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**ECONOMIC ANALYSIS NETWORK PROJECT
END OF TOUR REPORT
JULY 1987 TO JULY 1990
WITH EMPHASIS ON JULY 1989-JULY 1990**

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Executive Summary

Farming and agricultural business account for approximately one half of the business activity of Pakistan and have important effects on economic growth and development. Farming is the largest private sector in Pakistan while agricultural business is a mixture of private and public enterprises. Because of the importance of greater agriculture in size and impact it is imperative that rational agricultural policies be developed to support the continued growth and development of Pakistan. Until recently modern agricultural economic analyses were not available to all of the Government of Pakistan (GOP), the Assembly or the general public. Agricultural economic analyses were often general or classified as "secret." The Economic Analysis Network Project (EAN) was started to support higher quality agricultural economic analyses for policy making. It was thought that improved analyses would lead to more rational agricultural policies and improved GOP implementation of those policies through its Ministry of Food, Agriculture and Cooperative (MINFAC) food and commodity operations, and other Ministry operations of agricultural businesses, control of farm inputs and international trade.

The US AID Economic Analysis Network Project (EAN) and the Government of Pakistan (GOP) counterpart Economic Policy Analysis Project (EPA) has culminated in the establishment of the Economic Wing (EW) in the Ministry of Food, Agriculture and Cooperatives (MINFAC). The mission, organization and functions of the Economic Wing have been established, Economic Wing personnel have been partially trained to complete the functions and an array of publications have been developed to support the continuing operations of the Economic Wing.

The mission of the EW is to supply MINFAC with timely, relevant economic and policy analyses in support of Pakistan's food security objectives. The Economic Wing is expected to achieve its mission by beginning with a set of core functions that are to (1) estimate national farm income, (2) estimate national food marketing costs, (3) make commodity situation reports and (4) analyze and advise MINFAC on major agricultural policy issues. The EPA/EAN project, during this last year, has both developed the first national farm income estimates, national food marketing cost estimates and commodity situation reports, and trained Economic Wing personnel in these functions. The Economic Wing and EAN/EPA staff have synthesized the current agriculture policy statement, now under review by the Provinces, and completed analyses on major policy issues concerning farm taxation, dairy and milk processing issues, privatization of public tubewells, and export restrictions on agricultural commodities.

With the return of Democracy, the establishment of the Economic Wing, the new accessibility of the Agricultural Prices Commission (APCOM) and appointment of a Council Member for the Social Sciences Division (SSD) in the Pakistan Agricultural Research Council (PARC) a new set of opportunities and challenges are on the agenda in the analysis and making of Agricultural Policy. For GOP/US AID in the next project these are (1) solving the communications gap among agricultural policy analysis agencies, MINFAC administration, interest groups and the legislature, (2) supporting the growth of an alternative policy making process, (3) making the Economic Wing fully functional, (4) modernizing and updating the capabilities of the Agricultural Prices Commission and (5) developing a clear mandate for the Social Sciences Division.

The communications gap can be solved through several alternative means including the activation of an executive committee, consisting of the three agricultural policy analysis units along with the Pakistan Institute of Development Economics (PIDE) and the Planning Division, to set an agricultural policy analysis agenda and exchange information on ongoing activities. To put agricultural policy analysis before the public and policy making bodies a forum should be developed through the organization of an agricultural economics association and a chamber of farm and agricultural business interest groups.

The current policy making process is rather direct through the Cabinet at the instigation of political interest or on the advice of MINFAC. Under democracy a more participatory, pluralistic process will likely grow. The alternative process can be supported through means discussed above as well as developing publication units in each of the agricultural policy analysis agencies that provide information to interest groups and the legislature.

The Agriculture Prices Commission has hired very professional analysts but they do not have the usual facilities used in agricultural policy analysis and some need training to "stay up to date" in the profession. Support is needed to introduce computerization and to demonstrate its application to the analyses completed by the Commission. Further training is needed in applied agricultural economics, and agricultural price and policy analysis.

Until recently, the Social Sciences Division of PARC has not had strong leadership. Now that a Council Member for SSD has been appointed support is needed for it to establish a clear mandate, a critical mass of staff members and a forum. Located within PARC and given its economic analysis capability the Social Sciences Division would appear to have the clear responsibility for assessing the profitability of new farm technology and advising on profitable farming. Profitability is the key to successful farming and the adoption of new technology. In addition, the Social Sciences Division is in a clear position to establish a much needed national organization of agricultural economists.

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Introduction

The return of Democracy as a form of government in Pakistan and the recent establishment of the Economic Wing for the Ministry of Food, Agriculture and Cooperatives (MINFAC) substantially changes the potential for enhancing economic analyses bearing on agriculture policy making and for the growth of alternative agriculture policy making processes. Currently, agriculture policy is largely set by the Cabinet or the Economic Coordinating Committee at the instigation of the Prime Minister's Office or on recommendations from MINFAC. From this current agricultural policy making process a more participatory and pluralistic process may grow that includes policy made by legislation and implemented by MINFAC. In the current process MINFAC and the Assembly has had limited access to economic analyses for agricultural policy.

The lack of access and ability to complete economic analyses by MINFAC was the basis for developing the EAN project. However, that situation is now improving. There are now three economic analysis units in MINFAC. The Economic Wing, The Agricultural Price Commission and the Social Science Division of the Pakistan Agricultural Research Council (PARC). Each of the units have more or less different but related missions. The leading unit, The Agricultural Price Commission, has as its' mission the development of crop procurement price levels along with supporting economic analysis. The recently appointed head of the Agricultural Price Commission is flexible and forward thinking, and analyses and reports of the commission are no longer secret. The Economic Wing has a mission of, "supplying MINFAC with timely, relevant economic and policy analyses in support of MINFAC's role in strengthening Pakistan's food security." The Economic Wing will be fully sanctioned July 1, 1990 and has a set of planned functions needed to carry out it's mission. The Social Sciences Division has a mission of developing analyses that support farm related technology transfer and profitable farming. The head of the Social Sciences Division has been extended for two years until mandatory retirement. His strong suit is organization and he is anxious to pull the agriculture economists, now scattered throughout PARC/NARC, together as a cohesive unit. He is also anxious to develop a self sustaining agricultural economics organization.

The new situation, with three cooperative and open economic analysis units available to support the agricultural policy making process, provides donor agencies with an opportunity to support a higher level of economic analysis, rationality and information to the agricultural policy making process and informed policy reform. This would improve agricultural policy emanating from the current policy making process and provide the informational elements for a more pluralistic and participatory process to grow with interest groups and the assembly. During this year, the assembly has not passed a single bill

regarding agriculture and there is no legislative agricultural policy.

Solving The Communications Gap

One of the reasons that policy changes and implementation moves relatively slowly in MINFAC and the rest of GOP is that there is very little communication between agencies and bureaucratic levels. As can be attested by a number of past ministers, information necessary for decision making on policy and policy implementation is closely managed by the bureaucracy. This is partly by intent on the part of the individual bureaucrat and partly due to the file system which directs information up a well defined, "decision maker tree." As a result there is now little exchange between the Economic Wing, the Agricultural Prices Commission and the Social Sciences Division. In addition, except for the occasional reply to administrative requests there is little exchange of information between the Federal Minister, State Minister, Secretary and Additional Secretaries, and the analysts, for example, in the Economic Wing, Agricultural Prices Commission and the Social Sciences Division. Further, there is minimal information provided by the three units above to the public, the Assembly and Senate or special interest groups.

The flow of information to the community of economic analysts from the Assembly, MINFAC and the three economic analysis agencies is largely restricted to information provided by the news media. Other than the mailings by the EAN project to the Economic Analysis Network there are no regular publications from agricultural policy related institutions to agricultural economic policy analysts and all other agricultural policy interest groups.

The constricted flow of information could be partially solved by developing a forum and an organization of the three economic analysis units. The forum could be established through the development of a self sustaining agricultural economists organization. A similiar organization exists for development economists and successfully holds well-publicized, annual conferences on economic development issues and policies. At this point the Social Sciences Division of PARC is struggling to establish an organization of agricultural social scientists and would be much more successful with donor support and enlarged membership from the economic analysis network recently established by the EAN project.

The economic analysis units could be initially organized through the proposed agricultural policy committee in the new ASSP Economic Policy Analysis Project. The committee would meet once per year to establish the policy analysis agenda and decide what each would attempt to cover in the coming year. After that the policy committee would meet 3 more times with a different unit discussing its own program and most recent analyses at each meeting. All three units receive at least some support from various US AID projects and with coordination regular meetings could be arranged. If the organization and meetings result in useful exchange and planning they could become part of the MINFAC routine. In addition, each project could include participants for its workshops from all three units with workshops drawing examples from the subject areas of the three units.

Through US AID support, each unit could be supported in developing a publications

program with a distribution similar to the membership list of the economic analysis network and its' VIP list. The VIP list includes MINFAC administration as well as leaders in the agriculture policy making process.

Finally, to contribute to communication among administrators in MINFAC and special interest groups it would be useful to support farm and agribusiness organizations similar to Chambers of Commerce that now review and debate commerce and industry policy. Such organizations would be supportive to private enterprise and represent their interests with MINFAC and the legislature. Exchanges between MINFAC and the farm and agribusiness organizations would bring a more direct understanding among MINFAC administration, farmers and agribusiness people. The exchange would also call forth greater communication between bureaucratic levels. A number of organizations currently exist, e.g. poultry producers association, sugar mills association, and the dairy association that could act as a catalyst for a larger organization and that could offer experience and a forum for such an exchange. These organizations may emerge anyway over a long period of time if democracy persists. However, special interest and legislative representation are needed at this time to support democracy.

Supporting an Alternative Policy Making Process

Agricultural policy is largely set by the Cabinet or the Economic Coordinating Committee, in some cases acting on the recommendation of the Prime Minister's Office or MINFAC. A more participatory and pluralistic process would be supportive of a stable political situation and conducive to democracy. However, a process involving more participants with a wider variety of interests will require a broader distribution of economic and technical information so that rational and informed discussion can ensue.

In this case the Economic Wing, as well as the Agriculture Prices Commission and the Social Sciences Division should develop the distribution of information to the Assembly, especially the MNA's and MPA's with farm and agricultural business interests and other special interest groups. The initial development of distribution to the Assembly and special interest groups will probably require donor assistance. Neither MINFAC, the Cabinet nor ECC will support a broad distribution of economic and technical information or any other action that will divert the policy process from their control. If the Cabinet, ECC and MINFAC become hostile the information could be distributed through articles in the Recorder, Pakistan & Gulf Economist and Econogram presented by outside consultants or groups supported by donor agencies. In addition donor agencies could develop a compendium of agricultural legislation in other underdeveloped and developed countries as examples of bills that relate to agricultural problems faced in Pakistan. At this point, the Assembly has a high level of interest in food security and price levels. However, the alternative policy process will probably have to develop from internal forces congruent with the political process unique to Pakistan.

Making the Economic Wing Fully Operational

The Economic Wing has been recently sanctioned but has not yet been made functional. The assigned mission of the Economic Wing is, "to supply MINFAC with timely, relevant economic and policy analyses in support of MINFA's role in strengthening Pakistan's food security." The functions and mission of the Economic Wing have been stated in the March 22, 1989 merger plan and in the MINFAC file approving the establishment and organization of the Economic Wing. The Economic Wing was organized into three directorates. Briefly, the Directorate of Agricultural Statistics will develop and present a statistical description of farming and agricultural business through assembly, processing and presentation of relevant secondary data; the Directorate of Economic Research will describe and analyze the farm and agricultural business economic situation through the development of commodity situation reports, estimation of gross and national farm income, and calculation of national food marketing costs; the Directorate of Agricultural Policy will analyze and present alternative policy options for major farm and agricultural business problems.

The Economic Wing core functions were largely developed based on the immediate needs and requests by MINFAC which when organized into groups largely centered around questions related to commodity economic situations (especially commodity price concerns), estimates of national farm income and food marketing costs, a statistical description of Pakistan's agriculture, and analyses of policy related to current events. At this point individual sections of the Economic Wing are organized to carry out the functions above and have under the 1989/1990 year of the EAN project or FAO project received training on each of the functions. These functions coincide with those that have been performed by the U. S. Department of Agriculture for the last fifty years. The nine individuals in training during 1989/1990 were sent for a short training workshop with U.S. Department of Agriculture officials. At this point the Economic Wing personnel understand the concepts involved in completing the functions but will need specific concentrated training to continue in (1) estimating national food marketing costs, (2) estimating national farm income using a budget generator approach, (3) developing and writing commodity situation reports, (4) doing short analyses of ongoing economic issues that affect farming and agricultural business and (5) using secondary data to depict farming and agricultural business at the national level. Currently, the assembly, processing and presentation of national agricultural statistics is being carried out by the Directorate of Agricultural Statistics with support and advice by the FAO advisor, Dr. Manuel Manuel.

The function of estimating, analyzing and presenting national food marketing costs is described by Kamil Lodhi in Special Report Series No. 16, "Food Marketing Margins: Price Spreads for a Representative Consumer Basket in Pakistan," published by the Pakistan Economic Analysis Network Project and the Ministry of Food, Agriculture and Cooperatives, Islamabad, April, 1990. Besides updating and improving the method of estimation shown in this report the Economic Wing will need to develop Marketing Bill Estimates (cost by functions) for major crops as wheat, cotton, sugar and milk. In the next project both short term local and expatriate specialists will need to provide training and support for maintaining the national food marketing cost estimates and developing marketing bill estimates.

As further support for agricultural marketing training, the current Economic Analysis Network Project has developed a Workshop Manual Series No.1, "Marketing of Agricultural Products," published jointly by the Economic Wing, MINFAC, and the Economic Analysis Network Project, Chemonics International Consulting Division, Islamabad, June 1990. The manual describes the basic concepts of marketing and its' role in economic development.

The national farm income estimation, analysis and presentation function is of very high priority because farm income is the most descriptive variable of farm well being. Training of Economic Wing personnel to do this function has been completed through data gathering and basic concepts. Further training will be required to fully institutionalize the function. Survey estimates are not possible with the levels of funding available to the Economic Wing. Less costly budget generator techniques have been used. The technique and the first estimates are explained by Dr. Mubarak Ali in, "Estimation of National Net Farm Income by Enterprise, Size Category and Region in Pakistan, 1983-1988," published jointly by the Economic Wing, MINFAC, and the Economic Analysis Network Project, Chemonics International Consulting Division, Islamabad, June 1990.

The budget generators for estimating national farm income will require annual updating. Currently, the Center for Applied Economic Studies, University of Peshawar, Dept. of Farm Management, University of Agriculture, Faisalabad and the Applied Economic Research Centre, University of Karachi are under contract with the EPA/GOP project to do a study of farm productivity which is the basis for the coefficients used in the current budget generators. The three cooperating institutes, even though slow, have been using a monitoring technique to collecting information on input use and production. Their work has been relatively professional and I strongly recommend to the next project, GOP and US AID that the cooperating institutes be kept under contract to perform annual surveys of farm productivity as well as marketing costs to support both the estimates of farm income and national food marketing costs.

The function of analyzing and writing commodity situation reports is in high demand by the MINFAC administration. The Economic Coordinating Committee and the Cabinet have been especially sensitive to price changes. In several cases the ECC has specifically banned the export of selected crops as a means of stopping rapidly rising prices. Because of the impact on the consumer and the perceived political implications commodity prices are high on the ECC priorities. Due to ECC requests and the need for educational material on commodities and commodity prices the Economic Wing has begun to write commodity situation reports on a regular basis. At this point the commodity situation reports cover potatoes, onions, tomatoes, sugar, chillies and pulses. These were commodities assigned to the Economic Wing by MINFAC. The group that will be writing these reports has not been fully specified. In addition, a data base and a planned series of reports have not been completed. Further training in writing skills, applied agricultural economic analysis, and data base development and management will be required to make commodity situation analyzing and report writing fully operational.

The agricultural policy analysis function will be carried out by the Directorate of Agricultural Policy which currently has underway the National Agricultural Policy and a short farm

taxation study. For the coming year, the Prime Minister's office has requested a projection of price, production and acreage for the major crops under varying scenarios of government intervention, weather, water availability, fertilizer application, improved seeds used and world market prices. In addition, programs to support the export of rice will most likely need to be developed. Pakistan has lost its oligopoly position in the world market for the export of Basmati Rice and the Rice Export Corporation is on the brink of collapse. This crisis will likely surface during 1990/91 and will require an Economic Wing analysis. In addition, the wheat harvest is expected to come in with production that will run under expected consumption (at the current issue prices) and imports of wheat will again be required. Pakistan is clearly a chronic importer of wheat with a costly domestic program in place. In view of these developments the domestic and import policy for wheat will need to be reviewed with the expected results of alternative policy options. From these expected issues and ongoing research needs the Policy Committee needs to come to an agreement on the research agenda for each of the three economic analysis units.

The Economic Wing and the Economic Analysis Network Project have supported Dr. Jerry Eckert in writing a Workshop Manual Series No.2, "Agricultural Policy Manual: A Discussion of Agricultural Policies for Development," published June 1990. The manual describes for the analyst the policy making process and the basic concepts used in agricultural policy analysis. A number of policy issues are discussed by Akhtar Mahmood and Forrest Walters in Pakistan Agriculture: A Description of Pakistan's Agricultural Economy, published by the Pakistan Economic Analysis Network Project and the Ministry of Food, Agriculture and Cooperatives, Islamabad, June, 1990. In addition, several commodity sector studies and input use studies have been completed that support short term policy analyses.

The function of developing and presenting a statistical description of farming and agricultural business is being carried out by the Directorate of Agricultural Statistics. Several sections are assembling, processing and presenting relevant secondary data which is published in several forms. The most popular is the Agricultural Statistics of Pakistan 1988-89, Economic Wing, MINFAC, Dec., 1989, Islamabad. In addition, Ijaz Ahmed has developed the "Agriculture Chartbook," published by the Pakistan Economic Analysis Network Project and the Ministry of Food, Agriculture and Cooperatives, Islamabad, June, 1990

Modernizing and Improving the Analytical Capabilities of APCOM

Until 1990 the Agricultural Prices Commission had been constrained by a rather narrow perspective on agriculture policy with secret reports and analyses. On the coming of the new Commissioner the Agricultural Prices Commission has adopted an "open mindedness" towards modern facilities for analysis, publication and communication. At this point there is a high priority need for computers, associated software, copiers, scanners and printers. In addition, as the Agricultural Prices Commission was developed earlier, relatively professional staff were hired. Of the three units the Agriculture Prices Commission because of its quality personnel probably has the highest potential for doing professional economic analyses. However, the staff has not been able to keep up with more recent techniques developed in quantitative and applied economics.

The Agricultural Prices Commission performs a particularly important job in developing procurement price levels of major crops. This makes it important that donor agencies work with the commission to update its facilities for analysis and professional techniques so that they get, "prices right." Because the work load on the staff is demanding, training workshops in applied agricultural economics, quantitative techniques, computer use and agricultural policy analysis have to be planned to fit the on going work schedule. In addition, there are a number of unfilled positions in the Agriculture Prices Commission for which specially trained individuals, perhaps with foreign degrees, could be hired to upgrade the overall analytic output of the staff.

It should be noted that no donor can, with public funds, support the Agricultural Prices Commission if it for what ever reason decides to return to the use of "secret" analyses not available for public and professional use.

Establishing a Clear Mandate and Function for the Social Sciences Division

The Social Sciences Division of the Pakistan Agriculture Research Council has had difficulty in becoming established and developing a critical mass. For a number of years it has not had a head and it has not been used for economic analyses. However, it has a critical role to fulfill. It is the single unit that could have the capability to evaluate the profitability of new technology used in farming. It is also the only unit that has direct access to farm level costs by enterprise and combination of enterprises, and experimental enterprise cost data. This is critical information because new technology is only useful if it is profitable. In addition, at this time Pakistan has adapted most of the green revolution technology. However, Pakistan farmers have not taken advantage of the synergistic effect on yields of using optimally all the technologies together to achieve maximum profits. As shown in, "Pakistan Fertilizer Policy: Review and Analysis," published by the Government of Pakistan and Chemonics International Consulting Division, January 1985, up to 75% of the yield potential is lost due to a combination of factors as poor seedbed preparation, sub-optimum planting date, improper basal fertilizer application, low viability seed, poorly timed water, sub-optimum nitrogen/phosphate ratio, weed competition, misplaced nitrogen top dressing, impotent pesticide, untreated diseases and harvest losses. If carried out optimally all of the activities together have a direct and synergistic effect on yields which most Pakistan farmers have not yet captured. In addition optimizing even a few of the activities would improve yields substantially.

This role of estimating costs and returns to new technologies and optimizing activities on farm enterprises and combinations of enterprises is vital to maintaining productivity required to keep farm production growth above levels of population growth. Optimization of farm enterprise activities is necessary to keep commodity supplies at levels that will satiate the domestic market and encourage exports. Satiated domestic markets are necessary to keep food costs, as a portion of total income, lower so that larger portions of income can be used for investment and consumption in other sectors of the economy.

Cost and return estimates to new technologies and optimized farm activities can be achieved by assembling a critical mass of agricultural economists within the lead agriculture

research institute where new technology and farm activities are the source of experiments. PARC and the Social Sciences Division have new leadership and with some planning and support from donor agencies it can assemble the critical mass necessary to produce the information normally developed by farm economics agencies.

ANNEX TO:
**ECONOMIC ANALYSIS NETWORK PROJECT
END OF TOUR REPORT**

Forrest E. Walters

June, 1990

Accomplishments of the Economic Analysis Network Project-July 1989-July 1990

1 Introduction

Briefly, the Economic Analysis Network Project (EAN)/ US AID or the Economic Policy Analysis Project (EPA)/ GOP has been supporting the Directorate of Agricultural Policy (DAP) in an effort to strengthen the Ministry of Food, Agriculture and Cooperatives (MINFAC) in making and using economic analysis. In early 1990 the DAP was added to the Planning Unit of MINFAC and was reorganized as the Economic Wing. Under the new Economic Wing the EAN project, during its' fifth year, concentrated on supporting two of the Wing's three directorates; The Directorate of Economic Research and Directorate of Agricultural Policy. In these two units EAN helped carry out three projects and three short studies.

In the Economic Wing's Directorate of Economic Research, EAN/EPA set up projects on (1) writing prototype commodity situation reports, (2) estimating national farm income, costs and net returns and (3) estimating the national food marketing bill. In the Economic Wing's Directorate of Agricultural Policy, EAN/EPA supported short studies on (1) farm taxation, (2) a quantitative economic description of farming and agricultural business in Pakistan and (3) an updated agricultural policy. The EAN staff economists were assigned as advisors to the three projects and the EAN senior advisor was assigned as mentor to the three studies. In support of the project on estimating farm income the farm productivity study contracted with the three cooperating institutions was completed.

Technical assistance by U.S. experts was provided for "start up" of the projects and for special studies requested by MINFAC. Also, EAN/EPA published the Econogram as an outlet for readable applied economic analyses.

EAN/EPA within the limits of time available, assisted the Economic Wing with short term analyses that were assigned by MINFAC and the Economic Coordinating Committee of the Cabinet. Also a short study on rice exporting was completed for USAID/Islamabad. In the training area, three Economic Wing economists were sent to a short course in the U.S. on methods of applied research. When the three projects were finished the Economic Wing economists completing the projects traveled to the U.S. Department of Agriculture to study and observe farm income estimation, food marketing bill estimation and commodity

situation reporting.

During 1989/90 EAN/EPA "wrapped up" their monitoring program and supported completion of the contract studies in farm mechanization, marketing margins of staple commodities, marketing margins of perishable commodities and constraints to cooperative development. The fertilizer response study was terminated for failure to meet minimum contract requirements.

2 Institutionalization: The Economic Wing

The most difficult and the greatest achievement of the EAN/EPA project was the final establishment of the Economic Wing. It was due to both the efforts by US AID and the Government of Pakistan. US AID provided the resources to develop the Directorate of Agricultural Policy and the training and personnel necessary to carry out agricultural policy analysis. The Government of Pakistan provided the personnel to staff the Economic Wing and the office space and selected facilities for the agency. Fortunately, the administration of the EAN/EPA project seized the opportunity to merge the Planning Unit of MINFAC and the Directorate of Agricultural Policy when the Director of the Directorate of Agricultural Policy was also appointed as head of the Planning Unit. The following outlines the Economic Wing client groups, its mission and organization.

2.1 Client Groups

The economic wing is one of the first government organizations to recognize that under democracy it will be required to service supportive clientele groups. In addition the agricultural policy making process will involve all of the groups whose welfare are affected by agricultural policy. Currently, the clientele groups being considered are:

- A Policy makers in the Ministry of Food, Agriculture and Cooperatives and the greater Government of Pakistan
- B Industry and consumer interest groups
- C Economic interest groups in the National and Provincial Assemblies

2.2 Mission

The assigned mission of the Economic Wing is, "to supply MINFA with timely, relevant economic and policy analyses in support of MINFA's role in strengthening Pakistan's food security." The mission is to be achieved by:

- A Assembling and analyzing relevant agricultural economic statistics;
- B Describing major farm and agricultural business policy options; and

- C Providing agricultural economic and statistical analyses on farming and agribusiness problems through:
- 1 Economic situation reports on essential agricultural commodities,
 - 2 Early warning systems from economic and crop forecasts, and
 - 3 Economic sector reports on the food and fiber system.

2.3 Organization

The organization plan of the Economic Wing was originally developed by the administration of the Planning Unit and the Directorate of Agricultural Policy based on their experience and the consulting report by Dr. Robert LaPorte. The plan has been adopted by MINFAC and is now part of the file. The plan is as follows:

On completion of the EPA Project, the GOP have agreed to merge the project with the Planning Unit of MINFA. The "Merger Plan" will come into force w.e.f. 1-7-90. The new institution will be headed by a Director General assisted by "Directors" consisting of three Directorates. The new institution will be renamed as "Economic Wing". These Directorates will perform the following functions:-

A DIRECTORATE OF AGRICULTURAL STATISTICS:-

The Directorate of Agricultural Statistics will develop and present a statistical description of agriculture and agricultural business through the operations of the following sections:-

- 1 Data Assembly:
 - i) Collection of relevant secondary data;
 - ii) Organization of data into appropriate categories for information dissemination and research purposes; and
 - iii) Entry of raw data into a computerized database management system.
- 2 Data Processing:
 - i) Maintain a management information system for all of the Wing's secondary data needs;
 - ii) Generate routine reports, such as the annual report of Pakistan's agricultural statistics;
 - iii) Provide data transfer services within the Wing's Directorates and between the Wing and other relevant agencies.
- 3 Forecasting:
 - i) Develop crop forecasting models;

- ii) Provide periodic crop production forecasts
- iii) Monitor crop input situation.

B DIRECTORATE OF ECONOMIC RESEARCH:-

The Directorate of Economics Research will describe and analyze the agriculture and agricultural business situation through the operation of the following sections:

1 Commodity Situation:-

- i) Commodity price, production and consumption analysis;
- ii) Periodic reports on essential agricultural commodity economic situation;
- iii) Commodity Data Basis; and
- iv) Monitor current economic phenomena affecting the essential agricultural commodity situation.

2 Farm Finance:-

- i) Farm budget generators;
- ii) Farm costs;
- iii) Farm gross income;
- iv) periodic reports on farm income and financial situation; and
- v) Estimates of Farm input demand (credit, fertilizer, seed etc.)

3 Agribusiness:-

- i) Monitor and analyze marketing margins;
- ii) Estimate costs of food and fiber marketing services;
- iii) Estimates total food and fiber expenditure budget;
- iv) Periodic reports on agricultural business, sales, production, income and financial situation; and
- v) Periodic reports on international trade in food and fiber products.

C DIRECTORATE OF AGRICULTURAL POLICY:-

The Directorate of Agricultural Policy will analyze and present alternative policy options for major agriculture and agricultural business problems through the operations of the following sections:

1 Inputs:

- i) Analyze ongoing farm input policies;
- ii) Prepare analytical reports on the farm inputs sector; and
- iii) Provide periodic briefing papers on farm input problems and policies.

2 Production:

- i) Analyze current farm policies and develop alternative policy options for achieving changing policy objectives;
- ii) Prepare analytical reports on the farm sector;

- iii) Provide periodic briefing papers on farm problems and policies.

3 Aggregate Analysis:

- i) Provide macro-agricultural economic analysis on the impact of the food and fiber system on the Pakistan economy;
- ii) Prepare analytical reports on the food and fiber system; and
- iii) Provide periodic briefing papers on policy issues with linkages between agriculture and other sectors of the national economy.

3. Training to Carry out Functions of the Economic Wing

MINFAC is involved in the entire food and fiber system of Pakistan from the production and importation of farm inputs as fertilizer, seed and pesticides, to farming and through transportation, storage, processing, wholesaling and distribution of farm commodities. As a result MINFAC needs information on the entire food and fiber system. The two most important indicators of the well being of the system are national farm income and national food marketing costs. In addition MINFAC operations are commodity oriented so for planning and operation decisions timely commodity economic situation reports are required. It should be noted that a large part of MINFAC is involved in implementing policy as opposed to making policy. MINFAC administration is often requested by the Cabinet and the ECC to recommend policy. However, in the end it is the Cabinet and the ECC that actually make policy. Consequently, the need for policy analysis by MINFAC is for recommendations to the Cabinet or the Economic Coordinating Committee.

Given the priority needs of MINFAC, during 1989, the EAN/EPA project began developing national farm income estimates, national food cost estimates and commodity situation reports and at the same time training Economic Wing Staff to maintain these estimates and reports as ongoing activities. Over 25 staff members have received some training in performing these activities and 9 have received in depth training so that with some guidance these activities could be carried out at a minimum level.

A research agenda was developed for 1989/90 based on requests from ECC and the MINFAC administration. The agenda included: (1) Synthesizing an agricultural policy statement from the majority position and from instructions provided by the Ministry; (2) Reviewing and assessing the impact of export restrictions on agricultural commodities and; (3) Evaluating the effect of farm income taxation in view of indirect taxes already imposed on agriculture and the need for the Government of Pakistan to raise revenues. The result has been the first over all agricultural policy statement since 1970 which directs policy at specific problems by agriculture sector. An analysis that indicates that the lifting of export bans would have a minimum effect on food and over all consumer prices and that production for export to specific markets is required. Finally, the farm taxation analysis shows that indirect taxation on agriculture is substantial but limited

amounts of direct taxation would not affect substantially farm income or production.

Throughout the various studies individuals in the Economic Wing Staff were trained in research methodology and in applied agricultural economics. In total 12 staff members received one on one training.

4. Publications to Develop the Information Base For Policy Analysis

Throughout the project and in the last year, 1989/90 publications have been developed to support the functions of the Economic Wing and to provide information on major agriculture policy issues as requested by MINFAC and ECC. During 1989/90 the following publications have been completed:

A Estimating National Food Marketing Costs

- 1 Kamil Lodhi, Food Marketing Margins: Price Spreads for a Representative Consumer Basket in Pakistan, May 1990.
- 2 Forrest Walters and William Spencer, Marketing of Agricultural Products, Workshop Manual Series No.1, June 1990.

B Estimating National Farm Income

- 1 Mubarik Ali, "Estimation of National Net Farm Income by Enterprise, Size Category and Region in Pakistan, 1983-1988," June, 1990.
- 2 Applied Economics Research Center, "Domestic Resource Costs of Major Crops In the Sind Province," (Interim Report), Karachi, Feb. 1990
- 3 M. Nazeer and S.Z. Al-Jalaly, "Farm Size Productivity and Domestic Resource Cost Study," (Interim Report), Centre for Applied Economic Studies, University of Peshawar, Oct. 1989
- 4 A. M. Chaudhry, B. Ahmad, M. A. Chaudhry and S. Hassan, "Estimation of Domestic Resource Cost (DRC) of Major Crops in the Punjab Province," Department of Farm Management, University of Agriculture, Faisalabad, March 1990.

C Commodity Situation Reporting

- 1 Planning Unit Staff and F. Walters, "Chillie Situation," February, 1990.
- 2 A. Abbas and R. Shafiq-ur-Rehman, "Onion Situation," June 1990.
- 3 A. Abbas and R. Shafiq-ur-Rehman, "Potato Situation," June 1990.
- 4 A. Abbas and R. Shafiq-ur-Rehman, "Tomato Situation," June 1990.
- 5 A. Abbas and R. Shafiq-ur-Rehman, "Pulse Situation," June 1990.
- 6 Ch. Mohammad Ijaz, Agriculture Chartbook, June 1990

D National Agricultural Policy Issues

- 1 W. Scott, K. Siddiqi, W. Spencer, A. Madsen & M.I. Ahmad, Export Restrictions: A Study of Restrictions on Agricultural Exports in Pakistan, Special Report No. 17, June 1990.
- 2 R. Schermerhorn and S. A. Quershi, "Rice Export Marketing Study, June 1990.
- 3 M. Ali, F. Walters, and R. Shafiq-ur-Rehman, Contributions and Interlinkages of the Food and Fiber System In Pakistan's Economy, July 1989.
- 4 A.Q.Khan, Development of Updating Procedures for and Analysis of Pakistan Interindustry Relationships, July 1989.
- 5 M. A. Chaudhry and R. Young, Privatization of SCARP Tubewells: Some Economic Considerations, July 1989.
- 6 M. Anjum, K. Lodhi, and A. Abbas, Pakistan's Dairy Industry: Issues and Policy Alternatives, July 1989.
- 7 A. Mahmood and S. Davies, "Agricultural Income Tax," June 1990.
- 8 J. B. Eckert, Agricultural Policy Manual: A Discussion of Agricultural Policies for Development, June 1990.
- 9 A. Mahmood and F. Walters, Pakistan Agriculture: A Description of the Agricultural Economy, June 1990.
- 10 MINFAC Administration & Economic Wing Staff, National Agricultural Policy, Nov. 1989

Besides the publications shown here the EPA project has contracted with private firms for selected issue studies. The contract was written with the GOP. Quality of the studies is within, what is judged to be, the capabilities of the firms contracted to do the studies. The studies are comparable to other private firm contract studies. From the view of the EAN/EPA staff the studies do not meet internationally accepted professional standards. Further private firm contracted studies are not recommended for the next project. The studies are as follows:

E Studies Completed Under Private Firm Contracts through GOP

- 1 Research Associates, "Constraints on Development of Cooperatives in Pakistan," Islamabad, Dec. 1989.
- 2 United Consulting Ltd., "Impact of Mechanization on Productivity and Employment by Farm Size and Tenure for Different Ecological Zones: Economic Assessment of Various Levels of Mechanization," Lahore, Sept. 1989.
- 3 Esesjay, "Study of Trade, Price and Institutional Policies Needed for Procurement, Processing, Marketing and Export of Perishable Commodities," Karachi, Mar. 1990.

A fourth study by Chemical Consultants on Crop Response to Fertilizer was cancelled because Chemical Consultants failed to meet the minimum specifications of the contract.

5. The DAP Advisor's Scope of Work is Completed

During 1987/88 and 1988/89 I was the Directorate of Agricultural Policy (DAP) Advisor and later during 1989/90 the responsibility of Chief of Party was added. As the DAP Advisor the major goal for which I was responsible was, "institutionalization of the Directorate of Agricultural Policy within MINFA," which has been achieved with the development of the Economic Wing. The Directorate of Agricultural Policy is one of the three directorates within the Economic Wing.

The objectives to support achieving this goal are shown in the following summary.

A. Establishing an EAN Staff Economists Group: Four agricultural economists were hired and given individual tasks as shown in the annual work plans.

B. Implementing the EAN/DAP baseline studies program: As described in the earlier section 21 studies were implemented and formally published.

Approximately, 12 others have been written and distributed as discussion and briefing papers. These studies included 18 different expatriate TDY assignments.

C. Implementing and Monitoring DAP priority studies: Four studies with private sector firms were started, as described in the previous section, but only three were finally completed. One contract was cancelled because the contractor did not meet the minimum specifications of the contract.

Further contract studies with private sector firms are not recommended for the next project. Private sector firms are in the habit of receiving favored treatment by the GOP and are not willing to do professional quality studies. Three studies on farm productivity were done by the cooperating institutes, Center for Applied Economics Studies, Peshawar, University of Agriculture, Faisalabad and the Applied Economics Research Center, Karachi. These studies have been slow in developing but are of professional quality. Their continued support for estimating national farm income would be helpful in the next project.

D. Implement a process for identifying priority research: Currently, priority research is determined by requests coming from MINFAC and the ECC. However, this is not a satisfactory method for building expertise and anticipating substantive issues. It is recommended that the next project initiate an organization of the economic analysis units in MINFAC to coordinate and select substantive issues for research.

E. Implement an Information Program: This was accomplished with a series of briefing papers, individual responses to queries by MINFAC and the ECC, bi-monthly issues of the Econgram and seminars on policy issues as studies were completed and as well known experts were available.

F. Pursue GOP approval for adding fully funded DAP staff: Three DAP research economists and one publications officer have been trained for the last three years and are ready to perform the priority functions of the Economic Wing. However, their hiring has once again been delayed by the MINFAC administration.

At this point the Economic Wing has been approved and is in existence. Baseline publications have been completed to provide the information for the basic functions of the new Agency. Further, a program of support for estimates of farm income and marketing costs through cooperating institutions has been organized and personnel have been trained to begin the basic functions. Finally, membership in the network has been established as a participating audience in policy analysis.