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USAID/MAURITANIA

PL 480 TITLE II SECTION 202

FY 1990 PROGRAM MEMORANDUM

April 30, 1990

PROGRAM PAPER MEMORANDUM

Introduction: In accordance with guidance received from State and AID/Washington on the future of A.I.D.'s program in Mauritania (State 66610 dated March 1, 1990), USAID/Mauritania is proposing a PL 480, Title II, Section 202 program consisting of 20,000 MT of wheat in 1990 for the purpose of meeting Mauritania's famine relief and emergency requirements.

Background: Even in normal conditions, Mauritania is unable to produce - and cannot afford to import - enough food to satisfy its consumption requirements. Achievement of food self-reliance is still a long-term goal. Although domestic production has increased substantially in recent years -- from 20,000 MT in 1984 to an official estimation of 139,000 MT in 1989 -- the country's supply of rainfed and flood-recession crops remains highly vulnerable to greatly fluctuating rainfall and river flood levels. Currently 60% of the population's annual consumption requirements come from commercial and food-aid imports. Since 1988, donors and GIRM officials have been discussing what appropriate measures need to be adopted to implement the new agricultural policy, which aims at encouraging small farmers by improving incentives, privatizing inputs and subordinating food aid to domestic-production goals. The principal food-aid donors agree that the current situation justifies a free-distribution and emergency Food For Work program.

Justification: The joint Government of Mauritania (GIRM)/multi-donor food needs assessment (FNA) estimates a net cereals production level in the 1989/90 growing season at 139,000 MT. Estimated consumption requirements, based on 165 kgs. of cereals at a population level of 1,978,000, are 326,000 MT. Commercial imports total 117,000 MTs. Therefore, donors are expected to provide a total of 60,000 MTs to fill the deficit. Moreover, AID/Mauritania's Food Security Operations Group (FSOG) reports (such as Nouakchott 1639, April 15, 1990) are pointing to the strong possibility of populations at increasing risk of food stress and food-access-related stress in the southern part of Mauritania this year due to factors of poor climate and the effects of the current political instability on this year's growing season. Although no hard data are available, reliable sources indicate that real production may be as much as 40% to 50% lower than the official figures published by the Agricultural Statistics Office. See Annex B for the current Food Needs Assessment (FNA).

Choice of Commodity (Wheat): The FNA estimates Mauritania requires 100,000 MT of hard wheat annually and 45,000 MT of wheat flour. Wheat flour is imported commercially, most of it from France. (In 1988, 45,000 MT of wheat flour was officially imported. According to the CILSS/Club du Sahel Regional Trade Study, an estimated 20,000 MT of wheat flour from Mauritania was sold in Mali. This figure cannot be verified in Mauritania, but transshipment of imported flour from France into Mali is nothing new. It is possible that some tonnage bypassed Mauritanian Customs and therefore is not included in the annual food needs assessment.

Furthermore, it should be noted that U.S. wheat, used for couscous and semolina, satisfies a different consumption requirement than wheat flour. The two commodities are not substitutable.) All of the hard wheat imported by food-aid donors is carefully monitored and sold in Mauritania. See Annex A for a detailed commodity choice rationale.

Institutional Arrangements between the Government of the Islamic Republic of Mauritania (GIRM) and donors: The Government's principal body dealing with food aid and food security has been the Food Security Commission (CSA), which reports to the President of the country. In implementation of recent agricultural policy reforms, the GIRM has created an inter-ministerial cereals-policy monitoring commission (CSPC) and a technical working group known as the Food Programming Committee (CPA). The U.S. and the four other principal food-aid donors are members of the CPA. (The CSA has been designated as the secretariat of the CPA.) This means that food-aid issues are now subordinated to food policy and deliberated in a wider forum, though some time will be required to re-align structures and decision-making arrangements. For this reason, some implementation modalities of this proposal may be somewhat revised in the course of discussions between the GIRM and donors on the re-organization of the CSA.

Emergency Stock: Donors have reached agreement on the principle of a CSA Emergency Stock, whose function will be to answer any emergency brought about by an unforeseen disruption in the regular food supply due to risks such as:

- insufficient rains or reduced flood levels;
- transportation bottlenecks and distribution breakdowns;
- delays in signing import contracts or lack of foreign exchange;
- socio-economic or political problems;
- inefficiency of private distributors; speculation; cartels.

The emergency stock will be immediately decentralized and transported into Mauritania's at-risk regions. The regional level will be agreed upon prior to the first call forward and will be dependant on the population and the risk of famine as determined by FEWS and other early warning systems.

1990 Program: As described in the draft Transfer Authorization, 12,000 MT of wheat will be for free distribution and/or emergency food for work programs to respond to famine-relief and emergency requirements. Another 8,000 MT of wheat will be sold. Funds generated from the sale of these commodities will cover costs of management, transportation and distribution of the FDS and WFP's

cost to A.I.D. of management of the arrivals.

Donors have agreed upon an auction system which will first be tested by the EEC's contribution of 3,000 MTs of wheat. According to these arrangements, the Section 202 program commodities -- to be managed by the WFP upon arrival at port -- will either be auctioned to private traders or, if the private sector is unable to purchase the complete shipment, sold by the CSA.

Management Arrangements of the FY 1990 PL 480 Title II Section 202 Program: We are expecting agreement of World Food Program headquarters to a proposal submitted by the WFP/Mauritania Program Operations Director to handle all management aspects of this program upon arrival of the commodities at the port of Nouakchott: offloading, sales (either through the private auction system or through the CSA), transportation, distribution, accounting and monitoring. The WFP's management fee will be paid out of the local currencies generated from the sale of the commodities.

Uses of Local Currencies: As mandated in the guidance message (State 66610) currencies are to be used for budget support in furtherance of Section 202 objectives of helping Mauritania relieve famine conditions and respond to emergency requirements. These uses are described in section 13 of the T.A.

COMMODITY SELECTION AND RATIONALE

During each of the previous two 206 programs, a total of 60,000 MT of wheat and sorghum were designated for sale over a three-year period. Under the second program, a decision was made to utilize red sorghum as a self-targeting commodity whereby low-cost grain would be made available to low-income people. This was in support of the program's objective of gradually reducing the amount of grains distributed free. Since red sorghum is considered inferior to other types of grain available in Mauritania, it was thought that only the most needy would purchase it no matter how low the price. This proved to be an erroneous assumption. Sales of the sorghum delivered to date have been very slow (an average of 1,539 MT per year during the period 1985-1988), with the bulk purchased for livestock feed. The GIRM requested the OAR/M to convert the final year's entire allocation to wheat and to demonetize 12,000 MT of sorghum already in Mauritania for use in the free-distribution program. OAR/M concurred in both of these requests.

An analysis of commodity options available to OAR/Mauritania for the 202 program follows:

- Rice: Approximately one-third of the country's total annual cereals consumption need is being met through a combination of locally-grown and imported rice. Bringing rice in through the 202 program could have a disincentive effect on the burgeoning local rice production -- which has expanded at an average rate of 32% over the past six years.

- Soybean Oil: The Societe Mauritanienne d'Industrie Alimentaire (SOMIA), a Mauritanian wholly-owned and privately-financed oil refinery, began trial production of soybean oil in May 1989 with full production scheduled to commence in July. SOMIA has a five-year contract with a German shipping firm to transport 700 MT of unrefined oil per month to Nouakchott, where it is refined, bottled and distributed wholesale by SOMIA. While the current national demand is estimated to be 7,000 MT per year, SOMIA's projected annual production is 16,000 MT with the surplus destined for export to Guinea, Mali and the Congo. Production for 1989 was 7,000 MT. SOMIA plans to expand its operations within the next two years to include the refining of palm and rape seed oil as well. The sale of Title II soybean oil could have a deleterious effect on SOMIA operations, and consequently is not a suitable commodity option.

- Sorghum: As discussed previously, U.S. red sorghum is considered inferior to other types of grain found in Mauritania. Its low rate of sale creates a financial burden on the GIRM, which is forced to store, fumigate and rotate stocks over an extended period of time. Consequently, red sorghum is not a feasible commodity option.

- Wheat: The wheat brought in under each of the previous 206 programs has found a ready market and sales have averaged 900 MT per month. Prior to the drought of 1985, wheat was consumed primarily by the Moor segment of the population with other groups consuming sorghum and millet. Since that time, an average of 41,000 MT of wheat have been donated each year and there has been a growing demand from all segments of the population.

In light of the above analysis, wheat is recommended as the sole commodity to be imported under the 202 program.

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**DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523**

TRANSFER AUTHORIZATION

PL 480 Title II Section 202

A.I.D. No. _____
Program Approval Date: _____

Executive Vice President
Commodity Credit Corporation
U.S. Department of Agriculture
Washington, D.C. 20250

Program Title: S, E, C, 202

In accordance with the provision of Title II P.L. 480 (as amended) Section 1.201 of Executive Order 12220 and the International Development Cooperation Agency Delegation of Authority No. 5 effective June 27, 1980, the Commodity Credit Corporation (CCC) is hereby authorized to transfer and deliver food grain to the Government of the Islamic Republic of Mauritania in an amount valued at an estimated \$3,560,000.00 pursuant to the following instructions.

1. Quantity - metric tons not to exceed

<u>Previous Total</u>	<u>Increase</u>	<u>Total to Date</u>
- 0 -	20,000 MT	20,000 MT

2. Commodities to be provided as follows:

<u>Code No.</u>	<u>Commodity</u>	<u>Quantity</u> <u>MT</u>	<u>CCC Value</u> <u>\$</u>	<u>Export Market</u> <u>Value \$</u>
041-002	Wheat	20,000	3,560,000	5,880,000

3. Estimated ocean transportation costs: \$

All actual ocean expenditures under this program, regardless of the estimate shown above, will be funded from A.I.D.'s Title II, Bilateral Freight Account provided through AID/MS/OP/TRANS. An individual ocean freight transfer authorization will not be issued.

4. Specifications:

Wheat - USDA specifications

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5. Shipping Instructions:

a. Delivery Schedule:

10,000 MT in August 1990
10,000 MT in November 1990

b. Port of Discharge: Nouakchott, Mauritania

**c. Consignee: GIRM Commissariat a la Securite Alimentaire
(CSA) B.P. 377
Nouakchott, Republique Islamique de Mauritanie,
Afrique de l'Ouest**

d. Send copies of bill of lading to:

- 1) Original and two copies and phytosanitary certificate to consignee via airmail;
- 2) Original and two copies of consignee accompanying cargo;
- 3) Original and phytosanitary certificate to Nouakchott (ID), Department of State, Washington, D.C. 20523, Attn: FFPO
- 4) Original and two copies to A.I.D. Transportation and Support Division, SER/OP/TRANS, Office of Commodity Management, Washington, D.C. 20523, Attn: ??

6. Program Objectives, Use of Commodities and Conditions of Transfer

The commodities authorized herein are contributed by the United States Government to the Government of the Islamic Republic of Mauritania (GIRM) to meet partial requirements of 1990's estimated food deficit. 12,000 MT of the 20,000 MT delivered will be contributed to a Emergency Stock for famine relief and emergency requirements. The remaining commodities delivered (8,000 MT), hereafter to be referred to as the Sales Stock, will be sold. Funds generated from the sale of these commodities will be used to: (a) pay for the costs of transporting the Emergency Stock to regional warehouses; (b) auction of the Sales Stock; and (c) manage and distribute the Emergency Stock for famine relief or emergency requirements.

7. Program Implementation

Under this 202 Program, AID intends to provide humanitarian assistance within the newly evolving GIRM cereals policy framework by providing the grain and funds necessary to manage a Emergency Stock. This stock will be supported by the USAID/Mauritania Famine Early Warning System (FEWS) project which will provide advance warning of at risk areas or populations.

A. Management of the Sales Stock

- 8,000 MT of the 202 wheat commodities will be sold through private-sector channels using a sales procedure as defined jointly with other donors.

B. Management of the Emergency Stock

- Upon delivery the Emergency Stock will be immediately transported to regional warehouses for storage to reduce delivery delays once a distribution plan has been approved.

C. Identifying and Addressing the needs of the vulnerable (Targeting)

- Upon the identification of at risk populations by the FEWS project or other early warning systems funds are to be made available for the survey of at-risk areas and a detailed distribution plan with a cost estimate will be presented to the Food Programing Committee (CPA) for approval. Once a detailed distribution plan has been approved the funds and commodities will be released to implement the plan.

8. Exemption from customs duties, taxes and other fees

The GIRM agrees to admit all PL 480 commodities into Mauritania free of all customs duties and other fees as prescribed by A.I.D. Regulation 11, Section 211.7 (B).

9. Use of 202 commodities for food-for-work and other CSA programs.

No wheat from the 202 Sales Stock may be demonetized for use in free distribution or food-for-work programs. No wheat from the 202 Emergency Stock may be sold or allocated to any other CSA regular program.

10. Receipt and auction of 202 commodities

The Sales Stock will be consigned to the Commission for Food Security (CSA) and will be for sale to the private sector. The CSA will be responsible for submitting outturn survey reports to WFP within ten working days from completion of offloading. The survey reports will be accompanied by a detailed statement of allowable receiving, handling and distribution charges.

The wheat not delivered directly from the quay will be stored at the CSA warehouse in the Port of Nouakchott until delivery is taken by successful bidders. The CSA shall be responsible for all wheat lost or damaged between the time of discharge and the time of delivery to the bidders. Justifiable costs, defined as port handling, storage, transportation and other charges applicable to the sale and distribution of commodities, including auction expenses, will be paid by the CSA to the concerned agencies and deducted from the auction proceeds. Any unforeseen expenses may also be deducted from the proceeds with the written agreement of the Commissioner for Food Security and the OAR/M Director.

An Auction Committee will be created, comprised of representatives from the GIRM Ministry of Plan and Employment, the Commission for food Security and two donor representatives. The committee will be responsible for:

- o Ascertaining expected arrival date of the vessel;
- o Reviewing and approving advertisements of the auction to be transmitted via all available local media (radio, television, newspapers, public notices);
- o Publishing criteria for eligible auction participants through all available local media at least two weeks prior to the auction;
- o Reading, initialling and recording each bid and determining successful bidders;
- o Publishing the names of the successful bidders and the cut-off price no later than three working days following the auction;
- o Ensuring that the appropriate lots of wheat are released to the successful bidders;
- o Submitting a report to OAR/M within fifteen (15) days of the completion of the auction detailing the auction process, the date of the auction and the highest legal exchange rate in effect in Mauritania on that date, problems encountered, recommended adjustments for the next auction, actual tonnage sold and the cutoff price paid by bidders. The completion date is defined as the date of posting of the list of successful bidders;
- o Depositing net proceeds from the auction and any forfeited deposits within fifteen (15) days of the completion date of the auction.

11. Depositing of 202 proceeds

All proceeds generated from the 202 Sales Stock will be deposited in the jointly managed GIRM/WFP Special Emergency Stock Management (ESM) account.

12. The Emergency Stock Management Account

The ESM Account will be placed in an interest bearing account of a private commercial bank in Nouakchott.

13. Use of 202 - generated funds

A. The funds generated under the 202 program will be used for the following purposes:

- WFP (UM) Management Fund: Twenty million ouguiya's from the gross proceeds from 202 commodity sales will be deposited in a Management Fund. These monies will be used to cover local costs of monitoring and implementation of program activities.
- Auction Expenses: Twenty-four million UM from the gross proceeds of the 202 sales will be earmarked to cover commodity handling (e.g., initial storage) and auction-related expenses (e.g., publicity, banking operations, etc.)
- Emergency Stock Management Fund: The remaining portion of the generated proceeds will be deposited in the ESM Account and disbursed in accordance with procedures agreed to by WFP, USAID/Mauritania and CSA.

B. The following budget has been prepared for planning purposes. The budget is based on four assumptions related to 202 program: sale of 8,000 MT of wheat; Emergency Stock of 12,000 MT; average sale price of 23 UM/KG; and an exchange rate of \$1 to 85 UM.

Generations (000's UM) 184,000

Activities

1. Auction Expenses (3UM/kg)	24,000
2. WFP/Management Fund (fixed)	20,000
3. Emergency Stock Transport (7UM/kg)	84,000
4. Emergency Stock Management (4.5UM/kg)	54,000

