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LA PAZ, BOLIVIA

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End-of-Tour Report

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Term of Tour: July 26, 1975 - August 20, 1976

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## END-OF-TOUR REPORT

Morris D. Whitaker

### I. Objectives

Sectorial Management is one of three principal components (the other two are Technology Development and Technology Extension) of a seven-year project in which the Consortium for International Development (CID) is providing technical assistance to the Ministry of Rural Affairs and Agriculture (MACA). The general purpose of the project is to increase the production of basic food crops and livestock products in the intermountain valleys and Santa Cruz area through increased factor productivity (Contract 511-92, pp. 1-2, A.1-A.2). The specific objective of the Sectorial Management component is:

To develop the capability of the Ministry of Agriculture offices of Economics and Statistics, Marketing and Planning to generate basic agricultural data, analyze problems, formulate and implement coordinated policies and programs for the sector including improved organization and administration of public services... (Contract 511-92, p. A.1.)

The objective is to be achieved by the provision of technical assistance from two agricultural economists, one in planning and policy analysis, and one in marketing and a \$600,000 loan from USAID (Ag. Sector Loan I, Project 053) for long and short-term training, equipment and materials, and short-term advisory services. The Contract was signed on June 27, 1975 for an initial two-year period with a stated intent of continuing for a minimum of seven years.

I arrived in La Paz on July 26, 1975 to begin a one-year assignment (with MACA/USAID approval) as Agricultural Economist in Planning and Policy Analysis. I had just returned to the Department of Economics after a two-year tour (July 1973--June 1975) with the Utah State University Contract Team, but was asked by my Department Chairman and Dean to accept the CID position despite requisite adjustments in Departmental assignments.

Upon arrival, a plan of work was developed for the general objective quoted above. Since the position of Agricultural Economist in Marketing was not to be filled until mid-1976, it was decided to emphasize agricultural planning and policy analysis in implementing the Sectorial Management component during the initial year. Consequently, the job description in the Contract for the Agricultural Economist in Planning and Policy Analysis provided the focus for the plan of work for Sectorial Management during 1975-76:

An Agricultural Economist will be assigned as counterpart to the Director of the Office of Planning. His main task will be to advise and assist in the development and preparation of agricultural projects, project analysis, policy formulation, and program evaluation. Also, he will assist in developing and directing an in-service training program, and in the planning and coordination of the USDA and other short-term technical advisors' inputs to the Office of Economic Studies and Statistics. (Contract 511-92, p. A.5.)

Based on the technical plan of work (CID Administrative Report 02/76, pp. 22-25), specific objectives for the Sectorial Management component during 1975-76 were:

A. Agricultural Planning

1. Develop the Five-Year Plan (1976-80) and Operative Plan for 1977.
2. Evaluate projects proposed for the agricultural sector during the coming five years.
3. Evaluate the organization of the Office of Sectorial Planning, make recommendations for change, and assist in the reorganization.
4. Develop a schedule for using the USAID loan (\$600,000) for long and short-term training, vehicles, equipment and materials, and short-term advisors.
5. Assist in developing MACA's budget for 1976.
6. Improve MACA's capacity for coordinating and controlling foreign donor assistance.

B. Economic Studies and Policy Analysis

1. Conduct a study of existing management and use of range-lands and make appropriate policy recommendations.
2. Conduct a study of Yungas agriculture to determine the relative profitability of coca production and discuss implications for MACA programs.

C. Agricultural Statistics. Develop aerial sample frame for collecting production data for principal crops.

D. Agricultural Marketing. Develop a price reporting system for weekly public distribution.

### E. Training

1. Present formal seminars and conduct on-the-job training for personnel in the Office of Planning in the areas of agricultural planning, economic studies, and project evaluation.
2. Advise students completing University theses in agricultural economics.
3. Give courses and seminars at the Bolivian University in Cochabamba and Santa Cruz.
4. Give other seminars to agencies or groups involved with agriculture.

## II. Accomplishments and Findings

My accomplishments and findings related to my work are discussed by specific objectives.

### A. Agricultural Planning

1. Five-Year Plan (1976-80). The final version of the Five-Year Plan has been completed and copies are available in MACA. I developed the basic outline for the plan and wrote the initial draft before the Director of the Office of Sectorial Planning (Humberto Gandarillas) arrived in November, 1975. Subsequently, I designed and supervised supply and demand projections, and Ing. Gandarillas and I modified the draft. For all practical purposes, the Plan Quinquenal was authored by Ing. Gandarillas

and myself with support for calculations and data from the staff of the Office of Sectorial Planning and with critical reviews from CONEPLAN.

Work on the Operative Plan for 1977 started about two months ago and is programmed for completion by mid-September. Ing. Gandarillas is supervising work on the Operative Plan for 1977 while I direct evaluation of projects proposed for agricultural development in the Five-Year Plan. I helped design the methodology for the Operative Plan.

2. Project Evaluation. Evaluations of all projects proposed by various agencies of the GOB in the Five-Year Plan for developing agriculture are being evaluated in two phases. The first phase examines each project to determine the degree to which it corresponds with the objectives of the Plan. This phase has been completed and is in the process of publication. The highest ranking project is only 56 percent in accord with objectives of the Five-Year Plan. The second phase is to redesign the most promising projects to get them more in correspondence with the objectives of the Plan and then evaluate them according to their social profitability. Short-term advisory services from CID (under the USAID loan) have been requested for this purpose.
3. Reorganization of the Office of Sectorial Planning. I wrote a white paper on the organization of the Office of Sectorial

Planning in August, 1975 and made recommendations for change to facilitate achievement of the objectives of the Sectorial Management component of the project. The office was then comprised of marketing and economic studies, statistics, and planning. I proposed that the Office be reorganized with Marketing to be made a separate entity, and Planning to have three divisions: statistics, economic studies, and planning/programming. The reorganization was approved by the Subsecretary (Boris Marinovic) and the Director General (Gover Barja) in early 1976. To facilitate the reorganization I proposed the need for additional floor space and for construction of individual offices. Additional offices on the third floor were assigned to the reorganized Office of Sectorial Planning (approximately six) and construction recently started on remodeling and construction of individual offices. Full implementation of the reorganization still requires a formal announcement by MACA officials.

4. USAID Supportive Loan (\$600,000). In cooperation with the Coordinator for the USAID Loan 053, I developed a list of needed vehicles, equipment and materials, short and long-term training, and short-term advisors for each of the three divisions of the reorganized Office of Sectorial Planning and for the Office of Marketing. The procurement list for vehicles and equipment and materials is now being finalized. Included

are 14 vehicles and required office equipment including calculators, typewriters, desks and chairs. Approximately \$80,000 has been allocated for a computer terminal in the Division of Statistics and a USDA short-term advisor has made general recommendations on needed equipment although this has not been finalized. One man has gone to Viçosa in Brazil for training to the M.S. level in agricultural economics and four are in the U.S. for short-term training of three months (3 in statistics and 1 in project evaluation). A short-term advisor is currently on request for assistance in project evaluation.

5. MACA Budget for 1976. The MACA budget for 1976 was developed with heavy involvement from the Office of Sectorial Planning. My principal input was in two areas. I developed the budget for the reorganized Office including use of the USAID Loan 053 and assisted in development of a schedule of higher salaries for professionals in MACA which was incorporated in the budget in accord with requirements of the USAID Loan. Also, the reorganized Office includes budgeting and programming (in the Division of Planning/Programming) and is responsible for developing the budget not only for MACA but for all public agencies working in agriculture for the Operative Plan for 1977. While budgeting and programming nominally has been

institutionalized in the Office of Sectorial Planning, the degree to which budgeting and programming become functional depends on the performance of the Office in developing the budget for the Operative Plan for 1977.

6. Control/Coordination of Foreign-Donor Assistance. In the reorganized Office of Sectorial Planning, coordination and control of foreign-donor assistance is a specific responsibility of the Division of Planning/Programming. However, due to lack of qualified personnel, this area of work has not been implemented.

B. Economic Studies and Policy Analysis

1. Management and Use of Rangelands. A draft of a study of the management and use of rangelands in Bolivia highlands was completed in early 1976 as CID Working Paper 001/76. After exhaustive review, the working paper has been published as CID Technical Report 001/76. I have provided the major input into this study (with assistance from E. Boyd Wennergren) because no one in the Office of Sectorial Planning had, or yet has, sufficient training to do so. The study finds that most Bolivian rangelands are managed as common-property resources resulting in serious overgrazing and erosion, and suggests a public policy for rectifying the dismal situation.
2. Yungas Agriculture. The draft of the study of the returns to investment in various crops in the Yungas is nearing

completion. Most of the field work and analysis has been carried out by Clovis Villegas of the Office of Marketing under my supervision. He will use the study as his thesis for his Licenciatura degree. The study indicates there is a dual market for coca leaf with one price for legal coca and a much higher price for illegal uses. However, investment in coca production is not any more profitable than alternative crops. Attempts to complete a similar study in the Chapare were frustrated by the closure of the Bolivian University in Cochabamba. The study was well underway when a series of student strikes caused the University to be intermittently closed. This has resulted in a significant loss of time that could be dedicated to the project by the student, José Aramayo. The study is being continued, however, and is expected to be terminated under advisement from my replacement.

- C. Agricultural Statistics. An area sample frame for Santa Cruz has been developed and field testing will be initiated late in 1976. Sample frames are in the process of being developed for Yungas, Cochabamba, and the Altiplano in that order. Specific advisement is by USDA short-term consultants financed with 053 Loan Funds (USAID), under CID supervision.
- D. Agricultural Marketing. A weekly price reporting service of retail food prices in La Paz was instituted in late September

in the daily newspaper Hoy. This was discontinued after six weeks at the request of the Alcaldia with MACA concurrence due to the politically difficult trend of rising prices. Weekly market data has since been collected on a continuing basis.

E. Training

1. Seminars/On-the-Job Training for Personnel of the Office of Sectorial Planning.
  - a. In the process of calculating production targets for the Five-Year Plan, personnel of the Division of Statistics were given on-the-job training in the theory and use of supply-demand projections and such projections made for 1976-80.
  - b. Personnel of the Division of Planning/Programming were on-the-job training in the theory and process of agricultural planning and assisted in completing the Five-Year Plan.
  - c. Personnel of the Division of Planning/Programming have been partially trained in project evaluation and have completed the first phase of an evaluation of all projects proposed in the Five-Year Plan. This training will be continued by my replacement and a short-term advisor.

- d. A seminar on the use of rangeland in the Altiplano and Valleys was given to the staff of the Office of Sectorial Planning with key officials from other MACA and GOB agencies invited (approximately 25 people attended). The purpose of the seminar was to illustrate the methodology of research in economics, and simultaneously demonstrate the importance of the findings of the rangeland use study for Bolivia and the policy implications.
2. Thesis Advisement. Thesis advisement is being given to two students:
    - a. Clovis Villegas - Yungas Agriculture - University of San Andrés. The first draft of the study will be completed before I leave but Clovis has to complete two courses before he can formally present his thesis project.
    - b. Luis Aramayo - Chapare Agriculture - University of San Simón. This study has been held up by the intermittent closure of the University of San Simón and will not be completed before I leave. It should be followed up both because Aramayo is an exceptionally good student and because it complements the work of Villegas for developing a MACA policy for the coca problem.
  3. Courses and Seminars at the Bolivian University.
    - a. A symposium in Bolivian agriculture was presented at the Bolivian University in Cochabamba (UMSS) during February

- 2-6, 1976 with over 80 in attendance. I gave three lectures (an overview of the sector, problems in Bolivian agriculture, and rangeland use in the Altiplano and Valleys) and Boyd Wennergren gave one (a policy prescription for agricultural development).
- b. A Land Economics course was given at UMSS during May and June to approximately 25 students and 13 signed up for credit at Utah State University (U.S.U.). The course was given by E. Boyd Wennergren.
  - c. A course in farm management was given at UMSS during July 19 - August 6 for credit at U.S.U. with 90 people in attendance. The course was given by Dr. Larry Bond. I helped arrange both the Land Economics and Farm Management courses with the Director of the Institute of Economic and Social Studies and the Department of Economics at the University.
  - d. The Department of Economics and the Institute of Economic and Social Studies (IESE) of UMSS have entered into a formal agreement with MACA to use CID technical advisors to strengthen the study of agricultural economics. MACA has agreed to give three scholarships to IESE and let CID long-term and short-term advisors give courses. This was promoted and encouraged by myself and Boyd Wennergren.

#### 4. Other Seminars.

- a. A seminar on Bolivian agriculture was presented to employees of the Central Bank during a USAID course on credit during August, 1975.
- b. A seminar on agricultural planning was given to employees of the Community Development Service at a formal training course at ISAP during March, 1976.

### III. Principal Problems

#### A. Lack of Qualified Personnel

The lack of qualified personnel has seriously restricted the effectiveness of the Office of Sectorial Planning and forced me to spend an inordinate amount of time in production activities whereas the Contract calls for the Agricultural Economist in Planning to "...develop the capability..." of the Office of Sectorial Planning (Contract 511-32, p. A.1).

When I first arrived the Office of Planning had five older men, all ingenieros agrónomos, who had been transferred from other MACA offices, several young ingenieros agrónomos, and one economist. One of the older man served as Director. A principal difficulty of the office has been the fact that the ingenieros agrónomos, while capable in their fields, do not have the training or experience to conduct economic studies or agricultural planning. This was compounded by the fact that they were

"armchair economists" and thought they knew how to do agricultural planning and economic studies.

In an attempt to resolve this problem, USAID and the Ministry had obtained counterpart funds ostensibly to hire four agricultural economists to add to the staff of the Office. These funds were used to hire the current Director of the Office, who arrived in November, 1975. He has an M.S. in Agronomy (1948) from Minnesota and has been remarkably effective principally because of strong personal motivation, recognition of his limitations, and ability to learn and quickly absorb new material. (He read several books in agricultural planning and now has a good knowledge of the subject.) Unfortunately, by October, 1975, all of the other three positions were filled with technical people (a civil engineer, a veterinarian, and an animal scientist) and of these, only the animal scientist actually worked in the Office.

Consequently, CID indicated to USAID and MACA that we could not accomplish the principal objective of Sectorial Management component without a better-qualified staff and asked for counterpart funds for hiring one Ph.D. and three M.S. agricultural economists. USAID and MACA both agreed to request such funds from the Ministry of Finance, which was done. Since then, verbal reassurances from USAID and MACA have been made every two months and almost 9 months have elapsed.

In the meantime, some progress has been made in the Office. Of the five older ingenieros agrónomos, one has resigned, one was transferred to another MACA office, and one is in the U. S. completing a short course in project evaluation and will rejoin the Office staff in September, 1976. Four young staff have been hired including three economists and one ingeniero agrónomo with a strong bent for economics. Only one economist has any experience, however, and this is not in agriculture (the others are recent graduates without experience).

Thus, it is urgent that experienced agricultural economists be added to the Office as quickly as possible. Three such economists, all Bolivians, have been identified. One has a Ph.D. in regional planning, one a Ph.D. in agricultural economics, and one an M.S. in agricultural economics. All have several years of experience but are relatively young and all have indicated their willingness to work at salary levels suggested in the request for counterpart funds. The most recent rumor from USAID is that the counterpart funds will be released. If so, this will permit the CID advisor to devote his efforts to "develop the capability" of the Office rather than spend most of his time in production activities.

B. Inadequate Salaries

The low salary levels explain the lack of qualified personnel to some degree. Salaries for an M.S. are no more than \$400/month and less than \$600 for a Ph.D. This level is inadequate to

attract Bolivians with requisite qualifications who are working abroad. Resolution of the problem will require that USAID continue to insist on improving salaries as a pre-requisite for grants and "soft" loans. At the same time, efforts to educate key people in various GOB agencies (especially the Ministry of Finance) must be accelerated. Finally, a source of funding for agricultural scientists that is stable over a longer time horizon must be identified and assigned for that purpose.

C. Host-Country Contracting

The CID Contract was a radical change from the previous Utah State University Contract. The latter was actually with USAID while CID is contracted directly by MACA using funds donated by USAID. There is no doubt in my mind the CID Host-Country Contract is superior to the USAID/USU Contract. We work directly for the Ministry and are considered by MACA and USAID officials a part of the MACA staff. Under the USAID/USU Contract, both USAID and the Ministry tended to view USU technicians as part of the USAID staff and USAID was prone to "borrow" technicians as they saw fit. MACA has carried the concept of host-country contracting to the point that CID Contract team members are named as co-directors of the various offices or experiment station in which they work with full responsibility for MACA

programs. While full implementation of the "co-directorship" concept still requires formal notification of MACA personnel, it has been proved in the Sectorial Management component of the project and found viable.

There is a serious flaw with host-country contracting mainly caused by USAID/Embassy rigidities. The host-country contractor is required to duplicate a number of administrative services provided by USAID to its staff including all customs services, housing and utilities, repairs on housing, provision and warehousing of furniture, and documentation for personnel. At the same time, CID personnel are restricted from APO mail and commissary services in a capricious way. This has taken an inordinate amount of the time of the Chief-of-Party and the results have been most unsatisfactory. For example, I still have packages in the Bolivian Post Office from Christmas, 1975 which we are unable to get without paying customs duties. None of our cars have yet been liberated which will make it difficult to sell them imposing the losses on technicians. The result has been increased difficulty in recruiting as the "word" is out concerning the "second-class citizen" status of CID personnel. The real puzzle is that the marginal cost of USAID providing such services to CID is relatively low since they have the institutional mechanism and experience and this would in no way jeopardize the working relationship with MACA.

#### IV. Recommendations

The following are my specific recommendations for improving the effort to achieve the objective of the Sectorial Management component of the Project:

##### A. Counterpart Funding for Agricultural Economists

If counterpart funds are not made available by September 1, 1976 for hiring four agricultural economists, the job descriptions of the two CID economists should be changed from a training/office-development focus, to a production focus for, without trained personnel in the Office, it is obvious that CID personnel will spend most of their time in production activities which is contrary to existing contractual obligations.

##### B. Focus of CID Agricultural Economist in Planning for 1976-78

The Agricultural Economist in Planning should focus on three principal areas in 1976-78.

1. Economic Studies. Greatly increased effort should be made to develop the capacity of the Office to carry out economic studies and develop policy alternatives. As a minimum, the following studies should be carried out in 1976-78 (assuming qualified personnel are hired):

- a. Taxation in agriculture
- b. The agricultural labor market
- c. Nutrition and rural income
- d. Efficiency of agricultural marketing

2. Agricultural Statistics. Increased emphasis should be given to development of the data base. This should include:
  - a. Completion and implementation of the aerial sample frames for Santa Cruz, Cochabamba, and Altiplano. (Any work in Yungas or Chapare should not jeopardize the above areas which have a higher GOB priority.)
  - b. Publication of the 1972 sample survey.
  - c. Development of a computer terminal with CENACO for data processing and scientific analysis.
3. Agricultural Planning. Increased emphasis should be given to evaluation during 1976-78. This should include:
  - a. Training of MACA technicians in project evaluation.
  - b. Evaluation of proposed projects for the sector.
  - c. Critical evaluation of a set of existing projects (such as Villamontes).
  - d. An evaluation made of the Operative Plan for 1976-77.

In the Planning area, two principal tasks need to be completed:

- e. Update the Five-Year Plan for 1981. This mainly involves making supply and demand projections and calculating indicative production targets.
- f. Developing the operative plans for 1977 (in 1976) and for 1978 (in 1977).

If counterpart funds are not made available, the agricultural economist in planning will have to concentrate on production activities and let

improvement and development of the Office be a by-product. If counterpart funds are made available, emphasis should be given to improvement of the Office. Production will still be expected with actual work being carried out by the enlarged office staff under the direction of the Director and CID Co-Director.

C. Focus of CID Agricultural Economist in Marketing

Since the proposed position of an Agricultural Economist in Farm Management to service the research and extension components of the project has been deleted, it is recommended that this Agricultural Economist in Marketing also cover this area. His job description might be:

An agricultural economist will be assigned as counterpart to the Director of the Office of Marketing and assist in the development in that office. He will also be assigned to IBTA to service the research and extension phases of the program. In IBTA, he will develop benchmark data, assist in research design, and test the economic viability of research results. He will also collaborate with the University staff in teaching and research including graduate student advisement.

D. Travel for Director of Office of Planning and CID-Co-Director

MACA and CID should set apart sufficient funds to permit travel of the Director and Co-Director of the Office of Sectorial Planning to professional meetings somewhere in the Western Hemisphere. One of the weaknesses of this project is that CID advisors are

expected to be professionals, but are not provided with access to professional interchange (which is almost completely impossible in Bolivia). In this regard, the Office of Sectorial Planning might consider sponsoring (with USAID assistance) a National Conference on Agricultural Development inviting contributed papers or participation by well-known economists from outside Bolivia.

#### V. Publications

- A. "The Nature and Purpose of the Office of Planning." CID Internal Working Paper 001/75. August, 1975, La Paz. (English.)
- B. "Common-Property Rangeland and Induced Neighborhood Effects: Resource Misallocation in Bolivian Agriculture." CID Working Paper 001/76. March, 1976, La Paz. (With E. Boyd Wennergren - English and Spanish.)
- C. Resumen del "Plan Quinquenal" del Sector Agropecuario 1976-80. Oficina de Planeamiento Sectorial, Ministerio de Asuntos Campesinos y Agropecuarios. May, 1976, La Paz. (Spanish.)
- D. Common-Property Rangeland and Induced Neighborhood Effects: Resource Misallocation in Bolivian Agriculture. CID Technical Report 001/76. July 15, 1976, La Paz. (With E. Boyd Wennergren - English and Spanish.)
- E. Plan Quinquenal del Sector Agropecuario 1976-80. Oficina de Planeamiento Sectorial, Ministerio de Asuntos Campesinos y Agropecuarios. August, 1976, La Paz. (Spanish.)

- F. "The Rate of Return to Private Investment in Yungas Agriculture."  
CID Working Paper 007/76. August 15, 1976, La Paz. (With  
Clovis Villegas.)
- G. "Selección de Proyectos del Sector Agropecuario de Acuerdo a  
los Objetivos del Plan Quinquenal." Documento de Trabajo,  
Oficina de Planeamiento Sectorial, Ministerio de Asuntos Campe-  
sinos y Agropecuarios. August, 1976, La Paz. (Spanish - with  
Jorge Velarde, José Nuñez del Prado y Jaime Buhezo.)