change in implementing agencies was responsible for temporary discontinuity in project implementation.

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[1]Please refer to Part II, Secton C for further discussion of ONCAD.

c. Budget

The Second Amendment kept the original project budget basically intact at $3.964 million but revised the annual budget levels. The status of Title III funds received by this project through the end of Year Two (September 30, 1982) is shown as follows:

Planned Allocations			Allocations	Percentage of
Year One	Year Two	Total	Received	Planned Allocations
135,788,000	570,417,500	706,205,500	323,970,000	45.87

The project was allocated an additional 40,000,000 CFA francs by the Management Committee on October 12, 1982, bringing its cumulative total to 363,970,000 CFA francs, or 51.54 percent of its planned allocations through Year Two. Costs of physical construction take virtually 90 percent of the project budget.

d. Implementation Progress

The implementation benchmarks for this project were revised due to the delays in start-up and revision in the annual budget levels. The benchmarks now call for 50 warehouses each in Years Two and Three. These benchmarks were very nearly achieved for Year Two. As of September 30, 1982, 38 warehouses were completed and it was expected that the remaining twelve would be finished by the departure of the evaluation team.

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The project manager cites insufficient funds as a major cause of delays in project execution. Of the eight firms awarded contracts to do the physical construction, five finished their work satisfactorily but have not received final payment. The remaining three firms have stopped virtually all work for the same reason of not having been paid. The project owes its contractors the sum of 176 million CFA francs which the project manager has requested from the Management Committee immediately.

Although the first 50 warehouses have been turned over to the Cooperatives Administration, they cannot be made fully functional without supplementary work, mainly driveways or access roads, which the project manager also intends to put in. Other coming activities include issuing bids for construction of the 25 warehouses in the Casamance.

Lastly, the project manager thinks he could motivate project personnel by giving them a bonus for having finished the first half of project construction.

e. Observations, Issues and Recommendations

With the heightened GOS emphasis on the role to be played by cooperatives, particularly in the roles of marketing and storage of peanut seeds, these cooperative level warehouses can become even more appropriate to the rural sector reforms than originally planned. However, the warehouses are not operational yet. Although the CAA has formally signed over the warehouses to jurisdiction of the Cooperatives Administration, the Cooperatives Administration in turn does not plan to turn over the keys to the warehouses to cooperative leaders until some time during the first half of 1983, pending further enunciation of GOS policy concerning the responsibilisation of cooperatives.[1] Five members of the evaluation team on a visit to warehouse construction sites were not able to inspect the inside of the warehouses.

In a related matter, the Cooperatives Administration has submitted a proposal to the Title III Management Committee to train cooperative membership in the proper use of these structures. A response to this proposal is expected soon. It may be appropriate, in view of the supplemental funds in the Title III Account if the GOS makes the full deposits, to reprogram these Title III funds as a high priority activity to provide immediately needed assistance for the cooperatives while longer-term plans are being formulated.

3. Decentralization of Agricultural Research Project

a. Description of Project and Objectives

Consonant with the Recovery Program and the earlier GOS Food Investment Strategy which aims to diversify agricultural production as one means of enhancing national food security, the GOS intends to decentralize its agricultural research effort by establishing or improving six local research stations

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[1]Please refer to Part II, Section C for discussion of the GOS's new cooperatives policy.

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which correspond to the country's distinct agroclimatic zones. ISRA, as the country's oldest research center, is the implementing agency. The World Bank sponsored the development of an overall plan for this decentralization effort and authorized a $19.5 million project which is complementary to the Title III component. France and Belgium are also participating donors.

The Title III project strengthens Senegal's agricultural research capabilities through the purchase of laboratory and other research equipment, construction of offices and housing for researchers and financing of part of the operating expenses. USAID is also funding two related bilateral projects, the Casamance Integrated Rural Development project (685-0205) and the Agricultural Research and Planning project (685-0223), both with expatriate and Senegalese technical assistance.

b. Review of Status Last Year.

ISRA had completed the architectural design of all structures to be built. It had also prepared invitations for bid for purchase of equipment.

c. Budget

The budget for this project was revised downward slightly by the Second Amendment to $4.617 million. The status of funds received through the end of Year Two (September 30, 1982) is shown below:

Planned Allocations			Allocations	Percentage of
Year One	Year Two	Total	Received	Planned Allocations
97,955,500	535,230,300	633,185,800	193,400,000	30.54

At the time of this evaluation, the decentralization of Agricultural Research project had not received funds since May 14, 1982.

d. Implementation Progress

The original progress benchmarks anticipated funding roughly one-third of the infrastructure, equipment and operating costs per year. The revised project budget skews these three year progress benchmarks in rough increments of 10, 42 and 48 percent, respectively. Specifically, the project was to support regional branches of ISRA's Socio-Economic Division (located in St. Louis, Kolda and Dahra), the Farming Systems Division (in Djibelor, Kolda, Dahra, Fanaye and Tambacounda), and the individual Research Stations (in Sefa, Kolda, Dahra, Richard Toll, Fanaye and N'Diol).

Blueprints were completed for construction at ISRA headquarters in Bambey and the Research Stations in Richard Toll, N'Diol, Kolda, Dahra and Tambacounda. A farming systems research team provided through Michigan State University arrived in Djibelor (Casamance) in January 1982 and studies got underway in March. A lot of the equipment is already installed there. ISRA is preparing the work plan for a similar farming systems team in Dahra (Fleuve).

e. Observations, Issues and Recommendations

Although the Decentralization of Research project has received the smallest portion of its planned funding to date of all the Title III projects, it experienced difficulties throughout the past year spending all of the funds allocated to it. One of the quarterly reports cites as a major problem and cause of delay the slow approvals by the National Contracts Commission[1] of bids to procure agricultural research supplies and problems in getting tax-exempt status for these supplies. This problem was highlighted in the Evaluation Report last year and resulted in Recommendation 13.[2]

The one issue which arose during the course of the year was the decision taken by the Management Committee, proposed by USAID, that the Decentralization of Agricultural Research project use a small portion of its Title III allocations to finance the local currency logistic and support costs to Michigan State University personnel associated with the bilateral Agricultural Research and Planning project (685-0223). The Title III project manager originally objected to this decision.

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[1]Commission Nationale des Contrats de l'Administration.

[2]Please see Part V, Section B.

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The GOS has pledged to support the overall multi-donor decentralization of research effort with an allocation of 1.378 billion CFA francs toward construction and operating costs but thus far has been able to contribute only about 150 million CFA francs. Coordination with the other donors has been delayed as a result.

4. Rural Technical Schools

a. Description of Project and Objectives

This project will support the training of sufficient numbers of middle-level technicans who staff the Rural Development Agencies and other GOS technical services working in rural areas by renovating facilities, purchasing equipment, and improving curricula at two rural technical training schools, the National School for Applied Economics (ENEA) and the National School for Rural Technical Personnel (ENCR).[1]

The original implementation benchmarks for the two schools are as follows:

	ENEA	ENCR
Year One	Construct dormitory	Purchase half of material and equipment
Year Two	Construct teaching unit and documentation center	Purchase half of material and equipment
Year Three	Complete renovations	--

[1]L'Ecole Nationale d'Economie Appliquee and L'Ecole Nationale des Cadres Ruraux, located in Dakar and Bambey, respectively.

b. Review of Situation Last Year

ENEA was proceeding with its construction and renovation activities more quickly than anticipated. Nearly all planned renovation was near completion and work on the dormitories, lecture hall and documentation center was projected to be completed by May 1982. The Evaluation Report last year cited the cost overruns in the ENEA budget as an example to show the need for greater programming control by the Management Committee. As a result, its Recommendation 7 asked for a procedure to review potential cost overruns or cost shortfalls and make budget adjustments.[1]

ENCR had completed its renovations of two dormitories, two classroom buildings and cafeteria and procured the supplies and equipment as specified.

c. Budgets

The budget for ENEA was revised upward by the Second Amendment from $1,640,000 to $2,201,000. Funding for ENCR was frozen at $403,000 as this project is effectively completed and has not received Title III funds since September 30, 1981. Both schools have received a relatively high proportion of their planned allocations in comparison to other Title III projects, as shown below through the end of Year Two (September 30, 1982):

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[1]See Part IV, Section E.

	Planned Allocations			Allocations	Percentage of Allocations
	Year One	Year Two	Total	Received	Received
ENEA	253,784,500	263,904.000	517,688,500	332,191,000	64.17
ENCR	82,413,500	-0-	82,413,500	82,000,000	99.50

The Management Committee allocated an additional 25,000,000 CFA francs to ENEA on October 22, 1982, bringing its total to 357,191,000 CFA francs, or 69.00 percent of planned allocations.

d. Implementation Progress

As compared to the original progress benchmarks above, the ENEA project has proceeded rapidly. The remodelling planned for Year Three was largely finished in Year One. All activities are about 90 percent completed. New construction, including the 196-bed dormitory, is well underway with only finishing touches remaining, such as wiring, painting and installation of plumbing fixtures. Ironically, ENEA cited as one of its major constraints the slow release of funds for the project by the Management Committee, causing a slowdown in completion and layoffs of the workforce.

No further activities were undertaken by the ENCR project during the past year.

e. Observations, Issues and Recommendations

After the ENCR project, the ENEA project is closest to completion. Its contractor that claims with the available material, work could be completed within three months. The Management Committee might consider one final allocation to ENEA to take advantage of progress already made and to finish the project ahead of schedule.

An indirect issue is the role of both ENEA and ENCR in supplying the trained personnel to staff the RDAs and other GOS agencies. Many of the RDA program-contracts signed to date or in the negotiating stage envision a cutback in the number of personnel, such as those trained by ENEA and ENCR. This overall cutback may cause a drop in enrollment at these two schools.

5. Reforestation and Dune Fixation

a. Description of Project and Objectives

The Reforestation and Dune Fixation project, the largest to be financed by Title III program, is an integrated project designed to prevent coastal sand dunes from further encroaching upon fertile land along a 73 km stretch of Senegal's North Coast[1] between Kayar and Fass Boye. To carry out this objective, the project is to a) plant trees in a strip about 250 meters wide along the primary sand dunes; b) plant trees on moving secondary dunes to protect nearby small lakes and cuvettes used for highly productive vegetable

[1] La Grande Cote.

farming; c) plant windbreaks around these fertile areas; d) plant cashew trees on nearby wasteland; and e) construct offices and housing for support personnel. The total area to be reforested is about 3,700 hectares. When this project is completed, the entire coastline will be planted, from St. Louis to just north of Dakar.

b. Review of Status Last Year

Project implementation was close to schedule and met its first year benchmarks, fixing 400 hectares of sand dunes and 150 hectares of intensive reforestation around Lake Tamna. It was expected that the second or possibly third year of project implementation would complete planting along the primary dunes for the entire project section. The shortage of four-wheel drive trucks was the principal implementation problem.

c. Budget

This project was allocated slightly less than half its planned funding level through the end of Year Two (September 30, 1982), as shown below:

Planned Allocations			Allocations	Percentage of
Year One	Year Two	Total	Received	Planned Allocations
292,026,000	457,708,500	749,734,500	365,200,000	48.71

At the time of this evaluation, the project had not received an allocation of funds from the Management Committee since May 14, 1982.

The largest share of the budget financed the physical costs of reforestation activities -- setting up ten small nurseries to produce the two million seedlings required each year, placing of low woodbrush panels to protect newly planted trees from strong offshore winds, replanting where necessary, maintenance operations, purchase of other materials and labor.

d. Implementation Progress

Project implementation remains close to schedule, planting 1,150 hectares on primary dunes out of a planned target of 1,450 hectares. With this action, nearly all the primary dunes on the North Coast are now planted with seedlings. The transport problem was eased somewhat with the purchase of several all terrain vehicles. All of the vehicles could not be purchased, however, due to the reduction in funding. The original contract bid to construct the offices and housing quarters was rejected by the National Contracts Commission and bids will have to be entirely resubmitted. The project manager has requested the Management Committee to use its good offices in speeding this process along.

The implementating agency is the Service of Water and Forests[1] which appears to be very experienced, having undertaken the same activities elsewhere along the coast, and competent in its task.

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[1] Direction des Eaux, Forets et Chasses; Ministry of Rural Development.

e. Observations, Issues and Recommendations

Some of the evaluation team members toured the entire length of the project site, accompanied by the Title III project manager. The rapid growth of year-old saplings and their high survival rate were visually impressive.

6. Rural Development Fund

As noted in the Evaluation Report last year, the nature of the Rural Development Fund has been changed considerably from its description in the Program Proposal as a fund to support numerous small scale, locally initiated rural development activities mostly in the Sine-Saloum Region. The Rural Development Fund was to become operational after Year One of the Title III program, during which time standard grant contracts were to be developed, allocation criteria refined, monitoring and evaluation mechanisms set up, the Secretariat trained in the operation of Fund activities and a plan of activities drawn up for Years Two and Three of the Title III program.

The first year activities never got off the ground and the Rural Development Fund, as planned, was effectively scuttled. Instead, the Fund is financing two projects proposed by USAID and approved by the Management Committee. These are the OFADEC Integrated Rural Development Project and the local currency costs of the USAID Millet Transformation project (685-0250). There will be up to $800,000 equivalent in CFA francs remaining in the Rural Development Fund to finance other activities in addition to these two, although the precise amount is not known at the moment in the absence of an officially approved life of project budget for the Rural Development Fund denominated in CFA francs.

OFADEC Integrated Development Project

a. Description of Project and Objectives

Sponsored by a local private voluntary organization, OFADEC (the African Office for Cooperation and Development),[1] this is an integrated resettlement project along the upper Gambia River which seeks to instill a renewed sense of self-responsibility, mutual respect and cooperation among its new settlers. The project instructs settlers in new techniques for intensive agriculture, vegetable gardening and some crops, but primarily irrigated banana cultivation.

Since its inception in 1976, the project has established nine villages (farming a total of 1,213 hectares) and 25 satellite villages along a 200 kilometer stretch of the Gambia River to the south of Tambacounda. Each village is self-governed and organized into four work units for production, management, training and education, and health. OFADEC itself receives funds from a number of sources, including Title III, plus Title II Food for Work commodities and land grants from the Government of Senegal. New villages are gradually weaned of their financial support from OFADEC within five years by which time they are expected to become financially self-sufficient,[2] mostly

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[1] L'Office Africain pour le Developpement et la Cooperation.

[2] The OFADEC project is also called the Wassadou project, after the first resettlement village to become financially independent.

from the sale of bananas which has proved very profitable. OFADEC continues its program of technical assistance thereafter. In many ways a social experiment, the OFADEC project has attracted settlers from as far away as Dakar and neighboring countries. Five evaluation team members visited several of these new villages and found morale among villagers and their leaders exceptionally high.

b. Review of Status Last Year.

Title III funds had not been allocated to the OFADEC project at the time of the Title III evaluation last year.

c. Budget

According to the FY 1981 Evaluation Report, the initial budget request for OFADEC was $250,000 per year for two years or $500,000, representing one-fourth of the revenues in the Rural Development Fund. The budget in CFA francs approved by the Management Committee for OFADEC through the end of Year Two (September 30, 1982) is shown below:

Planned Allocations			Allocations	Percentage of Planned
Year Two	Year Three	Total	Received	Allocations
100,450,000 ($365,405)	46,330,000 ($130,875)	146,780,000 ($496,280)	73,000,000 ($265,555)	49.73

The OFADEC project received another 25,000,000 CFA francs on October 22, 1982, bringing its cumulative allocations to 103,000,000 CFA francs, or 70.17 percent of its planned allocations during the Title III program.

Arbitrarily using the exchange rates to calculate the deposit requirements for the second and third PL-480 rice tranches, (\$1.00 = 274.9 CFA) and (\$1.00 = 354.0 CFA), respectively, the indicative dollar budget (above) for the OFADEC project shows a total of \$496,280, a figure which closely corresponds to the initial budget request of \$500,000.

d. Implementation Progress

As the OFADEC project was not envisioned in the original Title III Program Proposal, Annex B of the Title III Agreement includes no annual benchmarks for implementation progress. It would probably be difficult, in any event, to attribute Title III funds to a particular activity as Title III funds are pooled with the other funds received by OFADEC.

According to the OFADEC project annual report as of October 15, 1982, received by the Management Committee, the project cleared land for nine new irrigated perimeters with an area of 1,213 hectares and 13,391 km of irrigation canals, installed 16 irrigation pumps, dug 16 wells, built 96 km of rural roads, built ten storage facilities each with a capacity of 30 tons, finished and equipped one school and started two others, started a livestock program with 300 head of cattle, continued its poultry program, built 20 small scale dispensaries and expected to harvest about 500 tons of cereals and up to 700 tons of bananas -- among other activities.

There appear to be no constraints to project implementation other than those hardships normally associated with new lands settlement. Due to its proximity to the river, the project has an anti-malaria campaign. The rate of malnutrition among the older villages has dropped sharply.

e. Observations, Issues, and Recommendations

The major difficulty in evaluating this project, despite its apparent successes, is that there are no benchmarks against which progress can be determined, particularly discrete activities that can be identified as being financed by the Title III program. Such benchmarks should have been incorporated into the Second Amendment to the Title III Agreement which was signed last summer. It is therefore recommended that the Management Committee devise some mechanism for next year's evaluation which can identify and measure specific development activities within the OFADEC project and which can be attributed to Title III financing. If the Management Committee determines this recommention is not feasible, it should propose an alternative method of evaluation.

Millet Transformation Project

a. Brief Description of the Project and its Objectives

The Millet Transformation Project (685-0250) integrates PL-480 Title III funds, U.S. Development Assistance (DA) funds, and in-kind contribution of salaries and equipment by the GOS. The genesis of the project is that although Senegal produces a large millet crop in years of favorable rainfall, there are no technologies yet known to transform millet in a manner so it doesn't spoil within 30-36 hours. As a consequence, millet has to be ground (or pounded) daily and its usefulness as a convenience food is lost.

The project provides technical assistance and equipment to the GOS through its Food Technology Institute (ITA)[1] as implementing agency to develop pre-processed millet-based foods thought desirable by the target population. All food prototypes will be tested to demonstrate their cultural acceptability, technical feasibility, nutritious quality and viability for production on a commercial basis. If successful, the project will assist the GOS achieve one aspect of its national food strategy, greater substitution of domestic millet products for rice and wheat imports. The object of the project is to reduce rice imports by ten percent or by 50,000 tons by 1995.

b. Review of Status Last Year

Title III funds had not been allocated to the Millet Transformation Project at the time of the Title III evaluation last year.

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[1] Institut de Technologie Alimentaire, located in Dakar.

c. Budget

According to the USAID project paper, the total budget for this three year project is relatively small, about $1.26 million. USAID is to contribute $500,000 in USG Development Assistance (DA) funds and possibly another $30,000 through a Title XII university. The GOS will contribute the equivalent of $187,000 of in-kind support for salaries of ITA employees and indirect operating costs and $543,000 in local currency support from the Title III program. These local currency contributions are based on the exchange rate in effect in January 1981, approximately ($1.00 = 255 CFA). The first project year was 1982, corresponding to Year Two of the Title III program.

Title III funding for the Millet Transformation Project, expressed first in dollar equivalent, is shown below:

(Project Year One, 1982) Title III Year Two	(Project Year Two, 1982) Title III Year Three	Total
$199,700 or 50,923,500 CFA	$343,200 or 87,516,000 CFA	$542,900 or 138,439,500 CFA

The project was to have started with the arrival of an American resident food technology advisor in January 1982. The Resident Advisor did not arrive until October 1932.

The Title III Management Committee revised the Title III allocations downward to reflect this delay in project implementation. The budget through the end of Year Two (September 30, 1982) is shown as follows:

Planned Allocations			Allocations	Percentage of Planned
Year Two	Year Three	Total	Received	Allocations
41,205,000	64,780,000	105,985,000	15,000,000	36.40

The Millet Transformation Project received an additional 10,000,000 CFA francs on October 22, 1982, bringing its cumulative allocations to 25,000,000 francs or 60.67 percent of its planned allocations during Year Two of the Title III program. It is not known whether the Management Committee intends to allocate more Title III funds (32,454,500 CFA) at some future date to reach the originally planned budget level of 138,439,500 CFA francs ($542,900).

Use of Title III funds, according to the project paper, is to pay the in-country expenses of the Resident Advisor and contract costs for six inter-related studies (food habits and attitudes; product development and evaluation; millet supply; marketing; financial analysis; and plant location) leading to a comprehensive study on the feasibility of manufacturing and marketing transformed millet products in Senegal.

d. Implementation Progress

Like the OFADEC project, the Millet Transformation Project was not included in the original Title III Program Paper. As a result, there are no progress benchmarks for the project in Annex B of the Title III Agreement to facilitate evaluation.

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As noted above, project implementation has only started with the arrival of the Resident Advisor in October 1982. Rather than having all six studies well underway by now, as originally scheduled, invitations for bid were prepared and reviewed to select con- tractors for the first two or three studies which should start soon. A Project Advisory Committee will be established, comprised of GOS representatives, the two large commercial mills in Senegal, USAID and others, to guide overall progress, evaluate the various studies and propose future courses of action.

e. Observations, Issues and Recommendations

There is much to be said for the AID policy to integrate food aid with other development resources to achieve a greater impact. However, care must be taken to ensure that both sources of financing come on stream at about the same moment in order that the one not delay the other. Unfortunately for this project, a great deal of time was lost due to AID/W contracting procedures to secure the Resident Advisor with DA funds while Title III funds sat idle. It is recommended, especially for relatively smaller projects such as this with a sizeable contribution from the host country, that future contracts be done directly by the USAID in an effort to expedite the contracting procedure.

The timetable for the Millet Transformation Project has slipped. A revised implementation plan with adjusted progress benchmarks, as appropriate, should have been incorporated into Annex B as part of the Second Amendment. Since this is no longer possible, it is recommended that the Management Committee develop and approve reasonable implementation benchmarks for the remaining period of Title III financing.

Lastly, as this project is still in its start-up stage, it is worth mentioning again a point made in the last Evaluation Report: that as both the Millet Transformation Project and the Title III Agricultural and Marketing Policy studies envisage a consumption habits/attitudinal survey, the respective project managers should investigate the possibility of sharing methodology and survey results.

7. Program Management

The past year's activities of the Title III Management Committee and its Secretariat are discussed in Part IV of this Report.

The funding status of the Program Management account is shown as follows through the end of Year Two (September 30, 1982).

Planned Allocations			Allocations	Percentage of Planned
Year One	Year Two	Total	Received	Allocations
20,450,000	20,067,700	40,517,700	26,800,782	66.15

The Program Management account was allocated an additional 5,000,000 CFA francs on October 12, 1982, bringing its cumulative to 31,800,782 CFA francs, or 78.49 percent of its planned allocations through Year Two.

C. Summary and Recommendation

Under the circumstances of inadequate funding, the Title III project managers are doing an admirable job juggling their resources and maintaining a semblance of steady project activity. Morale among project managers, while not as low as expected, needs the type of improvement that only certainty of funds can provide. This, however, is completely beyond the control of the project managers. The key issue for the remainder of the present Title III program and any possible continuation is resolution of the commodity sales price and timely deposits of sales proceeds into the Title III Account.

Apart from issues raised specific to individual Title III projects and policy studies, this Part of the Report makes one recommendation applicable to all. It concerns timely submission of quarterly progress and budget reports to the Management Committee.

It should be recalled that, due to the GOS per diem policy and other reasons, members of the Management Committee and the Secretariat are not often able to make on-site inspections of project implementation, particularly those project sites far from Dakar. The quarterly reports, therefore, assume a particular importance as a tool of program management. Late submission (or non-submission) of these reports probably impairs the quality of decisions made by the Management Committee. While some project managers are deligent in submitting these necessary reports on time, the Chairman of the Management

Committee has had to remind the others several times during the course of the year of the requirement to submit their reports, some of which were long overdue.[1] Project managers submitted between two and three quarterly reports on the average during the past year, one or two months into the subsequent quarter.

Two basic forms (Formulaires I and III)[2] were developed as part of the Title III Handbook, asking for specific information. Formulaire I asks seven items for each project: a) basic information; b) financial data; c) project goals; d) principal activities undertaken during the past quarter; e) major problems or delays encountered; f) measures to be taken to resolve these problems; and g) principal actions anticipated for the next quarter. Formulaire III asks for specific financial data per project activity, comparing the budget request with the actual cost of carrying each activity out. While these forms are straightforward and should be relatively easy to fill out, they are extremely useful for providing information on project implementation, necessary for the overall management of the Title III program by the Management Committee.

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[1]Letters from the Chairman to various project managers, dated February 18, 1982 and August 5, 1982.

[2]Please see Annex IV.

11. It is recommended that the Title III Management Committee retain the funds of those projects which have not submitted their quarterly progress and budget expenditure reports to the Title III Secretariat, as required by the Title III program.

The joint GOS/USG evaluation of the Title III program last year found the level of reporting requirements appropriate and not at all excessive and therefore did not recommend any change in this requirement.[1] Consequently, the present recommendation is intended to reinforce the reporting system already in place.

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[1]Evaluation Report FY 1981, Recommendation 12.

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PART VII: Recommendations for Future PL-480 Food for Development Programming

A. Introduction

This evaluation has examined the present Title III Food for Development program through its second year of implementation, comparing the funding and implementation benchmarks for each Title III project or policy study as prescribed in the original Title III Agreement with the actual rates of funding and progress achieved. This evaluation has recommended a series of actions which, if carried out, will enhance the effectiveness of program management and implementation during its final period. A third evaluation will be conducted at the end of program implementation, approximately one year from now.

The United States has made the final delivery of rice under the present program, thereby fulfilling its obligations to supply Senegal with up to $21 million of U.S. rice over the three-year period, FY 1980-82. For its part, Senegal will have fulfilled its obligations as soon as the remaining second and third tranches of rice are sold on the market, the required sales revenues are deposited into the Title III Account and the Food for Development program carried out.

For planning purposes, however, now is the time for the Government of Senegal and the USAID to prepare for a second PL-480 Food for Development program, if desired, to begin as early as FY 1983. This evaluation has identified the questions of a) the modality of PL-480 programming and b) the availability of broken rice as the two key issues to be resolved prior to determining the development content of a future PL-480 program. In large measure, these two issues are integrally linked, with a decision on one having a direct bearing on the other.

B. Another Type of PL-480 Program?

Two economic and financial factors beyond the control of Senegal -- the extremely high price of the second tranche of rice and the strong appreciation of the dollar against the CFA franc -- have seriously hindered the rapid sales of PL-480 rice and hence, the deposit of local currency sales revenues into the Title III Account to finance the Title III projects and policy studies. These two factors initially led the GOS to attempt to sell the rice in Senegal at a high price in order to recover its costs and make the required deposits. This higher price, however, was not competitive with the cheaper broken rice from Asia. The GOS has been forced to reduce the sales price and, as a result, may have to forfeit loan forgiveness on a portion of the value of the FFD program and take a loss on transport and handling costs. These problems were not foreseen during the design of the Title III program. In concept, Title III commodity sales revenues in the recipient country are intended to cover the deposit requirement for the Title III Account and not impose a net financial or budgetary hardship.

The question thus becomes whether the mutual interests of both Senegal and the United States would be better served by a different modality for a future PL-480 Food for Development program. The evaluation team discussed the possibility of such a program under PL-480 Title II, Section 206, which has the same development objectives as Title III, but on more liberal terms.

The basic terms and requirements of a Title II, Section 206 program are as follows: a) The food aid is a grant from the beginning and not loan conversion to a grant, as is the case for Title III; b) Section 206 is also a multi-year food aid program; c) the United States pays the cost of ocean freight; d) the recipient country is permitted to sell the donated commodities but must still make available for development purposes the sum in local currency equivalent to the commodity dollar value at the moment of export from the United States; e) the recipient country must present a detailed written plan for the use of the local currency sales proceeds; and f) the recipient country must agree to carry out "self-help measures" (under PL-480, Section 109) which entail a net additional development effort on its part (similar to the self-help measures part of the present Title III agreement which become operational in the event that part of the Title III program reverts to Title I repayment terms).

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According to the legislation, Section 206 requires only that the recipient country have a written plan for the development use of the food aid sales proceeds and be willing to undertake self-help measures.[1] However, guidance to USAID field missions from the USG interagency Food Aid Subcommittee[2] restricts eligibility for Section 206 food aid programs to those relatively least developed countries (RLDCs) which are also chronic recipients of emergency food aid. Therefore, Section 206 eligibility requirements would have to be waived in the case of Senegal which does not meet either criterion. The eligibility requirements, based on legislation and interagency guidance, were discussed at length and are clearly understood by both parties.

The broken rice issue will be addressed immediately following this section. However, it is believed that a Food for Development program under Title II, Section 206 would largely remove the present financial problems under the Title III program, even if Senegal were not permitted to import broken rice

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[1]Public Law 480 Title II, Section 206 reads as follows: "Except to meet famine or other urgent or extraordinary relief requirements, no assistance under this title shall be provided under an agreement permitting generation of foreign currency proceeds unless (1) the country receiving the assistance is undertaking self-help measures in accordance with section 109 of this Act, (2) the specific uses to which the foreign currencies are to be put are set forth in a written agreement between the United States and the recipient country, and (3) such agreement provides that the currencies will be used for (A) alleviating the causes of the need for the assistance in accordance with the purposes and policies specified in section 103 of the Foreign Assistance Act of 1961, or (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries...."

[2]State 15992 (January 20, 1980), and State 170920 (June 29, 1981).

under PL-480. The obvious advantage of a Section 206 program is that payment of ocean freight by the United States would represent a considerable cost savings to Senegal. Not having to pay ocean freight would a) allow the GOS to price PL-480 rice more competitively, close to the lower price of Asian 100 percent broken rice and permit rapid sales on the market; b) ease the financial burden on the GOS to fulfill its deposit obligations and thereby provide steady financing for the development activities under the program; and c) substantially reduce its net loss on the total commodity transaction, if any. The GOS, through the evaulation team member from the CPSP, has recommended that the USAID seek a waiver to the eligibility criteria for Title II, Section 206 to allow the possibility of a Food for Development program for Senegal under Section 206.

It was pointed out during discussions that the availability of commodities under Section 206 is relatively limited, part of a combined Title II unallocated and emergency food aid reserve of about 400,000 tons for worldwide use. On the basis of their structural deficits in food production and chronic recourse to emergency food aid, certain other African countries were thought to be higher priority candidates for a Section 206 program. Furthermore, a Section 206 program for Senegal would likely be reduced in budget to a more modest sum.

On the other hand, the U.S. Congress has supported a policy for the Sahel countries that all assistance be in the form of grants rather than loans. A Section 206 program for Senegal would be fully consistent with that policy.

It was noted, furthermore, that the FVA and Africa Bureaus within AID/ Washington are in the process of redrafting the USG interagency guidance for Section 206 programs in an attempt to improve the development uses of the Section while broadening its applicability. As any revised guidance would be subject to USG interagency review and approval, however, it is not known when it would become effective.

Therefore, this evaluation does not make a formal recommendation on whether a Title II, Section 206 program is appropriate for Senegal. Should the GOS and USAID decide to propose a Food for Development program under Title II, Section 206, it would likely require considerable time and effort on their part to seek a waiver of the current guidelines for program approval.

C. The Broken Rice Issue

To recapitulate briefly from Part III of this report, the GOS believed it had obtained a commitment that USDA would issue purchase authorizations and allow tenders for the purchase by Senegal for up to 100 percent brokens for an FY 1983 PL-480 program in return for a sizeable commercial purchase of American broken rice by Senegal (perhaps as much as 150,000 tons, depending on price and supply). This belief was based on discussions between the Senegalese rice buying team and USDA/FAS officials in August 1982, in both instances it was understood that USDA could not guarantee the market's response to the GOS tenders, nor the price or supply offered.

It quickly became evident during the course of this evaluation that USDA had changed its position on the broken rice question since August and was considering withdrawing its commitment. When informed of this new development, the reaction of CPSP officials who had participated in the discussion with USDA was one of disbelief and disappointment. The U.S. Embassy in Dakar sent a cable to Washington, noting that the post had been neither informed in advance nor consulted about the repercussions upon U.S.-Senegalese relations of this proposed decision. The cable requested confirmation that the USDA did not intend to revoke its commitment to the GOS. Failing this, if Washington agencies determined that the commitment had been unwisely given and that Senegal's tenders could not produce broken rice at acceptable prices, the cable urged the USG to suggest a PL-480 alternative acceptable to the GOS.[1]

There has been some confusion on the subject of brokens for Senegal due to inconsistent statements by USDA. As early as mid-October, USDA/FAS rice specialists sought to establish as USDA policy that in view of the current short supply of brokens in the U.S., it would be inappropriate to accede to Senegal's request to tender for up to 100 percent brokens under the PL-480 program.[2] In the meantime, USDA officials confirmed to Senegal's agent, St.

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[1]Dakar 10203 (November 8, 1982).

[2]USDA Memorandum to the Administrator, Foreign Agricultural Service; October 19, 1982.

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John International, USDA's willingness to issue purchase authorizations permitting Senegal to tender for the broken rice under the FY 1983 PL-480 program.[1] The following day, USDA approved as official policy the decision not to permit Senegal to tender for broken rice. This position was formally communicated by USDA to the CPSP in December.[2]

The Department of Agriculture bases its decision on the authority granted to it under Section 401, Title IV of PL-480, to preclude the programming of commodities that are in short supply in the United States.[3] This decision was reached on the basis of the following conclusions:[4]

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[1]Letter from the Acting Administrator, USDA/FAS to the President, St. John International; November 4, 1982.

[2]Letter from the Administrator, USDA/FAS to the Director-General, CPSP; December 7, 1982.

[3]PL-480 Title IV, Secton 401(a) states: "After consulting with other agencies of the Government affected within policies laid down by the President for implementing this Act, and after taking into account productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carryover, the Secretary of Agriculture shall determine the agricultural commodities and quantities thereof available for disposition under this Act, and the commodities and quantities thereof which may be included in the negotiations with each country. No commodity shall be available for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity, unless the Secretary of Agriculture determines that some part of the supply thereof should be used to carry out urgent humanitarian purposes of this Act."

[4]USDA Memorandum to the Administrator, Foreign Agricultural Service; October 19, 1982, op. cit.

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1. There is a shortage of brokens in the United States, not an oversupply.

2. If Senegal purchased up to 150,000 tons of brokens commercially, the price of brokens would rise sharply, approaching the price of #5/20 percent brokens which, in turn, could also rise, possibly reducing the quantity of rice for PL-480 programs elsewhere.[1]

3. If Senegal were permitted to tender for brokens under PL-480, most other recipients of PL-480 rice would try to follow suit, further pushing prices upward.

4. Any increase in the brokens content of PL-480 rice would be strongly resisted by the brewing industry,[2] without commensurate support for the increase from the rice industry.

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[1] The GOS' agent, St. Johns International, has proposed that in the interests of both Senegal and U.S. domestic buyers, Senegal spread its purchases of American broken rice over the greatest possible period in order to cause the smallest price, supply, and political impact on the U.S. brokens rice market.

[2] Anheuser-Busch, the largest industrial user of American rice, reacted quickly to apparent change of USDA/FAS policy to allow Senegal to tender for broken rice under PL-480. In a letter from its Director of National Affairs to the Administrator, USDA Foreign Agricultural Service, dated August 18, 1982, Anheuser-Busch noted that it continued to use broken rice in its brewing process even in periods of tight supply and higher prices, but always on the assumption that it was competing primarily with other commercial domestic and export users. To make exclusively broken rice available through PL-480, an export subsidy program (subsidized interest rates and liberal repayment terms), would have a negative impact on the price and already limited domestic supply of brokens for commercial buyers. Anheuser-Busch then served notice that it would follow the resolution of this apparent change in USDA rice policy "with great interest."

5. For purposes of market development and to maintain the image of U.S. rice as a high quality product overseas, the brokens content of PL-480 rice should not be increased.

USDA's authority to determine which commodities should be made available under PL-480 and which should be precluded on the basis of limited supply is not in question. In a sense, USDA had no choice but to preclude the availability of 100 percent brokens under PL-480, as has been its longstanding policy. To do otherwise might invite major commercial buyers to bring legal suit against USDA on the grounds that their interests suffered financial loss as a result of this policy change.

At issue here is the apparent and abrupt reversal of a previous commitment to allow Senegal to tender for brokens under PL-480, which, in retrospect, should not have been given. If the commitment was in fact a misperception of what was actually promised, as USDA claims, this misperception should have been corrected immediately and the commitment clearly withdrawn.

D. Recommendations for Future PL-480 Programming

The decision by USDA not to allow Senegal to tender for up to 100 percent broken rice under an FY 1983 PL-480 program was taken after the conclusion of the Title III evaluation in Senegal. Nevertheless, recommendations concerning possible future PL-480 programming for Senegal are presented below as discussed and approved by the GOS/USAID joint evaluation team.

12. It is recommended that no PL-480 Agreement be authorized for negotiations for FY 1983 until it can be demonstrated that the FY 1981 and FY 1982 PL-480 rice is selling on the market at a reasonable pace.

At the present price of 142 CFA kg, not only is the FY 81 rice not selling well, but it is also occupying public storage facilities which could be freed for other purposes. Moreover, the GOS is incurring costly expenses to rent storage for the recently arrived FY 82 rice. Under such conditions, continuation of a food aid program on the basis of food need or sound commodity management cannot be justified.

13. It is recommended that the Government of Senegal and USAID/Dakar consider the following options for a future PL-480 food aid program.

A. In the case that brokens rice becomes an available commodity under PL-480:

1. a one-year Title I program; or

2. a one-year extension of the present Title III program.

These options are presented as the relatively most efficient way to test the price and supply response of the market to Senegal's tenders for American broken rice without requiring the GOS and USAID first to invest a great deal of effort, in terms of time and personnel, in the design and approval process for a new multi-year Title III Food for Development program. That is to say, if there is no market response to Senegal's tenders or if the response is not

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attractive to Senegal (either too high a price or too small a quantity, or both, in which case Senegal reserves the right to reject the bid), relatively less planning effort is forfeited and the PL-480 Agreement is not carried out.[1] (At this time, the GOS and USAID should turn to option B, below).

If Senegal accepts a bid for a one-year Title I broken rice program, the usual Title I rules and conditions apply.[2] If Senegal accepts a bid for broken rice for a one-year extension of the present Title III program, the normal Title III conditions apply. It is likely that the GOS, with the assistance of USAID, will have to design new project activities to be financed or increase the scope of the present Title III projects. It is also likely that the GOS will encounter the same financial difficulties for the deposit of the required sum of local currencies into the Title III Account.

In light of USDA's decision precluding the programming of 100 percent brokens under PL-480, however, neither option under Recommendation 13 A is possible. The GOS and USAID should give serious and careful attention to Recommendation 13 B.

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[1]The budget allocation for Senegal would simply revert to the worldwide Title I reserve for reprogramming.

[2]Briefly, Title I is a loan for commodity purchase repayable in dollars with a grace period of up to ten years at two percent interest and a repayment period of up to 30 years at three percent interest. Self-help measures are required for the food and agricultural sectors. While it is not necessary to open a Title I account per se for the deposit of sales proceeds, the GOS is responsible for spending (or attributing) the CFA franc equivalent to the dollar value of the commodity for development activities in the food and agricultural sectors. As is the case for Title III, the GOS pays all transport and handling costs.

B. <u>In the case that American broken rice is not available, the GOS and USAID should discuss in depth all development opportunities and financial ramifications of carrying out a second phase Title III program before making a decision to continue.</u>

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Despite numerous problems associated with the start-up of the Title III program, now largely resolved, the Title III projects and policy studies are well on their way to making a valuable contribution to the restructuring and development of the agricultural and rural sector in Senegal. To be sure, more rapid sales of PL-480 rice on the market would ensure a steadier flow of financing, permitting smoother project implementation and it is expected that a decision by the GOS to reduce the sales price will undoubtedly help in this regard. In the meantime, however, the Senegalese managers of Title III projects and policy studies remain committed to the full implementation of their respective activity. The GOS is more than just an active partner. At the Management Committee and Ministerial levels, the Title III program is now properly perceived as a GOS development effort with input from USAID, as required -- not the reverse. The experience gained to date has given a new meaning to the programming of one's own local currencies for national development purposes. All these factors argue for continuation of a PL-480 Food for Development program.

Nevertheless, we must return to the fundamental question, the key roadblock to program success. As long as broken rice is not available under PL-480 (assuming the same relative price and exchange rate), a second phase of the PL-480 Title III program will impose a considerable financial burden on the GOS. This cost must be weighed against development opportunity, a difficult trade-off. The ultimate decision, another program or not, rests with the Government of Senegal.

Annex I: Evaluation Team Membership

This Evaluation of the Senegal PL-480 Title III (Food for Development) Program was conducted in Dakar from October 18, 1982 to November 19, 1982. Team members were:

Mr. Lance Jepson, (USAID/ADO); USAID Title III Coordinator and member of Management Committee

Ms. Vara "Sam" LaFoy (USAID/FFP); Regional Food for Peace Officer

Mrs. Fatou Ly; Chief of Supply Division, CPSP

Mr. Kenneth Murray, (USDA/FAS/EC); Deputy Director of Export Credits

Mr. Mamadou Mademba N'Diaye, (Ministry of Plan and Cooperation); Chairman of Management Committee

Mr. William Rhoads, (AID/FVA/FFP); Chief of PL-480 Title I/III Division

Mr. Ibrahima Samb, (Ministry of Finance and Economic Affairs); Permanent Secretary of Management Committee

Mr. Philip Steffen, (AID/AFR/TR/ARD); Evaluation Team Leader

Mr. Amadou Badara Sy, (Ministry of Plan and Cooperation)

Mr. Mactar Sylla, (Ministry of Plan and Cooperation, Evaluation Unit)

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Mr. Don Rassekh, (USAID/ADO)

Mr. Assane Samb; Executive Secretary of the Title III Secretariat

Annex II: Title III Project Managers and Project Monitors

1. Agricultural Policy Studies a. ISRA	Mr. Ibrahima Tiongane, Director of ISRA	Mr. John McMahon, USAID/ADO
b. Princeton University	Mr. M. Mademba N'Diaye Chairman, Management Committee	Mr. John McMahon
2. Local Cooperative Storage	Mr. Abba Dieme, Project Management, CAA	Mr. Barnabas Mosely USAID/ENG
3. Decentralization of Agricultural Research	Mr. Jacques Faye, Director, Economic Section, ISRA	Mr. John McMahon
4. Rural Technical Schools a. ENEA	Mr. Cheik Tidiane Sy, Director of ENEA	Mr. Barnabas Mosely
b. ENCR	Mr. Boubacar Seck, Director of ENCR	Mr. Barnabas Mosely
5. Dune Stabilization	Mr. Ahmadou Makhtar Niang, Service of Water and Forests	Ms. Carole Ulinski, USAID/ADO
6. Rural Development Fund a. OFADEC	Mr. Jean Carbonare, Director Mr. Mazide N'Diaye, Assistant Director	Mr. Joseph Salvo USAID/ADO
b. Millet Transformation	Mr. Ousmane Kane, Director, ITA	Mr. John McMahon
7. Management Committee	Mr. M. Mademba N'Diaye, Chairman	Mr. Lance Jepson, USAID/ADO

Annex III: Other Persons Consulted

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Mr. Mohamedou Diagaby Toure; Secretary General of CPSP

Mr. Mamadou Diop, Ministry of Finance and Economic Affairs

Mr.   Koumba, Project Management, CAA

Mr.   Samba, Project Management, CAA

Mr. Edouard Benjamin, Resident Representative, World Bank

Mr. Charles Bray, U.S. Ambassador to Senegal

Ms. Carole Tyson, Acting Director, USAID

Mr. Sam Rea, USAID Program Office

Mr. Mamadou Jallow, USAID Evaluation Officer

Mr. Edward Auchter, Joint Embassy/USAID Economic Office

Mr. William Memler, Joint Embassy/USAID Economic Office

Ms. Olga Sedo, Assistant, USAID Food for Peace Office

Mr. Joel Schlesinger, USAID Project Development Office

Mr. Peter Freeman, USAID Agricultural Development Office

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Mr. James Bingen, Agricultural Research and Planning Project (685-0233)

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Mr. Sheldon Gellar, Princeton University

Mr. Michael Hamady, Resident Advisor, Millet Transformation Project

Mr. Ian Ferguson, Canadian Embassy

Mr. Felix Ba, Moulins SENTENAC

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Annex IV. Title III Project Quarterly Report Forms (Formularies I and III)

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