

ECONOMIC ANALYSIS OF AGRICULTURAL POLICIES

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FIRST QUARTER REPORT, FY 82

October 1 through December 31, 1981

by the

NUTRITION ECONOMICS GROUP

Office of International Cooperation and Development
U.S. Department of Agriculture

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QUARTERLY REPORT

This report highlights the major activities of the Nutrition Economics Group during the first quarter of FY82 (October 1 through December 1981). Additional information on any of the activities can be obtained by contacting the Group at (202)472-6797.

PROJECT DEVELOPMENT AND SUPERVISION

"CONSUMPTION EFFECTS OF AGRICULTURAL POLICIES" (CEAP) PROJECT

The project paper for the second phase of the CEAP project was revised in October to take into account the comments and suggestions made by members of the Inter-Bureau Advisory Committee at their September 30, 1981 meeting. Another final set of revisions were made in November. The second phase of the project is designed to finance a variety of activities which more directly support USAID/country programs. Forty-five percent of the remaining \$14.88 million budgeted for Phase II (or \$665,000) will be used to provide technical assistance in response to USAID and developing country requests. Thirty-three percent (or \$488,000) of the Phase II budget is earmarked for a second series of four short-term policy impact evaluations in countries in Asia and Latin America. An additional \$200,000 is set aside for other outreach activities which will involve USAID and host country personnel, including workshops, seminars and an information network.

Short-Term Policy Impact Evaluations -- Work on the first CEAP sub project -- the short-term policy impact evaluations of agricultural policies -- continued throughout the quarter. In December, Roberta van Haeften, leader of the Nutrition Economics Group accompanied two representatives of Research Triangle Institute and Sigma One Corporation to Tanzania to present the preliminary results of the Tanzania short-term policy impact evaluation to USAID and Government of Tanzania officials. Extensive discussions were held with the Principal Secretary of Agriculture and several members of his staff including the Director of Planning and the Head of the Market Development Bureau and staff from the Tanzania Food and Nutrition Center. The preliminary results were also presented at a session of the Tanzanian Agricultural Economics Association at the College of Agriculture in Morogorro.

The central issue presented by the team is that the pricing and procurement policies as implemented through the National Milling Corporation (NMC) in the context of an over valued exchange rate have had differential but significant impacts on incomes and food costs of producer and consumer groups. Specifically, rural households are now more dependent on food produced by the household rather than the market. The rural households and urban households not served by NMC are facing substantially higher food costs in parallel (unofficial) markets. NMC purchases (the marketed surplus going through official markets) were shown to be responsive to the gap between official procurement prices and estimates of parallel and shadow import parity prices. This effect may be destabilizing food supplies to those dependent on NMC sales.

The Principal Secretary of Agriculture requested that the team return to Tanzania to present the results of the final report. The Mission expressed interest in collaborating with S&T/N on a follow-up analysis. The impacts of the Government's policies, including its exchange rate, import and food price policies, on food production and consumption are of major interest to the USAID.

In November, Roberta van Haeften, leader of the Nutrition Economics RSSA with USDA spent two days in Raleigh, North Carolina working with representatives of Sigma One Corporation and Research Triangle Institute and two representatives of the Government of Sudan on plans for the collection and analysis of data from the mini-household survey. The Sudan short-term policy impact evaluation is considered to be one of the four policy studies required by Sudan's PL480 Title III agreement and as such is being undertaken in collaboration with the Government of Sudan with all local currency costs covered by funds in the PL480 trust fund. During discussions in North Carolina, Dr. Zaki, chairman of the steering committee, recommended that the mini-household survey be delayed until February-April 1982 to pick up some impacts of the Government's recent policy changes. Zaki also recommended that the focus of the study be altered slightly to produce results of more use to the Government. van Haeften and a representative of the contractor discussed these recommendations with USAID/Sudan in December on their way back from Tanzania. The USAID supported both recommendations and indicated their willingness to concur with the increased local currency costs implied by the delay in the mini-household survey. The USAID also raised the issue whether S&T/N would be willing to collaborate with the Government of Sudan and the USAID on an expanded scope of work.

The scope of work for the Panama evaluation was refined and cabled to Panama for clearance by USAID/Panama and the Government. Questions raised by the USAID about participation in the evaluation by the Ministry of Agriculture (MIDA) and its relationship to the proposed USAID/MIDA agricultural sector assessment were answered. Contact was maintained with the Center for Research on Economic Development (CRED) during the quarter to keep abreast of progress on the Cameroon and Senegal evaluations. Paperwork was initiated near the end of the quarter to extend the CRED contract by four months from December 31, 1981 to April 30, 1982. This extension was necessitated because of delays in field work and because processing and analyzing the data collected took longer than originally anticipated. CRED's english reports are now due at the end of February and the French translations by the end of April. Arrangements were also made during the quarter to have three outside experts review the draft reports submitted by the Development Assistance Corporation (DAC) for the Jamaica evaluation.

Central America/ECID Project -- The first colleague to colleague review of the project was held in Tegucigalpa, Honduras during the week of October 12-17, 1981. Nutrition Economics economist Gary Smith participated in this review along with representatives from ROCAP, USAID/Honduras, SIECA/ECID and the ECID project team. The Nutrition Economics Group helped develop the scope of work for the evaluation and arranged for the participation of three outside experts on demand analysis and agricultural modeling (Terry Roe, Grant Scobie, and Eric Thorbecke). Activities that the evaluation recommended ECID undertake during the coming six months include: (1) hiring a local analyst to fill the principal investigator for demand analysis position as soon as possible; (2) expanding the consumption/expenditure sample data; (3) classifying households by socio-economic characteristics and refining the household level models to reflect linkages among levels of agricultural production; (4) specifying the methodology for modelling the relationships between regional and national models; (5) beginning to analyze the consumption/expenditure data and specifying an appropriate demand model; (6) preparing a study of the policy/planning process in Honduras emphasizing development priorities and current rural development programs and projects.

"SUBSIDIZED CONSUMPTION" PROJECT -- EGYPT

In September 1981, the International Food Policy Research Institute (IFPRI) completed the first draft of its report on Task one -- "a descriptive analysis of current and recent government

policies related to the procurement, pricing and rationing of food in Egypt, including implementation procedures and the identification of potential and apparent weaknesses and leakages in the process." An informal seminar was arranged to brief interested AID staff on the results of the study on October 5, 1981. Per Pinstrup-Andersen, the IFPRI Project Leader, and Harold Alderman, their resident economist in Egypt, presented the findings. Copies of the draft report were also distributed to selected knowledgeable professionals with AID and USDA for their review and comments. Plans for a technical review of the activities proposed under Tasks 4, 5, and 6 were also initiated during the quarter.

Topics discussed in the report include (1) policy goals of the system -- their origin, current policy goals, and recent policy changes; (2) structure of the food subsidy and distribution system -- the design of the system, principal outlets for supply commodities, other market channels, subsidies by principal commodities; (3) decision making on food policy -- integration of national policy and planning, basic structure of the Ministry of Supply, regional level administration; (4) impacts of the food subsidy and ration system -- welfare and distributional implications, nutritional implications, implications for the agricultural sector, subsidized food in a rural setting, macro-economic implications; and (5) current options and unanswered questions. This descriptive and preliminary analysis was required as a means for getting a better understanding of the breadth and complexity of this system as well as a mechanism for identifying and/or refining the hypotheses to be tested as part of the remaining five tasks.

FIELD SUPPORT

Senegal -- Assistance with the Design of an Agricultural Sector Grant -- At the request of USAID/Senegal Patricia Rader assisted with the design of a five year, \$25 million Agricultural Sector Grant. The local currency funds to be generated by this Grant, basically a commodity import program, will be spent on activities in the rural and agricultural sectors which are mutually agreed upon by the Government of Senegal and the USAID. With Rader's assistance, the draft PID provides \$300,000 over five years to be allocated to nutrition concerns. The specific activities proposed include: (1) placing a nutrition planner in the Institute for Agricultural Research (ISRA) as part of the Michigan State University (MSU) team which would do research on farming systems in the context of the Agronomic Research and Planning Project; 2) giving support to the Interministerial Advisory Committee on Nutrition (CANAS).

This is consistent with overall USAID strategy. The major focus of the FY83 Senegal CDSS, for example, is to increase and diversify agricultural production. A major goal of this increased production is to improve the nutrition and health of the Senegalese people through integrating nutrition concerns into ongoing and proposed agricultural projects. Rader also worked to encourage communication between the Health and Nutrition Office at the Mission and the Agricultural Development Office. The Nutrition Economics Group has followed up the initial design effort with continued contact with the Mission and support of the proposed activities through contacts with AID/W and MSU.

Senegal -- Review of River Basin Project -- On October 29, Gary Smith, an agricultural economist with the Group with USDA, attended a review of the Senegal River Basin project paper held by AFR/DR. One of many issues raised by reviewers was the question of including a nutrition assessment as part of the socio-economic feasibility statement. Smith supported the inclusion of a nutrition monitoring and evaluation component in the project arguing that: (1) since on-farm consumption represents a form of investment in farm labor quality, any research program evaluating small-farm systems should include it and devise means of measuring it; (2) relatively simple indices of consumption could be developed, since the project does not envisage radical changes in diet composition in the short run; (3) baseline information about food consumption should be obtained early, because (a) it would provide information about nutrition shortfalls, therefore providing useful directions for production research, (b) an estimate could be made of the desirable magnitude of research, in the longer run, including benefit/cost ratios; and (c) changes in overall farmer well-being could be evaluated during the life of the project.

Africa -- Bureau Nutrition Strategy -- Nutrition Economics Group consultant, Robert Adams has been working with the Africa Bureau for the last several quarters to develop a Bureau nutrition strategy. The strategy as drafted by Adams, a nutrition planner, describes malnutrition in Africa, its causes and the constraints to its alleviation. Objectives specified for the strategy include: (1) improving infant mortality, the growth rates of children and adult productivity, (2) identifying the constraints to improving nutritional status in specific countries, (3) improving the capacity of host governments to deal effectively with national nutrition needs, beginning with the development of a national nutrition plan, (4) establishing a system which AID and host governments can use to determine the cost-effectiveness of various nutrition related interventions and (5) improving AID's capacity to define, implement, monitor and evaluate multi-sector nutrition programs and projects. Specific activities are iden-

tified for AID/W, USAIDs and host governments. Core Nutrition Economics staff have participated along with Africa Bureau and other AID staff in the review process. Adams work was financed by the Africa Bureau.

Dominican Republic-- Household Consumption Survey -- Laurent Ross, a computer programmer, spent three weeks in the Dominican Republic in October 1981 consulting with Central Bank staff and reviewing questionnaires in preparation for the final stages of cleaning the Bank's household consumption survey data. Ross's fee and part of his in-country per diem was paid for by the Central Bank. Plans are to have the clean data tapes ready for delivery to the Central Bank by the end of January 1982. Assisting the Central Bank with the analysis of this data and advising on its use for policy making purposes are the next stages in this collaborative activity which began in 1979. Philip Musgrove, an economics consultant, will assist with the analysis.

Sri Lanka -- Analysis of Consumption Survey Data -- Under a cooperative agreement with the Nutrition Economics Group, Cornell University designed and implemented a small survey in Sri Lanka in the summer of 1980 which collected information on household's socio-economic characteristics, their consumption patterns and the nutritional status of their children. Data on children's nutritional status was processed and analyzed first. Processing of the remaining data was completed this quarter and analysis begun of the relationships among households social characteristics, their incomes, agricultural practices, access to health services, food consumption patterns and the nutritional status of their children. Work on a study of household food consumption thresholds, comparing data from Sri Lanka and Indonesia, also got underway during this quarter. This work is being supported with funds from the Asia Bureau. Both studies are being undertaken by Sri Lankan graduate students under the guidance of Dr. Thomas Poleman.

Asia -- Workshop to Analyze Consumption Data -- During the quarter, the Asia Bureau also decided to provide the Nutrition Economics Group with funds to hold workshops in two Asian countries to provide planners and analysts with training in how to develop and use information from household budget, income and expenditure and/or consumption surveys to help formulate food and agricultural policies. Staff from USDA's Economic Research Service (ERS) will be involved in the preparation of the training materials. These materials are expected to draw heavily on the analytical development work which ERS is undertaking with partial funding from the Asia Bureau and the Office of Nutrition. The Nutrition Economics Group will be expected to help organize these workshops and participate in their conduct and/or evaluation.

STAFF SUPPORT

Development of Method for Analyzing Consumption Data -- The Office of Nutrition decided to add funds to the Nutrition Economics RSSA to support work being undertaken by USDA's Economic Research Service (ERS) to develop and validate a method to estimate the demand for food in developing countries using household survey data. A comparison and evaluation of the results of the three different estimating procedures tested last summer will be one of the first tasks to be completed under this funding. Other activities which will be supported include adapting the method for use in developing countries and drafting, field testing and evaluating a manual and other materials for training developing country planners and analysts in the use of this method. The Nutrition Economics Group will be responsible for managing this work, assessing its progress and organizing periodic reviews and evaluations.

Annotated Bibliography on the Consumption Effects of Development Projects -- In mid-December the Director of the Office of Nutrition requested that the Nutrition Economics Group assist his office in preparing a selected, annotated bibliography for the use of FAO and other UN agencies. This bibliography is to be entitled "Food Consumption and Nutrition Effects of International Development Projects and Programs" and is to be used as a resource for the design and evaluation of agricultural and rural development projects. A working draft is being prepared for presentation to the ACC/SCN Working Group on Nutrition in Agriculture in early February. Additional copies will be distributed to collaborators and researchers for their comments and additions. The goal of this effort is to produce a unique and useful resource for professionals in the field of agricultural and rural development.

Proposal for In-Service Training for AID Agricultural and Rural Development Officers -- The Nutrition Economics Group began work again on a proposal for training selected AID/W and USAID agricultural and rural development staff in assessing the consumption/nutrition effects of agricultural policies and projects. The Group had developed the proposal over a year ago, at the request of the Office of Nutrition. Further work was delayed pending funds becoming available in the Office of Training and Developments's budget. Sufficient funds to develop the training materials for such a program and to hold a pilot workshop to test these materials were included in this year's budget. The Training Office at the suggestion of the Office of Nutrition decided to ask the Nutrition Economics Group to undertake this work. The Group advised AID on what should go in the scope of

work for the PASA and drafted a cable to be sent to all USAIDs informing them about the proposed training and soliciting their comments and suggestions.

Reviews of Papers/Proposals - Nutrition Economics Group staff reviewed a proposal from the National Research Council to study the determinants of intra-household food consumption in developing countries and a proposal from the Caribbean Food and Nutrition Research Institute to "Conduct Research, Training and Advisory Services in Food Marketing."

Briefings - Meetings were held with numerous professionals within AID and other development institutions to discuss topics of mutual concern and/or to brief them on the status of activities. Among the more important were meetings with:

Paula Feeney (new LAC/DR Public Health Advisor) to brief her on the functions and responsibilities of the Nutrition Economics Group.

Anita Mackie (nutritionist with REDSO/EA) to discuss linkages between agricultural policies and consumption and nutrition in East Africa.

Michael Fuchs Karsch (Food for Peace Office/Voluntary Assistance) to discuss the role of the new Office of Programs, Policy and Evaluation and mutual food policy concerns.

David Bathrick (Agricultural Officer, USAID/Bangkok) to discuss the status of the Agricultural Planning project and future activities which might be undertaken to strengthen the consumption analysis component of the project.

Dr. W. Selleck (Director General of the Asian Vegetable Research and Development Center) to discuss their on-going research in nutrition, their vegetable garden programs and the type of economic and social analysis under way at the Center.

Michael Cernea (Agriculture and Rural Development Department, World Bank) to discuss ways of incorporating social analyses into World Bank reports.

LIAISON WITH THE PROFESSION

SEMINARS

Roberta van Haeften attended a seminar organized by the International Food Policy Research Institute (IFRPI) on October

15, 1981 to discuss their draft report on "Programs for Improving Human Nutrition: The State of Knowledge and Research Priorities." IFPRI will use this report as a basis for their proposal for a nutrition related research program which they are preparing for the United Nations, Administrative Coordinating Committee's Sub Committee on Nutrition. Staff members also attended several sessions of the special symposium on "Research for Small Farms" sponsored by USDA's Agricultural Research Service and the Food Day ceremonies sponsored by OICD.

TRAINING

Charlotte Miller and Gary Smith gave a presentation on the consumption and nutrition effects of agricultural and economic policies to a USDA Agricultural Policy seminar on October 9, 1981. The participants included 15 mid-level officials from 11 developing countries. They have also been working with USDA's Training Division to develop a series of video tapes to be used in a variety of courses on the uses of economic and social data in planning for rural development.

OTHER

ANNOTATED BIBLIOGRAPHY OF NUTRITION ECONOMICS REPORTS

In November, the Nutrition Economics RSSA with USDA began work on an annotated bibliography of the reports prepared under its auspices since the group was first created by S&T/N in 1977. The bibliography includes over 50 items. Most are the result of technical assistance provided by the group to 15 countries in Africa, Asia and Latin America. Copies are available from the group upon request.