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AGRICULTURAL POLICY ANALYSIS PROJECT, PHASE II

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IMPROVING THE EFFECTIVENESS OF AGRICULTURAL POLICY REFORM IN AFRICA: A SYNTHESIS OF LESSONS LEARNED

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TABLE OF CONTENTS

LIST OF TABLES, FIGURES & BOXES

PREFACE

The success of reforms requires not only rigorous economic analysis and extensive host country collaboration, but also strategic implementation. To perform effectively in the design and implementation of policy dialogue and adjustment-related programs, USAID field officers as well as their host-country counterparts must be familiar with the repertoire of strategic and political issues that affect the reform process.

The Bureau for Research and Development's Agricultural Policy Analysis Project, Phase II (APAP II) has been a key vehicle through which USAID has developed practical insights for the initiation, implementation and sustainability of agricultural policy reform. In addition to highlighting issues like these, APAP II has developed practical tools and methods for agricultural policy analysis and implementation in developing countries.

The "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" research project was funded by the Africa Bureau of USAID (AFR/ARTS/FARA) under a buy-in to APAP II, in an effort to improve the quality of policy reform efforts. The specific objectives of this activity have been (1) to gain better understanding of the political and socio-cultural factors that explain the success and failure of agricultural policy reform programs and projects in Africa; and (2) to develop a set of guidelines and training materials that will enhance the ability of USAID staff and host country officials to effectively incorporate political and socio-cultural analysis into the design and implementation of agricultural policy and institutional reform programs and projects.

The role of policy leadership, the political impact of key technical assistance staff, and strategies for institutional change were examined in a range of countries and contexts using a common analytical framework. Field studies were conducted in Côte d'Ivoire, Mali, and Zambia, and desk studies examined Cameroon, Ghana, Madagascar, and Malawi.

This document is but one component of the research reports produced under the "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" task.
The complete corpus of documents include:

- *Improving the Effectiveness of Policy Reform in Africa: A Synthesis of Lessons Learned*, by Nicolas Kulibaba and Catherine Rielly;
- *Improving the Effectiveness of Policy Reform in Africa: A Manual for Agricultural Development Practitioners*, by Catherine Rielly, John Tilney and Nicolas Kulibaba;
- *Improving the Effectiveness of Policy Reform in Africa: Training Module* by Catherine Rielly and John Tilney;
- *Improving the Effectiveness of Policy Reform in Africa: Cocoa Marketing Reform in Ghana* by Nicolas Kulibaba;

- *Improving the Effectiveness of Policy Reform in Africa: Marketing Reforms in Malawi by Nicolas Kulibaba;*

- *Improving the Effectiveness of Policy Reform in Africa: Maize Marketing Reform in Zambia* by William Levine and Charles Stathacos;

- *Improving the Effectiveness of Policy Reform in Africa: Cereals Market Policy Reform in Mali* by Ismael S. Ouedraogo and Carol M. Adoum;

- *Improving the Effectiveness of Policy Reform in Africa: Rice Market Liberalization in Madagascar* by Catherine Rielly;

- *Improving the Effectiveness of Policy Reform in Africa: Fertilizer Reforms in Cameroon* by Catherine Rielly;

- *Improving the Effectiveness of Policy Reform in Africa: The Politics of Agricultural Policy Reform in Côte d'Ivoire* by Jennifer A. Widner with Atta Brou Noel.

EXECUTIVE SUMMARY

Background

To perform effectively in the design and implementation of policy dialogue and adjustment-related programs, USAID field officers as well as their host-country counterparts must be familiar with the repertoire of strategic and political issues that affect the reform process. The Bureau for Research and Development's Agricultural Policy Analysis Project, Phase II (APAP II) has been a key vehicle through which USAID has developed practical insights for the initiation, implementation and sustainability of agricultural policy reform. APAP II has developed practical tools and methods for agricultural policy analysis and implementation in developing countries.

The "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" research project was funded by the Africa Bureau of USAID (AFR/ARTS/FARA) under a buy-in to APAP II, in an effort to improve the quality of policy reform efforts. The specific objectives of this activity were: (1) To improve understanding of the political and socio-cultural factors that contribute to the success or failure of agricultural policy reform programs in Africa; and (2) to develop a set of guidelines and training materials that enhance the ability of donors and host country officials to effectively incorporate political and socio-cultural analysis into the design and implementation of agricultural policy and institutional reform programs and projects.

This applied research effort examined agricultural policy reform efforts in Cameroon, Côte d'Ivoire, Ghana, Madagascar, Mali, Malawi and Zambia, and obtained detailed information from the field about what factors led to the initiation, implementation and ultimate success or failure of reform. The research placed particular emphasis on the political and social determinants of agricultural policy reform outcomes. Agricultural pricing and marketing reform were examined in all cases, but a range of other reforms and issues were also studied given their relevance to particular country circumstances.

The Historical Context of Reform

In virtually every case studied, researchers noted that the impulse toward political and economic reform was precipitated by economic crisis, generally in the form of rapidly-emerging balance of payments and fiscal deficits. Successive oil price shocks in the 1970s, cyclical lows in the prices for key African export commodities, rising interest rates in international financial markets, and a global economic downturn are regularly cited as having been the catalysts for policy shift. The crisis that faced African regimes during this period did not, however, emerge overnight. It had been ripening throughout the post-independence period and indicators of economic weakness and political drift preceded crisis, often by many years. Under these circumstances, it is hardly surprising that the leaders of the countries comprising our case studies recognized the need for fundamental change in agricultural and other policies; what is more striking is that, given the longstanding evidence of economic decline, many did not act sooner.

During the 1980s a global trend toward policy-based assistance emerged, in which the International Monetary Fund and the World Bank established what would become a formulaic approach to resolving the short- and medium-dilemmas of underdeveloped economies. Structural adjustment, hence, became an institutional mechanism for leveraging quick-disbursing assistance against the more prolonged process of policy reform. Over time, bilateral donors increasingly linked their own program agendas to those of the multilateral institutions, in an effort to develop a coordinated approach for making use of scarce development resources. Since 1980 numerous of the bilateral donor agencies (including USAID, the Canadian International Development Agency, and the United Kingdom's Overseas Development Administration) have joined the World Bank in increasing the ratio of program to project-aid disbursement. This reflects not only an effort to build a critical mass of financing in support of policy reform programs, but also genuine frustration with the disappointing impact of project financing as an assistance modality.

For African regimes, structural adjustment lending was a mixed-blessing: it allowed them to gain access to quick-disbursing finance to meet emergency expenditures, however it engaged them a process whereby they were obliged to dismantle certain of the policies and institutions on which they had built their own power.

Research Methodology and Approach

The research methodology created for this applied research effort attempted to address perceived shortcomings in existing studies of the political economy of agricultural policy reform in Africa. An initial point of departure for each of the studies was the assumption that economic reforms cannot be analytically or practically divorced from the complexities of the political milieu in which they take place. Indeed, *every proposal for a reform and every prediction of its outcomes implies a series of assumptions about the behavior and effectiveness of political actors or institutions and how they may react in a given set of circumstances.* As several of the case studies indicated, failure to recognize this notion and take it into account in the design and implementation of reform can be sufficient reason for eventual failure.

Policy implementation and maintaining a chosen course of action over time (policy sustainability) present very different challenges, moving the reform effort from the abstract to the concrete. Precision and control are dissipated as the process moves forward, involving a wider array of actors in an uncertain chain of social and political responses. While policy implementation invariably results in some *ad hoc* decisions and behaviors, it is surprising how rarely the design of reform efforts build in planning for inevitable contingencies. The approach employed by this study seeks to provide a corrective by examining the various stages that any reform initiative must entail (initiation or adoption; implementation; and institutionalization, or sustainability) beside the interactive behavior of those who have a stake in the outcome of reform.

For the purposes of analysis, an analytical matrix was developed which grouped critical political actions, responses and behaviors into four broad categories, or themes and examined their influence on the reform process during the initiation and implementation of reform, as well as during efforts to sustain reform:

- Coalitions and Mass Political Pressure
- Donor-Government Relations
- Political Elites and Factions
- Bureaucratic Interaction

Few universals apply to the group of cases chosen for this study. Five are low-income nations and two are lower middle-income nations. In size and population they range from one of sub-Saharan Africa's smallest, most densely-populated countries (Malawi) to several of the continent's larger, sparsely-populated countries (Zambia and Mali). On a continent where agriculture plays a predominant economic role, the contribution of agriculture to GDP for our sample ranges from a low of 16 percent (Malawi), to a high of 53 percent (Ghana).

The principal feature which characterizes the sample as a whole is that all have been plagued by near chronic current account deficits for the past decade and seen their total external debt increase significantly during the same period. Although economic indicators can shed useful light on the sample, more difficult are characterizations of the complex social and political variables that contribute to economic outcomes. That task is rendered more difficult still by the fact that in recent years nearly all of the countries have undergone significant, if not fundamental changes, in political leadership and the legitimacy of the mandates accorded to ruling regimes.

Lessons Learned

The principal generalizations that were derived from the cast studies are summarized below:

Analysis, Strategy and Tactics

- While economic analysis is the basis for the design of agricultural marketing reforms, political analysis is crucial to assessing the prospects of reform success and developing appropriate implementation strategies.

- Seizing political opportunity can be crucial to the successful initiation of reforms.

- Risks of failure are heightened when policy reform will result in the displacement of entrenched political patronage systems and the suppression of politically-derived rents.

- "Sweeteners"—strategies designed to defuse or co-opt opposition through compensation—raise the cost, but lower the political risk, of reform failure.

Initiation

- Political leaders' control over bureaucratic appointments and government structures gives them enormous power to mobilize elite support behind reform and distance reform opponents.

- It is essential that donors build consensus among themselves before negotiating with the government of the recipient country.

- Foreign technical advisers play an important role in identifying and establishing support for host-country policy champions.

- Close donor contact with host country technocrats leads to more successful implementation.

Implementation

- Policymakers' lack of understanding of market reform and weak intellectual commitment to liberalization inhibit implementation.

- Reform is most likely to succeed when implemented by a strong and committed central authority.

- Donor conditionality is an imperfect strategic tool in reform implementation.

- Complementary public policies that strengthen the environment in which rural markets operate improve implementation capacity.

- Contingency planning should be a key element of implementation strategy

Sustaining Reform

- It is not sufficient to assume that political support will coalesce among the beneficiaries of reform. Policymakers and political leaders must work to mobilize stakeholders to promote and defend the reform process.

- Donor commitment to supporting reform should extend to the medium term.

1. INTRODUCTION

Over the past ten years, USAID, the World Bank, and other donors have sponsored extensive research into the question of how to most effectively promote policy reform efforts to correct economic distortions in the markets of developing countries.[1] They have focused particular attention on those countries in Africa where the distortions were most severe and where economic policy reform has been most difficult to implement. The work has examined both macro-economic issues as well as market dysfunctions in the all-important agricultural sector, which is often the largest single component of economic activity in African nations.

Both the sponsors and authors of this study were motivated by several perceived deficiencies in the existing body of literature on the policy reform process in Africa:

- In much of the literature, the reform process is viewed through the prism of efficiency, focusing on how effectively governments apply the policy prescriptives of multilateral and bilateral agencies and what the result of their efforts are.

- The majority of the available case-study literature is preoccupied with failed reform efforts, reinforcing belief in the intractability of Africa's economic problems.

Two additional deficiencies in the literature were of particular importance in formulating the research methodology for this research:

- Most studies of policy reform tend to neglect or discount the motives and interests of political actors and their influence on one another in determining how policies will be pursued, modified, abandoned or sustained once the decision has been made to undertake them;

- Even where existing studies examine political interactions in the reform process, they rarely give adequate attention to the complexities of donor-government relations.

This applied research effort examined agricultural policy reform efforts in Cameroon, Côte d'Ivoire, Ghana, Madagascar, Mali, Malawi and Zambia, and obtained detailed information from the field about what factors allowed these reforms to be selected, undertaken and, ultimately, sustained or abandoned. The research placed particular emphasis on the political and social determinants of agricultural policy reform outcomes. Agricultural pricing and marketing reform were examined in all cases, but a range of other reforms and issues were also studied given their relevance to particular country circumstances.

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[1] See Block and Tilney, 1991; Christensen, 1991; Lele, 1990; Sahn, 1991; Vondal, 1989. Among the more prominent academic treatments of the topic are Grindle and Thomas, 1989, 1992; Mosley, Harrigan and Toye, 1991; Bates and Krueger, 1993.

The intended purpose of this synthesis of case study findings is to provide direction for development practitioners who participate in, or provide assistance to, the design of policy and implementation of agricultural policy reform programs by providing them with insights that will aid in the analysis of political, institutional and social issues implicit in the reform process:

- Section 1 of the Synthesis identifies the issues that are central to the research and places them in an analytical context. It examines some of the underlying assumptions that are implicit in the reform process, and identifies the prevailing logic of in policy-based assistance;

- Section 2 describes the methodology that was utilized in case studies, and provides an analytical matrix for examining the political economy of reform;

- Section 3 presents a synthesis of the findings of the case studies, and

- Section 4 provides strategic and tactical recommendations for the design, or initiation phase of reform, for implementation and, finally, efforts to sustain reforms.

1.1 Approaches to the Political Economy of Reform

Much of the earlier literature on policy innovation and reform in Africa views the policy process as being mechanical, rather than political or linear, rather than interactive. Bates and Krueger have characterized the prevailing approaches to the analysis of policy reform on the basis of the underlying assumptions about the nature of politics that are implicit in them.[2] The approaches that they identify tend to focus on policy success or failure, and attribute reform outcomes to initial conditions, the actual content of reform packages, or the intended and unintended impacts of the reform process itself.

Initial conditions perspectives assume that policy success may be dependent on pre-existing institutional characteristics, transactions or patterns of performance. Among the hypotheses and assumptions that are typical of this approach are the following:

Institutional Conditions

- That strong (possibly authoritarian) political regimes have a greater innate capacity to effectively implement economic policy; (other analysts have often referred to this assumption as "*the dictator dilemma*, whereby donor agencies, predominantly from Western democracies, support authoritarian regimes in the interest of securing desired policy outcomes);

[2] Bates & Krueger. 1993. pp. 9-12 and 445-459.

- That successful reform requires *enlightened leadership*—a cadre of platonic guardians of the state—who act on the basis of commitment to the public good;

- A variant of this approach is also often used to explain the difficulties of policy reform by standing the "enlightened leadership" assumption on its head. The *predatory state argument* proceeds from the profoundly cynical assumption that policy failure is typically driven by individual self-interest and the impulse of political leaders to maximize the concentration of wealth and power in their own favor. Although there are abundant examples of regimes that have evidenced this tendency, those regimes prove to be notoriously unstable and self-destructive. The principal difficulty of this approach is that it is predicated on the belief that changes toward greater economic and political equity will not occur in the absence of coercion, and that a predatory state can sustain itself as a closed-system.

- That a cadre of enlightened and committed technocrats are necessary and responsible for effective implementation of the reform process;

Circumstantial Conditions

- That internally driven reform efforts, that result from a process of consensus-building, technocratic innovation and popular support, are more likely to succeed than those which result from an external crisis (e.g. a slump in commodity prices, a foreign exchange crisis;

- That policy objectives are easier to achieve when the reform impetus is itself credible. In this hypothesis, a regime is less credible when it has a record of abandoning reform initiatives before their objectives have been achieved.

- That reform is more likely to be successful if it is undertaken during a period of favorable external and other initial conditions;

The *initial reform package* approach tends to evaluate policy performance on the basis of its initial sufficiency and cohesiveness, assuming, for example, that:

- That reform success or failure results from technical adequacy in the absence of other variables, including appropriate selection of objectives and institutional means for achieving them;

- That reform success or failure is determined by the adequacy of the policy 'package' *vis a vis* the interests of stakeholders in the outcome of reform, or the ability to anticipate and over-ride emerging barriers to implementation;

- That reform success or failure is dependent on the magnitude of external resources mobilized to support the reform process.

Timing and sequencing approaches focus on the timing of reform and the successful anticipation of the circumstances in which it will be implemented. Assumptions characteristic of this approach include:

- The widespread belief that policy reforms necessarily entail a period of contraction or recession before they generate positive outcomes;

- That opposition to reform consolidates during the initial period following implementation, and that rational economic strategies may be put on hold by businessmen, consumers, farmers or other political actors adopt wait-and-see strategies. Stakeholder reticence or "exit" must be anticipated and entered into the calculus of implementation;

- That the correct sequencing of reforms is essential to triggering desired market responses and building the critical forward momentum necessary to sustain reform.

What is perhaps most interesting about the above catalogue of approaches and hypotheses is that none are universally valid, several are mutually exclusive, and all have probably been valid to the circumstances of reform in one country or another.

Game theory and *interest group theory* approaches to the analysis of policy reform take a more decentralized view of the state and view policy success or reform as the product of a broad series of interactions. Although the authors of our case studies tend to weight the relative importance of competition and interest articulation differently in their analyses, their analyses tend to fall well within this approach and they speak with a single voice on several key assumptions:

- In the political realities of the reform process, even a monolithic state rarely acts in a harmonious or complementary fashion;

- Even where regimes pursue policies of maximal self-interest or predatory economic behavior, they are not closed systems. Economic and political interactions require constant adjustments for the purpose of modulating prospects for stakeholder success.

- The primacy of interests and the logic of policy-making in political regimes are highly responsive to success; achieving policy objectives results in changes in political configurations and the relative weight of political actors over time.

1.2 Economic Crisis and the Leaking-Roof Syndrome

In virtually every case studied, researchers noted that the impulse toward political and economic reform was precipitated by economic crisis, generally in the form of rapidly-emerging balance of payments and fiscal deficits. (In only one case did a political crisis play a key role). Indeed, during the 1980s, more than two-thirds of all sub-Saharan African countries initiated major economic reform programs. Successive oil price shocks in the 1970s, cyclical lows in the prices for key African export commodities, rising interest rates in international financial markets, and a global economic downturn are regularly cited as having been the catalysts for policy shift.

The crisis that faced African regimes during this period did not, however, emerge overnight. It had been ripening throughout the post-independence period and indicators of economic weakness and political drift preceded crisis, often by many years.

Under these circumstances, it is hardly surprising that the leaders of the countries comprising our case studies recognized the need for fundamental change in agricultural and other policies, however what is more striking is that, given the longstanding evidence of economic decline, many did not act sooner.

An explanation for this is possibly found in the parable of the man living in a house with a leaking roof. Asked why he doesn't repair it, he responds "Because I can't fix the roof when it's raining, and when it's not raining, there aren't any leaks." In each of our case studies, post-independence regimes had built houses based upon several fundamental principles of ideology and, more importantly, praxis:

- The state was viewed as the principal engine of economic growth and development and, over time, increasingly served as the principal intermediary and regulator of the marketplace;

- The consolidation of power in the executive branch of government was maintained through extensive network of political patronage. In the absence of accountability at the ballot box and disregard of constituential restraints on power, most leaders were beholden more to the needs of their immediate constituencies within the governing apparatus than to those of the greater collectivity.

- Political hegemony overlapped with economic hegemony, giving rise to extensive, personalistic intervention in the marketplace and widespread disregard for adequate instruments of fiscal and economic oversight.

The political calculus involved in any decision to embark on reform in this context accorded greater weight to short-term risks of alienating vital, personal constituencies than to the longer-term interests of the economy. With greater concern about consolidating state power, most leaders chose to change course only when the risks to their political preserves outweighed benefits. During intermittent crises—cyclical downturns in the economy—the focus of government was on the identification of short-term solutions, rather than on systemic adjustments in policy or performance. Cyclical upturns, on the other hand, provided optimal conditions for maintaining the *status quo*.

In all but one case, the decision to embark on policy reform efforts in the countries comprising our sample occurred not as the result of philosophical epiphany—a long-overdue decision to perform basic roof maintenance. Rather, balance of payments crises and fiscal insolvency resulted in a narrowing of political options, leaving the regimes concerned with no other choice but to turn to external sources of assistance to obtain urgent short-term relief. With one single exception, Ghana, none of the regimes studied evidenced any intention of undertaking systemic reforms in agriculture or any other sector when they took the decision to engage in dialogue with the donor community. Nor, in fact, did they appear to realize the implications of submitting themselves to a new form of development assistance over which they would have only partial control.

1.3 Policy-Based Assistance and the Reform Process

While the focus of this study is the political economy of agricultural reform, it is necessary to review the institutional context in which the reform process took place in all of our case studies, particularly with regard to country-donor relations.

During the 1980s a global trend toward policy-based assistance emerged, in which the International Monetary Fund and the World Bank established what would become a formulaic approach to resolving the short- and medium-dilemmas of underdeveloped economies. Structural adjustment, hence, became *an institutional mechanism for leveraging quick-disbursing assistance against the more prolonged process of policy reform.* Over time, bilateral donors increasingly linked their own program agendas to those of the multilateral institutions, in an effort to develop a coordinated approach for making use of scarce development resources.

Prior to the mid-1970s, the IMF made few loans to sub-Saharan Africa, due principally to the fact that its programs and lending instruments had not been conceived to deal with the financial problems most common in the Third World. The IMF had been designed, instead, to provide short-term financing to enable countries to work their way out of payments deficits and avoid creating imbalances in international capital flows. Prior to the mid-1970s the African economies were comparatively small, and represented little threat to the stability of international financial markets.

The price shocks of the late 1970s, combined with accumulated borrowing and poor fiscal management left most nations of sub-Saharan Africa with debts that exceeded their capacity to service. The cumulative burden of the region's debt (including a high proportion of sovereign debt) and the emerging likelihood of default on a massive scale drew the IMF into a region where it had little experience.

As an institution, the IMF generally provides short-term finance linked to policy measures to reduce demand in the borrowing-country's economy. Conditionalities of IMF lending vary from case to case, although there are certain commonalities to policy prescriptions in nearly all programs: reductions in government spending, restriction on domestic and international credit creation, and enhanced revenue collection. These are sometimes coupled with currency devaluation and import reduction measures. Policy targets and conditionalities generally include reductions in inflation and money supply and increases in output growth. In all cases, the principal purpose of IMF conditionality is to restore economic growth and equilibrium to the balance of payments.

The magnitude of Africa's economic crisis in between 1975 and 1980 was reflected in the IMF's lending portfolio: while low-conditionality lending constituted more than 80 percent of IMF loans to the region at the beginning of the period, by 1980 more than 70 percent of its loans involved higher levels of conditionality.[3]

It can be seen that IMF standby-programs were intended to redress imbalances at economic borders; while policy conditionalities were intended to restore growth, they focused only on a narrow range of policies intended to yield rapid responses. More difficult, however, was the problem of how to undertake more systemic reforms at the sectoral level.

In 1980, the World Bank introduced structural adjustment lending, whose objective was "to provide quick disbursing finance to support measures designed to strengthen recipient countries' balance of payments within five to ten years without severely constraining demand in a manner that unnecessarily set back economic and social development."[4] The principal force behind this innovation was a sense that the intended impacts of project grants and lending were not being achieved because of misguided policy regimes. As structural adjustment lending evolved over time, it came to be characterized by efforts to remove politically-determined distortions in the marketplace: food and energy subsidies created to shield urban consumers from high costs; restrictive trade measures and over-valued exchange rates designed to protect the new import substitution industries; agricultural price regulation that was intended to direct economic activity toward the production of export commodities or, less often, food. Hence, structural adjustment lending became the instrument by which the World Bank became a partner in the determination and process of policy reform throughout the developing world. Between 1980 and 1986, thirty-seven structural adjustment loans were negotiated by the World Bank, including twenty-six in sub-Saharan Africa.

For African regimes, structural adjustment lending was a mixed-blessing: it allowed them to gain access to quick-disbursing finance to meet emergency expenditures, however it engaged

[3] Browne. 1987. p. 68.

[4] Landell-Mills. 1991. p. 18.

them a process whereby they were obliged to dismantle certain of the policies and institutions on which they had built their own power.[5]

Since 1980 numerous of the bilateral donor agencies (including USAID, the Canadian International Development Agency, and the United Kingdom's Overseas Development Administration) have joined the World Bank in increasing the ratio of program to project-aid disbursement. This reflects not only an effort to build a critical mass of financing in support of policy reform programs, but also genuine frustration with the disappointing impact of project financing as an assistance modality.

Policy-based assistance is not without its critics, both in recipient nations and within development agencies. The principal critiques can be summarized easily:

- The *dependency critique* argues that donors are using unfair financial leveraging in negotiations with recipient countries, and are infringing upon the borrower's/ recipient's sovereignty in imposing any policy conditions at all.

- The *impact critique* points toward the inequities of the adjustment process and the perception that the poor are not merely penalized by the typical adjustment program, but that they disproportionately penalized. Indeed, it was in response to this critique that the World Bank embarked on its Social Dimensions of Adjustment programming in the mid-1980s.

- The *technical critique* encompasses a range of observations: that structural adjustment and policy-based lending are, even after more than a decade of experimentation, theoretically unproven and ambiguous in their impacts. The linkage between policy selection and conditionality is viewed as exceedingly arbitrary and inadequately-enforceable.

- The *neoconservative critique* argues that policy-based grants and lending are merely replacing, at considerable cost, the corrective measures that would result from rational responses to the demands of global capital markets. This critique also points out that there is usually a relationship between bad policy and bad governance that can be remedied at the ballot box.

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[5] A mildly cynical observation by Mosley notes that " [the] prospect of enhanced economic growth, along with the SAL's finance itself, is the economic benefit that countries receiving SAL's are offered by the Bank in order to embolden them to incur the political cost of taking away rents from those who receive them. They are a bribe to Third World governments to buy out some of the restrictive practices by which they currently hold the state together." (Mosley. 1988. p. 53.)

1.4 What is Policy Reform?

Agricultural policy reform can imply many things, ranging from minor changes in government intervention in the marketplace to a shift in development strategy that has far-reaching effects on the structure and performance of the agricultural sector. No single operative definition of policy reform was used in this research, providing individual analysts with considerable latitude. The selection of country studies, however, was informed by familiarity with on-going policy reform efforts, generally in the context of sectoral adjustment efforts receiving technical and financial assistance from multilateral or bilateral donors.

As a fixture of contemporary development praxis, "economic policy reform" generally signifies the application of measures to reduce or eliminate distortions created by government intervention in the marketplace. This is generally necessitated by the degree to which policy distortions have contributed to imbalances in trade and unsustainable budgetary deficits.

The types of agricultural policy reforms analyzed in the case studies have generally been of two types, and are broadly typical of the agricultural policy challenges throughout sub-Saharan Africa:

- *Agricultural pricing reform*

  The importance of agricultural exports in sub-Saharan Africa is such that many nations have sought to engineer prices for desired economic, social or political outcomes. Some of the motives which prompted price engineering were the desire to promote the production of export commodities or to keep food prices artificially-low for urban consumers. These policies sometime endangered food security and the well-being of producers by generating a shift away from the production of food crops. Price regulation was sometimes combined with other measures (e.g. land allocation, restrictive crop licensing, and subsidies) in order to provide economic benefits to political elites and their supporters.

- *Agricultural marketing reform*

  Regulatory zeal, preoccupation with efficiency, distrust of private entrepreneurial activity, and the efforts to extract rents led many African governments to impose strictures on the marketing of agricultural commodities. Government marketing boards, combined with price regulation, were the principal means of achieving these ends. These institutions were generally poorly-managed and tended over time to drive a wedge between producer and export-parity prices, in the interest of subsidizing their own operations or the rent-seeking interests of their managers.

To the extent that any further definition is necessary here, the case studies distinguished between political marketing (e.g. exhortations for change or expressions of political intent) and intentional, sustained efforts by political actors to effect changes in the performance of agricultural producers.

2. RESEARCH METHODOLOGY AND ANALYTICAL FRAMEWORK

2.1 Research Methodology

The research methodology created for this applied research effort attempted to address perceived shortcomings in existing studies of the political economy of agricultural policy reform in Africa. An initial point of departure for each of the studies was the assumption that economic reforms cannot be analytically or practically divorced from the complexities of the political milieu in which they take place. Indeed, *every proposal for a reform and every prediction of its outcomes implies a series of assumptions about the behavior and effectiveness of political actors or institutions and how they may react in a given set of circumstances.* As several of the case studies indicated, failure to recognize this notion and take it into account in the design and implementation of reform can be sufficient reason for eventual failure.

The analytical framework employed by the individual case studies differentiated between the substance of reform and the evolution of the reform process over time: policy innovation, (including the sorting out of policy options, the development of simulation tools to test hypothetical outcomes, the selection of measures to be undertaken, and their scheduling) is but a first step in the reform process. By the very nature of the tasks involved, policy formulation can be a precise activity over which the political actors involved can exercise complete control.

Policy implementation and maintaining a chosen course of action over time (policy sustainability) present very different challenges, moving the reform effort from the abstract to the concrete. Precision and control are dissipated as the process moves forward, involving a wider array of actors in an uncertain chain of social and political responses. While policy implementation invariably results in some *ad hoc* decisions and behaviors, it is surprising how rarely the design of reform efforts includes planning for inevitable contingencies. The approach employed by this study seeks to provide a corrective by examining the various stages that any reform initiative must entail (initiation or adoption; implementation; and institutionalization, or sustainability) beside the interactive behavior of those who have a stake in the outcome of reform.

The value of this approach is that it permits assessment of the roles that key political actors, (whether individuals, institutions or informally-organized groups), play—or are likely to play—in the agricultural policy reform process at various stages over time. Specific attention is given to identifying the salience and power of those actors as they contribute to the success or failure of reform initiatives. The dynamic relationship between economic objectives and political behaviors (activism or reaction) necessarily requires the examination of events over time as a means of identifying how effective strategies for reform can be developed.

For the purposes of analysis, an analytical matrix was developed which grouped critical political actions, responses and behaviors into four broad categories, or themes:

- Coalitions and Mass Political Pressure
- Donor-Government Relations
- Political Elites and Factions
- Bureaucratic Interaction

Table 2.1 presents the analytical matrix used in the study along with key considerations to be taken into account when analyzing the relationship between the process of policy reform and relevant categories of political actors.

Each category of political interactions deals with the political behavior of relevant actors as they influence or respond to political and economic conditions that give rise to or result from the evolution of the policy reform process. The four categories admittedly imply certain assumptions about the prospective importance of types of political actors. However the categories are sufficiently broad to accommodate analysis of changes in the alignment and relative saliency of political actors that typically occur in an evolving political and economic context.

Examining **coalitions and mass political pressure**, for example, can identify the degree to which demographically important stakeholders—political parties, particular social classes, ethnic or religious groups, or the proverbial "man in the street"—influence the reform process.

- Was their influence specific or diffuse?

- Did such groups provide an effective impulse for reform?

- Did they support, defend or oppose the economic or political trade-offs that are an essential element of the reform process?

- Were their responses based on perceptions of winning or losing, and how did this translate into support or opposition?

- Can mass political pressure be mobilized to support agricultural reforms even when there is significant lag-time between initiation and the ultimate derivation of benefits to such groups?

Table 2.1:

Analytical Matrix

Improving the Effectiveness of Policy Reform in Africa

	POLITICAL THEMES: LEVELS			
PHASES OF AGRICULTURAL POLICY REFORM	Coalitions & Mass Political Pressure	Donor-Government Relations	Political Elite, Factional	Bureaucratic Interaction
Initiation/Adoption	• Consensus Building • Public Perception of Crisis • Previous Style of Adjustment Discredited	• Perception of Need for Consensus • Donor Resources • Sense of Urgency to Act • Sequencing of Reforms • Conditionality	• Selling Reform to Politicians • Autonomy from Elites • Support of Elites • Clientelism • Political Management Skills	• Policy Champions • Critical Mass of Technocrats • Tactical Thinking • Autonomy • Parallel Markets
Implementation	• Protests • Winners/Losers: • Urban/Rural, Farmers, Military, Other Interest Groups • Compensatory Measures	• Pace • Conditionality • Institutional Reform Strategies • Timing of Financing • Level of Financing • Tactical Thinking	• Motivation: Ideas, Party, Donor Resources, Constituency, Ethnic Group, Diffuse Opposition • Duration of Regime, Legitimacy	• Capacity of Technocrats • Incentives • Effective Institutions • Technocrat Autonomy/Influence on Bureaucracy • Role of TA
Sustainability	• Compensatory Measures • Concentrated Benefits • Dispersed Costs • New Coalition	• Supply of Public Goods • Conditionality • Relations with Bank, Fund, USAID, Other External Relations • Resources	• Institutionalized Autonomy • Role of Ideas • New Consensus	• Rules/Norms Reducing Discretionary Power of Bureaucracy • Reform Pace • Successful Institutional Change

In all of the cases studied donor financing and technical assistance played a pivotal role at some point in time. Given the often significant role of donors in promoting and supporting reform, **donor-government relations** are especially important, particularly when examining structural adjustment issues. Here, the framework seeks answers to some of the following questions:

- Did the donors or the government perform stakeholder analyses or other assessments of the political economy in advance of proposing reforms?

- What were the relative roles of donors and the government in identifying the need for reform, and to what extent did they support and participate in the design of the reform program?

- How did donors or the government mobilize "winners" and diffuse "losers" in the reform process, and how did they accommodate trade-offs among stakeholders?

- Did the donor community respond consistently to reform programs in terms of funding and conditionality? Were there conflicting objectives among different donor initiatives?

- To what degree did donor and government perceptions of the need, pace, conditions, and support for reforms remain consistent and compatible?

Focus on **political elites and factions** seeks to determine the degree to which those who are in positions of political or economic privilege can act as a unified force for progressive change, or how they can effectively oppose or derail reform. These issues are especially critical in autocratic political regimes which, by their very nature, are extremely sensitive to clientism and patronage. In instances where agricultural policy reform reduces or eliminates sources of revenue for political elites, the question of political "marketing" acquires particular importance.

- How did the political leadership "sell" proposed reform initiatives to their elite constituents and clients?

- Were there reform "champions" who influenced political and economic decision-makers to adopt a reform strategy?

- Was the integrity of the reforms maintained or was it compromised by elite pressures?

- How was opposition among elites diffused or coopted? Were special accommodations made in the timing of reform implementation? How did this affect the outcome of the reform process?

Bureaucratic interactions within the framework are examined with attention to the degree to which the bureaucracy plays an important part in conceiving, supporting and implementing the reforms reform process. The analysis addressed questions such as:

- What critical mass of support from technocrats is needed in order to successfully implement and monitor reforms?

- Are the bureaucrats and political actors mutually supportive of the reforms?

- What is the relationship between the bureaucrats and supporting donors?

- How do bureaucrats seek to institutionalize reform programs?

As the case studies demonstrate, the interactions that transpire at each level of a political system will vary over time, as the reform process evolves, based on perceptions or experiences of the consequences of reform.

Each of the seven African country experiences of the agricultural policy reform process are, admittedly unique. However, when considered as a whole, they demonstrate that *political dynamics play a determining role in the ultimate success or failure of agricultural policy reform efforts and, therefore, must be considered as a key element of planning for change.* The lessons learned and the recommendations presented below suggest the kinds of analysis that are necessary for successful reform and provide a résumé of guidelines derived from reform efforts in which USAID has often played a significant role.

Table 2.2 Selected Indicators of Economic Trends and Structure: Basic Indicators

Country	*Population (millions) mid-1991*	*Area (thousands of square kilometers)*	*GNP per capita* Dollars 1991	*GNP per capita* Average annual growth rate (percent) 1980-91	*Average annual inflation (percent)* 1970-80	*Average annual inflation (percent)* 1980-91
Low-income economies						
Madagascar	12.0	587	210	-2.5	9.9	16.8
Malawi	8.8	118	230	0.1	8.8	14.9
Mali	8.7	1,240	280	-0.1	9.7	4.4
Ghana	15.3	239	400	-0.3	35.2	40.0
Zambia	8.3	753	..	..	7.6	..
Lower middle income economies						
Cote d'Ivoire	12.4	322	690	-4.6	13.0	3.8
Cameroon	11.9	475	850	-1.0	9.8	4.5

Source: *World Bank Development Report*, 1993.

2.2 Case Studies and the Research Sample

This applied research effort uses empirical data from individual case studies to identify the factors explaining policy choices and outcomes in the process of reform initiation and implementation and during efforts to sustain reform. Most importantly, the research seeks to identify how host country policy-makers and donors can most effectively collaborate to promote agricultural policy reforms that favor economic growth in Africa. Each of the seven country case studies brought empirical evidence to bear on the central question of how political actors effect the outcomes of policy change.

Agricultural policy reform efforts in Cameroon, Côte d'Ivoire, Ghana, Madagascar, Malawi, Mali, and Zambia were studied to obtain detailed information about what political and economic circumstances permitted reform efforts to take place and how the outcomes of reform affected the configuration of political and economic interests. In every case, the initiatives studied involved agricultural pricing and marketing reform efforts, along with a range of other issues relevant to the individual case at hand.[6]

How representative is the sample and can valid conclusions be derived from it? What are the limits in applying the findings of the case studies? As the tables attached to this section indicate, few universals apply to the group of cases chosen for this study. Five are low-income nations and two are lower middle-income nations. In size and population they range from one of sub-Saharan Africa's smallest, most densely-populated countries (Malawi) to several of the continent's larger, sparsely-populated countries (Zambia and Mali). On a continent where agriculture plays a predominant economic role, the contribution of agriculture to GDP for our sample ranges from a low of 16 percent (Malawi), to a high of 53 percent (Ghana).

The principal features which characterize the sample as a whole is that all have been plagued by near chronic current account deficits for the past decade and seen their total external debt increase significantly during the same period. Food production per capita in each country either declined (for six of the seven) or grew at an average annual rate of only 0.2 percent (Ghana) between 1979 and 1991. Annual population growth rates for each of the countries are high (ranging between 2.8 in Madagascar, to 3.3 in Côte d'Ivoire between 1980 and 1991), while average annual growth rates for urban areas are higher still (ranging between 4.1 percent for Ghana, and 6.2 in Madagascar, between 1980 and 1991).

Although economic indicators can shed useful light on the sample, more difficult are characterizations of the complex social and political variables that contribute to economic outcomes. That task is rendered more difficult still by the fact that in recent years nearly all of the countries have undergone significant, if not fundamental changes, in political

[6] Field studies were conducted by two-person teams in Côte d'Ivoire, Mali and Zambia, while individual analysts carried out literature reviews of reform efforts in Cameroon, Ghana, Madagascar and Malawi between January and August, 1993.

Table 2.3 Selected Indicators of Economic Trends and Structure: Growth of Production

Country	Average annual growth rate (percent)									
	GDP		*Agriculture*		*Industry*		*Manufacturing*		*Services, etc.*	
	1970-80	*1980-91*	*1970-80*	*1980-91*	*1970-80*	*1980-91*	*1970-80*	*1980-91*	*1970-80*	*1980-91*
Low-income economies										
Madagascar	0.5	1.1	0.4	2.4	0.6	0.9	..	..	0.6	0.2
Malawi	5.8	3.1	4.4	2.4	6.3	3.3	..	3.9	7.0	3.7
Mali	4.9	2.5	4.2	2.4	2.0	4.0	..	..	6.9	2.4
Ghana	-0.1	3.2	-0.3	1.2	-1.0	3.7	-0.5	4.1	1.1	6.6
Zambia	1.4	0.8	2.1	3.3	1.5	0.9	2.4	3.7	1.2	0.0
Lower middle income economies										
Cote d'Ivoire	6.6	-0.5	2.7	-1.2	9.1	-1.6	..	..	10.9	0.8
Cameroon	7.2	1.4	4.0	1.1	10.9	2.2	7.0	..	7.8	1.1

Source: *World Bank Development Report*, 1993.

Table 2.4 Selected Indicators of Economic Trends and Structure: Structure of Production

	GDP (millions of dollars)		*Distribution of gross domestic product (percent)*							
			Agriculture		*Industry*		*Manufacturing*		*Services, etc.*	
Country	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*
Low-income economies										
Madagascar	995	2,488	24	33	16	14	..	..	59	53
Malawi	271	1,986	44	35	17	20	..	13	39	45
Mali	338	2,451	61	44	11	12	7	11	28	43
Ghana	2,214	6,413	47	53	18	17	11	10	35	29
Zambia	1,789	3,831	11	16	55	47	10	36	35	37
Lower middle income economies										
Cote d'Ivoire	1,147	7,283	40	38	23	22	13	21	36	40
Cameroon	1,160	11,666	31	27	19	22	10	12	50	51

Source: *World Bank Development Report*, 1993.

leadership and the legitimacy of the mandates accorded to ruling regimes. For this reason, the findings of the individual case studies are described in the following section.

2.2.1 Cameroon

Economic Background

International donors considered Cameroon an African success story during the 1970s and the first half of the 1980s. Real GDP grew at a rate of 7.4 percent during the 1970s and accelerated to a rate of 10 percent between 1978 and 1985. Cameroon's strong economic performance has been attributed to its natural resource endowment, which includes rich agricultural land and petroleum, and to the cautious management of the nation's economy throughout the 1960s and 1970s. Between 1960 and 1978, the agricultural sector was the major contributor to economic growth, with a 75-percent share of exports.

A second factor that contributed to the country's success was its unusual political stability, at a time when *coups d'etat* commonly occurred in neighboring countries.

Since 1986, Cameroon has fallen into a deep economic and financial crisis. Between 1986 and 1991, GDP growth has been negative—4.1 percent per annum, on average. This crisis was precipitated in part by a sharp fall in world market prices for the country's principal exports (oil, cocoa, and coffee), and further exacerbated by a sustained fall in the value of the US dollar against the CFA franc. (Most Cameroonian exports are dollar-denominated transactions.) By 1989, the agricultural terms of trade were one-half of their 1985 level.

With oil sector output projected to decline rapidly during the next several years, Cameroon's economy must once again rely on agriculture to provide the major impetus for sustained economic growth. Adequate macroeconomic and agricultural sector reforms that provide incentives to farmers will be a necessary condition for sectoral growth.

Yet, there are serious doubts whether agriculture can resume its role as the "engine of economic growth." Overall agricultural growth has been on a downward trend. Between 1988-89 and 1991-92, agricultural growth was negative—on average 4.5 percent per annum. All growth in cocoa and coffee production has been from expansion of land area under cultivation rather than higher yields. Since the advent of Cameroon's economic crisis, production of traditional agricultural exports, especially robusta and arabica coffee, and cocoa, has stagnated. Prospects for future improvements in productivity of these crops are poor. Yield levels of coffee and cocoa are three to four times lower than available technology would permit.

Heavy taxation of cocoa and coffee has created price disincentives for farmers, and therefore at least partially accounts for the stagnation in export output. Taxation has also accelerated the process of labor migration out of agriculture. The average age of cocoa farmers—and their aging cocoa trees—is over 40 years, and replanting rates are low. Farmers are reportedly abandoning export crop production, turning instead to the production of food crops such as maize and tubers, and garden crops.

Political Evolution

One important factor in Cameroon's poor agricultural performance has been that political concerns have come to overshadow considerations of economic growth and general welfare. At independence in 1961, President Ahidjo established a coalition of regionally diverse interests and a system of governance based on maintaining the balance of power among the nation's diverse ethnic, religious, and linguistic groups through political patronage. The system delivered state resources and rent-seeking opportunities to elites through the expansion of the state into the economic arena.

By the mid-1970s, President Ahidjo had eliminated all significant opposition to his rule by giving access to state resources to traditional and modernizing elites in all parts of Cameroon. This produced remarkable political stability, which his successor, President Paul Biya, could not sustain. In 1982 when Biya succeeded Ahidjo, he inherited this political patronage system, but he did not have Ahidjo's personal power and political skills to manage it. Several months after voluntarily handing over the political reigns to Biya, Ahidjo sought to return to power and displace his hand-picked successor. While Biya eventually won out, he paid a tremendous price in terms of delivering economic benefits to his supporters. Given that his hold on political power was precarious, Biya could not afford to exert as tight a control over resources as Ahidjo.

Consequently, although he first presented himself as a liberal reformer, he expanded the patronage networks even further to his own ethnic group, the Beti, on whom he relied for political support. Under Biya, these patronage networks became more sharply defined along ethnic lines. Political clans led by prominent politicians from Biya's native South Province, the "Beti Barons," were alleged to have increased the amount of rent-seeking, corruption, and patronage beyond the levels that Ahidjo had ever allowed.

Thus, agricultural policymaking tends to be concentrated in the hands of a small group of powerful elites who shape policy to reflect their vested interests. The state has traditionally used the agricultural budget to secure its political power, and agricultural programs, projects, and institutions have traditionally been important channels for delivering patronage to elites.

Political imperatives partially explain why policymakers have chosen to adopt pricing and other policies that have had such a regressive impact on agricultural output. One explanation for the taxation of the peasantry above the necessary minimum, and the overall shift of spending away from agriculture, is that agricultural rents were a readily available source of subsidies for patronage.

The concentration of power in the presidency has damaged recent efforts to implement policy reforms. While government ministries are technically responsible for policy implementation, the presidency has complete freedom of action. There is no independent legislature or judiciary.

2.2.2 Cote d'Ivoire

Economic Background

During Cote d'Ivoire's first three decades, the political economy of its agricultural policies was distinctive in several important respects. First, until 1989, Cote d'Ivoire offered its farmers a relatively high proportion of the world price for the agricultural exports they produced and maintained producer prices that were fairly stable in real terms. Although there was a net transfer of resources out of forest-zone agriculture to other uses, farmers were better off in Côte d'Ivoire than in other countries south of the Sahara, except Kenya, Zimbabwe, and perhaps Cameroon. Second, Côte d'Ivoire's production of export crops grew rapidly through the 1980s, when agricultural production declined or failed to keep pace with population growth in many other parts of Africa. Third, unlike Anglophone countries, Côte d'Ivoire had ceded considerable control of its monetary policies to an external agency, as a member of the Franc Zone. As a result, it could not intentionally overvalue its exchange rate, imposing an indirect tax on export agriculture, but neither could it use devaluation as a policy tool to make its agricultural exports more attractive to foreign buyers. These policies fueled the 7-percent average annual rates of growth in the gross domestic product (GDP) that led development economists to extol *le miracle ivoirien* during the 1960s and 1970s. Cote d'Ivoire became the world's largest producer of cocoa, with nearly one-third of world market share, as well as Africa's major producer of coffee, bananas, and pineapples. The country began to develop cotton, oil palm, and rubber as diversification crops. During this period, it also remained about 80-percent self-sufficient in starchy foodstuffs.

In the late 1960s, the government started to finance the creation of public enterprises, roads, and new projects from the reserves of the marketing board that handled cocoa and coffee sales. These funds were supposed to provide money for subsidies to farmers when world prices for coffee, cocoa, and other export crops declined. As long as the investment projects generated rates of return above those that marketing boards could secure by banking their money, this practice was not necessarily dangerous to farmers. In practice, however, these opportunities too often promised unacceptable rates of return under the best of circumstances. Management problems eroded the profitability of many projects. In some instances, the money just disappeared. A government that had initially allocated a greater proportion of benefits to farmers than had its neighbors began to transfer resources out of forest-zone agriculture on a massive scale.

Forest-zone farmers—growers of cocoa and coffee—felt the effects of these changes in a sudden collapse of producer prices, the prices paid to farmers, during the late 1980s. There were earlier hints of the impending reversal of fortune. For example, the government lifted controls on the prices of fertilizer during the 1983–84 agricultural season, after having driven the domestic fertilizer factory, of which it was part owner, into perilous financial condition. Growers faced increasing costs as a result. However, coffee and cocoa producer prices remained relatively stable in real terms, despite the collapse of world market prices. The government did not contemplate major changes in policy until the marketing board could no longer afford to pay the subsidy required to maintain official producer prices. In 1989, the government announced that it would reduce by half the prices it paid for farmers' cocoa and coffee crops. Subsequently, prices fell still further. Cote d'Ivoire thus entered the 1990s in the midst of a severe economic recession nicknamed "the cocoa crisis."

Table 2.5 Total External Debt

Country	*Total external debt (millions of dollars)* 1980	1991
Low-income economies		
Madagascar	1,223	3,715
Malawi	821	1,676
Mali	732	2,531
Ghana	1,407	4,209
Zambia	3,261	7,279
Lower middle income economies		
Cote d'Ivoire	5,848	18,847
Cameroon	2,513	6,278

Source: *World Bank Development Report*, 1993.

Thus, the problems that beset Ivoirien agriculture during the mid-1980s and into the 1990s were quite different from the crises that afflicted other countries. The trouble was not the retreat of farmers from production for official markets in response to unremunerative producer prices, as it was in many areas. Instead, it stemmed first from the inability of the government to repay funds it had borrowed from the coffee and cocoa marketing board. In consequence, the board was unable to continue to stabilize producer prices when world market prices collapsed. Second, the "crisis" also flowed from the country's heavy reliance on cocoa and coffee—a dependence that made Côte d'Ivoire's revenue base highly vulnerable to commodity price shocks. Diversification had made only limited inroads. Third, in the aftermath of the beverage booms of the late 1970s, the CFA franc began to appreciate in Côte d'Ivoire, imposing an indirect tax of between 40 and 60 percent on export crop growers. Fourth, for some crops, especially bananas, pineapples, and palm oil, high and rising input costs and inefficiencies decreased international competitiveness.

Political Evolution

From independence onward, Côte d'Ivoire's politics were dominated by the singular figure of President Felix Houphouet-Boigny. The President demonstrated considerable prowess in forging a coalition of ethnic and regional interests in the early years of the state that has endured up to the present. He combined enlightened pro-business views and conservative methods to promote foreign investment, and successfully diversified the contributions of foreign capital in the nation's economy.

Under Houphouet, power was consolidated within the presidency and extended outward through networks of political and economic patronage and the activities of a one-party government. Although the apparatus of democratic government remained in place throughout the post-independence era, it was not until the late 1980s when significant steps toward political liberalization took place.

Between 1989 and 1993, the political and administrative environment in Côte d'Ivoire changed in three important respects: multiparty elections were introduced; the president ordered major organizational changes that affected agricultural policy-making; and international commodity agreements to which Côte d'Ivoire was party proved unstable.

Administrative change took place at the same time as electoral reforms took effect. In 1990, President Félix Houphouët-Boigny appointed Alassane Dramane Ouattara prime minister, creating a new post, and bringing to Côte d'Ivoire a man with long experience in the International Monetary Fund (IMF) and as Governor of the Banque Centrale de L'Afrique de l'Ouest (BCEAO). The Primature, the prime minister's office, took the lead role in privatization of public enterprises, efforts to boost general economic competitiveness, and financial sector restructuring. Ultimately it was to acquire oversight of the *Direction des Grands Travaux* (DCGTX) as well, the location of projects the president wanted to protect from interference from competing clientelist networks.

2.2.3 Ghana

When Ghana became the first of Britain's African colonies to be granted independence in 1957, it joined the community of nations with justifiable optimism. Led by one of the era's charismatic liberationists, Kwame Nkrumah, Ghana was a nation of considerable economic and social promise, building its hopes for the future on what appeared to be a sound basis of abundant natural resources and talented human capital. But in less than two decades Ghana's experiment in nation-building had become one of the most spectacular failures of the post-colonial epoch. Political instability, failure of rule-ordered government, social disorder, economic decline and mass impoverishment had become the norm, leading numerous observers in and outside of Ghana to comment on the near total collapse of the Ghanaian state.

During the past decade, however, Ghana has returned from the brink of dissolution, sustaining a political and economic reform effort that is remarkable both for its longevity and its success relative to other nations of sub-Saharan Africa. One of the earliest participants in a multilaterally-funded Structural Adjustment Program, Ghana is regarded by many as something of a successful experiment in the application of neoclassical economics to the dilemmas of underdevelopment.

The underlying reasons for Ghana's economic decline between 1960-1983 were a complex web of policies and behaviors that effectively distorted markets for the most productive sectors of the economy in the interest of subsidizing government and its elite constituencies:

Urban policy bias; high taxation of the agricultural sector to subsidize the creation of urban-based import-substitution industries, and overvalued exchange rates.

Political Evolution

Between the late 1960s and 1979, government in Ghana became a revolving door for a series of military regimes. This deep and sustained crisis, combined by the worsening economic conditions of the country, led most Ghanaians to call into question the fundamental principles of governance. In 1979 a charismatic junior officer, Flight Lieutenant Jerry John Rawlings, overthrew the incumbent military regime and, shortly afterward, ceded power to an elected government. When it became apparent that the civilian regime did not enjoy an effective mandate, Rawlings again seized power and established the Provisional National Defence Council (PNDC).

Although the earliest period of Rawlings' tenure was characterized by revolutionary and quasi-Marxist posturing, by 1983 Rawlings had banished the radicals from his government and embarked on a program of systemic economic and policy reform. The regime can be characterized by the often autocratic process of policy-making among Rawlings and a small group of liberal economists who advise him. Under both internal and external pressure, in 1992 the PNDC conceded to the necessity for a general election for the presidency and a reconstituted parliament. Rawlings and the PNDC believed that the outcomes of Economic Reform Programmes I and II would bring out support for the regime. While Rawlings and his newly-established National Democratic Congress party swept parliamentary elections, the presidential polling was boycotted by Rawlings' opponents.

2.2.4 Madagascar

Economic Background

Located in the Indian Ocean, Madagascar is one of the poorest nations in the world. Its population of 11.3 million has grown at an annual rate of 3 percent during the past decade, and is distributed across the island's rugged landscape. The country's environment, noted for its biological diversity, is suitable for the production of a wide range of agricultural commodities; while rice is the country's major food crop, its principal exports are coffee, vanilla, cloves, essential oils and shellfish. While agriculture accounted for roughly a quarter of GDP in 1970, by 1991 it had increased to a third of GDP.

Although the country achieved modest economic growth in the 1960s, it stagnated throughout the following two decades. Agricultural sector growth remained below one-half of one percent between 1970 and 1980, but increased to 2.4 percent per annum throughout the 1980s. The roots of Madagascar's disappointing performance are located in the advent of socialist policies in the early 1970s, motivated in part by a desire to decrease the country's dependence on grants-in-aid and technical assistance from France. Agricultural policy reorientation focused on a number of fundamentally new objectives: extending government ownership and control over production, marketing, and processing systems; moving from traditional household farming to collective production systems; and rapid decentralization of agricultural services through local government reform. Dominant themes that emerged in official policy rhetoric were food self-sufficiency and accelerated industrialization. Agricultural sector growth slowed, and between 1980 and 1983 sector productivity began to decline.

In 1978–79, the government embarked on an ambitious, unsustainable program of public investment and market control. State monopolies assumed responsibility over food and export-crop marketing, imposed rigid price controls, and taxed agricultural producers to obtain the funds necessary for the government's ambitious investment program. At the same time, however, the government pursued its food security objective by subsidizing rice, at an annual cost of 2.5 percent of GDP.

Declining terms of trade and stagnant domestic revenues combined to produce a fiscal deficit exceeding 14 percent of GDP in 1980. Inflation rose to 30 percent, while GDP declined by 11 percent in real GDP between 1980 and 1982. This prompted Madagascar's leaders approach the IMF and World Bank to obtain short-term relief while it attempted to formulate a comprehensive program of growth-oriented reforms.

Political Evolution

Madagascar's decision to adopt socialist policies resulted from nationalist concerns about the role of foreign capital in the local economy, and the desire to take firm control of the country's economic future. Socialist Madagascar was characterized by rigidly controlled, inward-looking policies and efforts to command economic growth. The result, however, was a process of mutually-reinforcing economic and socio-political decline.

Madagascar's second long-term president, Didier Ratsiraka (1975–1992), was sensitive to differences of social equity that had long-existed between the highland populations, the *Merina*, and those the coastal regions, the *Côtiers*. The *Merina* had controlled politics and the economy since the nineteenth century and profited unequally from access to education and wage employment. A process of official decentralization was undertaken to promote self-governance and restrict the traditional preserves of *Merina* privilege.

In contrast to appearances, Ratsiraka's regime was not deeply ideological. The aggressive pursuit of socialist policies succumbed to pragmatism, albeit at a pace modulated by the need to satisfy the rent-seeking demands of the regime's elite constituency. The same shallowness of ideological commitment became evident, as well, in the pursuit of structural adjustment in the 1980s. Although the Ratsiraka regime succeeded in liberalization efforts, success was not without episodes of recidivism, obstruction and the pursuit of contradictory political objectives.

2.2.5 Malawi

In spite of the fact that Malawi is a landlocked, densely-populated country with a narrow resource base and endemic poverty, the years following independence were marked by impressive economic gains. Policies were clearly focused on promoting economic growth by building on the nation's comparative advantage in agricultural production and maintaining an open door to foreign private investment. Exchange rate policy consistently held to the principle of convertability, while fiscal management was conservative and relatively transparent. Between 1964 and the late 1970s, Malawi sustained a high rate of annual GDP growth, peaking between 1974-1978 at 6.6 percent, based largely upon growth in the estate subsector of agriculture. Agricultural exports valued at current prices grew at a rate of 15 percent during the 1960s, and accelerated to a rate of 22.5 percent between 1973 and 1977. (By comparison, the average growth rate of agricultural exports for sub-Saharan Africa as a whole during the same period was -1.9 percent.) In spite of high population growth, per capita GNP during Malawi's first decade as a nation grew at 2.5 percent annually.

At independence, Malawi's economy was dominated by smallholder agriculture, complemented by tea and tobacco plantations in the southern region. Smallholders generated roughly 90% of agricultural output as well as one-half of all merchandise exports.
During the decade following independence, the government pursued a policy of smallholder development, however this was reversed in the 1970s, when sanctions against the renegade state of Rhodesia led multinational tobacco companies to relocate to Malawi, allowing the nation to enter a largely-closed market that was dominated by a small number of powerful multinational firms. This led to an aggressive program to develop estate agriculture for the production of high-value, export crops. Price regulation, restrictive crop licensing, and credit policies drove a wedge between the two segments of the agricultural sector, generating widespread social and economic inequities.

Signs of emerging structural weakness in the economy became evident in 1978, when roughly two-thirds of all savings were generated directly by government or quasi-governmental enterprises. Of the remainder, a significant proportion resulted from enterprises in which public companies played a large role. Closer scrutiny indicates that there were nearly parallel linkages between the domestic savings rate, the activities of quasi-public marketing firms, and the performance of export commodities (tobacco and tea) in world markets.

After 1979, Malawi's economy entered a recession in which the rate of GNP growth dropped below that of population growth. The principal catalysts for decline were exogenous: the second large round of oil price increases, the collapse of prices in world markets for Malawi's principal agricultural export (tobacco), civil turmoil in Mozambique that cut off Malawi's rail link to the Indian Ocean, and a sharp decline in remittances as the result of politically-related bans on labor migration to South Africa.

In 1980 economic conditions worsened dramatically: agricultural GDP declined 6.5 percent, followed by a further drop of 8.16 percent in 1981. During the same two-year period, overall GDP declined more than 10 percent, to a level not surpassed during the entire subsequent decade. Falling export revenue and a rise in imports' share of nominal GDP (related to higher fuel, food and transport prices) contributed to a devastating increase in the country's current account deficit, which grew by 145 percent between 1977 and 1980, to nearly 20 percent of GDP. Although Malawi's fiscal managers had enjoyed a reputation for conservatism during the first decade of independence, by 1981 the compounded effects of economic decline created a budget deficit that exceeded 10 percent of GDP, due in large measure to debt service and shrinking revenue.

To deal with worsening economic conditions, in 1979 Malawi's government negotiated a standby-assistance agreement with the International Monetary Fund, and the following year began to formulate a structural adjustment program with the World Bank.

Political Evolution

Since independence Malawian politics have been dominated by Life President Hastings Kamuzu Banda, whose age is currently near 100. On a continent where strong, central leadership and personalization of the political apparatus are the norm, Malawi is exceptional for the degree by which its President has imprinted his personal philosophy and values on the structure of the nation's economic and political institutions. While there can be little argument that the President has profited enormously from the consolidation of his power, what is most unusual is that he has done so using an approach that emphasizes the importance of aggressive private sector development and moralistic conservatism in public and private life.

While liberal trade policy and private sector development have been hallmarks of Banda's regime, the fact remains that investment, employment and marketing in agriculture and other sectors of the economy have, over time, become consolidated within a handful of elite institutions that, although privately owned or managed, were quasi-governmental in character and wholly-directed by President Banda: the Agricultural Development and Marketing Corporation (ADMARC), Press Holdings, and the Malawi Development Corporation (MDC).

The Banda regime has often been criticized for its hypersensitivity to political opposition and its willingness to resort to oppressive measures in dealing with real or perceived opponents. In spite of the many contradictions evident in the regime's policies toward poor, rural populations, the President has been a consistent proponent of food security, making it a point of national pride of the highest order.

2.2.6 Mali

Located astraddle the West African Sahel and the Sahara desert, Mali is a large, land-locked nation, the majority of which is non-arable. More than 90 percent of the country's 8.7 million people are dependent on agriculture, which accounts for 44 percent of GDP. With per capita GNP of only $280 and low life expectancy, Mali ranks amongst the poorest nations in the world. Mali's economic potential is severely constrained by the country's narrow resource base and the marginal productivity of its poor soils.

At independence, Mali joined Ghana and Guinea in the "African socialist camp." Economic policy during the 1960-1968 period was based on the extraction of agricultural surplus to build import-substitution and processing industries. This state-dominated policy strategy continued until the early 1980s, leading to serious inefficiencies in both resource mobilization and allocation. Public investment policy was largely uninformed by appropriate attention to debt-service and the state apparatus, including a large civil service, was allowed to grow in unbridled fashion, generating high recurrent costs and maintenance expenditures.

In the ostensible interest of protecting local producers, a restrictive trade regime was established that granted monopolies to public enterprises. At the same time, complex economic regulations as well as price controls were enacted in an effort to regulate private economic activity.

During the 1970s, a period when Mali abandoned any pretense of socialism, the economy performed erratically, with GDP growing by an average of 4.9 percent annually. This is somewhat astonishing, given the severity of the drought that struck the Sahel between 1973-1974 and the external price shocks of 1975. Average annual inflation throughout the 1970s was moderate, at 9.7 percent.

Economic performance during the 1980s worsened, however, with GDP growth dropping to 2.5 percent per annum for the economy as whole, with a corresponding decline in agriculture's share of GDP. The most serious economic problems facing the country, however, were high fiscal and external deficits, fueled largely by the continued demands of bloated civil service and parastatal expenditures.

Beginning in 1982, Mali launched the first of a series of adjustment programs that were to make considerable progress in reducing the country's financial imbalances. By 1986 Malian authorities and international donors recognized the need for a more comprehensive adjustment program that would focus on medium-term objectives of restoring annual GDP growth to earlier levels, contain annual inflation, and further reduce the demand of recurrent expenditures in government budgeting. Among the more difficult political challenges that the Malian authorities had to deal with in this context was loosening the hold of parastatal production and marketing agencies.

Political Evolution

When Mali became independent in 1960, the country was led by Modibo Keita, a major figure in the West Africa's nationalist aspirations and an ideologue who sought to create a "Malian socialist path" that would be particularly suited to the country's unique character. Ruling through a one-party state, Keita attempted to consolidate power and mobilize collectivist peasant groups as a particular instrument of his power.

Keita's distrust of private enterprise led him to encourage popular persecution of both expatriate and Malian entrepreneurs, while his hatred of the institutional remnants of colonial power brought him to declare Mali's withdrawal from the Franc zone and to create a sovereign, but nonconvertible, Malian franc in 1962.

Keita's heavy-handed rule was brought to an end in 1968, in a military coup led by Moussa Traore. The Traore regime represented genuine ideological change: greater freedom was promised to private entrepreneurs and traders, labor activists, and rural populations. Ready access to the instruments of economic and political power were tempting, however, and by 1969, the Traore regime was already beginning to reimpose many of the same policies he had pledged to suppress.

The Traore regime, overthrown by a popular revolt in 1992, is widely viewed as having been authoritarian in style, conservative in orientation, and pervasively corrupt, basing its power on political croneyism. Nonetheless, the Traore regime can be credited for having awakened a popular reform movement bent on the restoration of economic and political freedom, as demonstrated by the cession of power by an interim military regime to a popularly-elected civilian government in 1992.

2.2.7 Zambia

Since independence, Zambia's economy has been dominated by copper, which accounts for 85 percent of the country's export earnings and which provided a revenue stream to finance extensive government intervention in the economy, including state ownership of enterprises and control-oriented policies. Export revenues also contributed to import-intensive consumption and widespread consumer subsidies. These policies were maintained even during the collapse of international copper markets in 1975, when the government borrowed heavily in a vain attempt to fend off recession. By the early 1980s the Zambian economy was in dire straits. Its terms of trade index had fallen from 262 in 1970 to merely 82 in 1983. It owed over $4.5 billion, one billion of which was in arrears. commercial trade credits had dried up to the point where import volume had fallen by 75 percent over levels of the previous decade, and per capita GDP declined by 14 percent. Creditors, particularly the IMF, the World Bank and commercial lenders demanded reform, and at this point in time, the ruling party and its government were in no position to resist.

Between 1985 and 1987, there were several attempts to restructure the economy. These were largely ineffective due to inadequate donor support, weak implementation capacity, and a lack of consensus in Zambia over the types of adjustment appropriate to the country's circumstances. In May 1987 the government abandoned any pretext of continuing to adhere to a jointly-funded IMF-World Bank adjustment program. The government proceeded to reconstitute its own adjustment program by reverting to past policies, thereby aggravating some of the worst distortions already existent in the economy. Faced with continuing deterioration, in 1990 Zambia's leaders negotiated a new adjustment program with the donor community.

Agriculture policy in Zambia between 1964 and 1985 relied on a high level of state intervention and subsidies, due largely to official commitment to a policy of food self-sufficiency. Maize, the country's staple food, is also the country's principal cash and subsistence crop. Attention to maize overwhelmed other options; land was planted in maize even where agro-ecological conditions argued against official policy. Diversification in food production, while touted throughout the 1970s and 1980s, only began in earnest following the economic reforms enacted under structural adjustment programming. Nonetheless, since 1985, agricultural policy reform efforts have reflected the nation's policy reform experience as a whole, careening between an interventionist orientation and a professed commitment to liberalization.

Political Evolution

At independence, Zambia's political arena was dominated by urban activists, with the United National Independence Party (UNIP) attaining dominance. Triumphant at independence, UNIP sought to progressively concentrate control of the economy in the hands of party dominated parastatals. When threatened by the possibility of being voted out of office, in 1972 UNIP declared a single party state. Declaring formation of a "Second Republic," UNIP thereafter reigned alone until 1991.

Policymaking under UNIP rule was concentrated in the office of the president, Kenneth Kaunda, and those in the party who spoke on his behalf, particularly those in the National Council and Central Committee. UNIP implemented its vision through the party and its government, which accounted for 32 percent of the formal sector's employees. Kaunda remained UNIP's unquestioned leader, and through his control of the policy agenda, gave it direction and vision. Nonetheless, UNIP never achieved anything close to universal support, and over time, political opposition to the party emerged among the nation's labor unions and small-farmer groups.

In March 1991, under considerable pressure, UNIP relented and agreed to popular demands for a return to a multi-party political system. Amidst high inflation and economic uncertainty, many groups found common cause in abandoning UNIP and supporting the Movement for Multi-party Democracy's (MMD) bid for power at the polls. Widely seen as an expression of popular discontent, the election provided the MMD with a mandate to harness inflation, enact mass privatization of the UNIP parastatal empire, and improve the efficiency of government.

Table 2.6 Official Development Assistance: Receipts

Country	Net disbursement of ODA from all sources: Millions of Dollars 1985	1986	1987	1988	1989	1990	1991	Per capita (dollars) 1991	As percentage of GNP 1991
Low-income economies									
Madagascar	185	316	321	304	321	386	437	36.3	16.4
Malawi	113	198	280	366	412	481	495	56.2	22.6
Mali	376	372	366	427	454	467	455	52.2	18.5
Ghana	196	371	373	474	550	498	724	47.2	11.3
Zambia	322	464	430	478	392	486	884	106.3	..
Lower middle income economies									
Cote d'Ivoire	117	186	254	439	403	693	633	51.2	6.6
Cameroon	153	224	213	284	458	431	501	42.2	4.3

Source: *World Bank Development Report*, 1993.

Table 2.7 Population and Growth Projections

Country	Average annual growth of population (percent) 1970-80	1980-91	1991-2000	Urban population: As a percentage of total population 1970	1991	Urban population: Average annual growth rate (percent) 1970-80	1980-91
Low-income economies							
Madagascar	2.6	3.0	2.8	14	25	5.3	6.2
Malawi	3.1	3.3	3.1	6	12	7.5	6.0
Mali	2.1	2.6	3.1	14	20	4.1	3.8
Ghana	2.2	3.2	3.2	29	33	2.7	4.1
Zambia	3.0	3.6	3.0	30	51	5.9	6.0
Lower middle income economies							
Cote d'Ivoire	4.1	3.8	3.3	27	41	7.5	4.7
Cameroon	3.0	2.8	3.1	20	42	7.6	5.6

Source: *World Bank Development Report*, 1993.

Table 2.8 Balance of Payments and Reserves

	Current account balance (millions of dollars)				*Net Worker's remittances (millions of dollars)*		*Gross International Reserves*		
	After official transfers		*Before official transfers*				*Millions of dollars*		*Months of import coverage*
Country	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*	*1991*
Low-income economies									
Madagascar	10	-192	-42	-318	-26	1	37	89	1.2
Malawi	-35	-184	-46	-244	-4	0	29	158	2.5
Mali	-2	-37	-22	-344	-1	76	1	326	4.5
Ghana	-68	-220	-76	-442	-9	0	43	644	4.4
Zambia	108	1	107	-487	-48	0	515	186	1.4
Lower middle income economies									
Cote d'Ivoire	-38	-1,451	-73	-1,641	-56	-491	119	29	0.1
Cameroon	-30	-658	-47	-658	-11	3	81	43	0.2

Source: *World Bank Development Report*, 1993.

Table 2.9 Agriculture and Food

Country	Value added in agriculture (millions of current dollars)		Cereal imports (thousands of metric tons)		Food aid in cereals (thousands of metric tons)		Fertilizer consumption (hundred grams of plant nutrient per hectare of arable land)		Food production per capita (average growth rate: 1979-81=100)
	1970	*1991*	*1970*	*1991*	*1970*	*1991*	*1970*	*1991*	*1979-91*
Low-income economies									
Madagascar	243	822	110	114	14	38	25	26	-1.4
Malawi	119	701	36	120	5	181	110	198	-2.7
Mali	207	1,082	87	226	22	37	69	73	-0.7
Ghana	1,030	3,404	247	344	110	72	65	48	0.2
Zambia	191	603	498	104	167	4	114	113	-0.7
Lower middle income economies									
Cote d'Ivoire	462	2,754	469	644	2	59	165	97	-0.1
Cameroon	364	3,172	140	532	4	9	47	31	-1.8

Source: *World Bank Development Report*, 1993.

3. SUMMARIZING CASE STUDIES OF AGRICULTURAL POLICY REFORM

3.1 Cameroon

3.1.1 The Fertilizer Sub-Sector Review Program (FSSRP)

Until 1987 the public fertilizer monopoly, managed by the Ministry of Agriculture and FONADER (the rural development credit agency), financed, imported, and distributed subsidized fertilizer in Cameroon. The highly centralized system created inefficiencies as well as considerable scope for corruption in awarding contracts (Truoung 1989). The protracted procedure for issuing a public tender, reviewing bids, and awarding contracts involved several ministries and thus created wide scope for the exercise of bureaucratic discretion. Furthermore, political pressure to divide up contracts among numerous suppliers led to suboptimally small contracts and awards to higher-priced bidders. Economic crisis and inefficiency of the fertilizer distribution system led to President Biya's decision to break up the state fertilizer monopoly.

In 1985 the USAID mission in Cameroon studied the problems in the fertilizer subsector, and recommended the creation of a new public-private joint venture monopoly to whom a subsidy would be paid. Mid-level government administrators argued for the retention of the public monopoly. By 1987, two factors convinced senior government officials that Cameroon could not continue to support its fertilizer policy throughout the financial crisis: growing subsidy levels and the inefficiency of fertilizer imports and distribution.

The political contacts of the USAID Mission director enabled him to effectively negotiate a policy reform proposal with the secretary general and the secretary of state at the presidency. The reforms were to be accompanied by funding, to be released in tranches as various objectives of the reform were achieved. USAID agreed to supply $17 million to both support financial facilities and establish a revolving credit fund. A separate project agreement obligated USAID to an additional $3 million in technical assistance. In return, the government agreed to immediate liberalization and progressive privatization of the fertilizer subsector over a five-year period.

Several policy champions—technocrats who were also members of the political elite—played a critical role in convincing the president to accept the reform package. The Minister of Finance, whose interest in cutting the state budget coincided with reforms, was a relatively easy convert. But what was remarkable about this case was the conversion that took place among technocrats involved in the reform process as they sought to master the principles and techniques proposed for the reform program. Bureaucrats who had spent their careers administering state control over agricultural decisionmaking were transformed into liberal policy champions just months into the reform process.

The FSSRP contained two major elements: economic liberalization and privatization. Liberalization encompassed dismantling the public monopoly and its supporting institutional arrangements. It called for cancellation of public procurement of fertilizer, clear pronouncement by the government that it would completely privatize the import and distribution of subsidized fertilizer, and gradual elimination of the subsidy over a five-year period. The privatization component involved replacing the public monopoly with a system that was sustainable, competitive, and subsidy-free by the end of the program.

The "tranched" nature of the program agreement stemmed potential opposition from two groups, anti-reform political elites and the private sector, insulating technocrats from opposition and tying aid disbursements to measurable performance. Penalties for nonperformance added credibility to the government's commitment to liberalization and thus strengthened the expectations of the private sector that privatization would actually take place. At the same time, the gradualist approach to implementation made the program politically palatable to the government by allowing the negative impacts of reform on the regime's supporters to be softened over time.

At the reform initiation stage, USAID's interests diverged from those of the French government, which wished to maintain the fertilizer monopoly. This was because French entrepreneurs had commercial interests in supplying the fertilizer monopoly. The French entrepreneurs feared that privatization would lead to the takeover of fertilizer distribution by American companies, (although the reform was not, in fact, used to promote American commercial interests). Instead, USAID chose simply to act as an "honest broker" for the reform process.

Opposition to the reform program also occurred among civil servants from the Ministries of Agriculture and Commerce, FONADER, and the Central Tender Board, all of whom stood to lose their powers of discretion over fertilizer imports and distribution. In an effort to coordinate the civil servants involved in the reform, a Technical Supervisory Committee (TSC) was formed. The interministerial TSC included representatives from the Ministries of Plan and Regional Development, Agriculture, Finance, Commerce and Industry, Higher Education and Research, and the ONCPB. USAID/Cameroon participated informally. The TSC was not originally included in the program or project agreement, but emerged in the process of policy dialogue when it became clear that a coordinating body was necessary. The TSC was limited in its effectiveness, however, by the absence of senior—and politically powerful—representatives on the committee.

Efforts to block reform implementation emerged from even within the ranks of the TSC, when an effort was made to cancel the first mandatory annual program review. Anti-reform sentiment was so strong in the Ministry of Agriculture that responsibility for implementation was ultimately removed, to the Ministry of Plan in 1987.

While agricultural producers stood to benefit greatly from reform, they were the weakest political players in the initiation stage, due to the absence of any institutions through which they could articulate their support.

Successful reform implementation produced rapid and dramatic improvements in the efficiency of fertilizer marketing. In the one year it took to dismantle the public monopoly and replace it with a privatized system, the reforms cut delivery times in half, reduced in-country costs by 16 percent, and saved FCFA 4 billion in budget expenditures.

On two occasions when implementation was seriously threatened, USAID staff went directly to the president to rally support for the reforms. The most serious threat to the program was encountered when the government's Directorate of Prices, Weights, and Measures (DPWM) in the Ministry of Industrial and Commercial Development, calculated a set of administrative prices that would not have allowed entrepreneurs to recover costs and retain a sufficient profit margin to justify market entry. This unit's prices were much lower than those generated empirically by USAID staff, and no agreement could be reached. Presidential intervention resulted in a compromise agreement to establish a "target ceiling", a benchmark rather than regulated target price. In exchange, the DPWM agreed to set the ceiling at least as high as the price recommended by USAID technical advisers. A second presidential intervention took place when the TSC tried to block private sector participation in the first annual review process.

USAID technical advisers sought early on to identify impediments to private sector participation in the reform process and participated directly in helping to establish three financial incentives aimed at inducing private sector participation: a differentiated pricing structure, a revolving credit fund, and a subsidy fund. Opposition came, however, from Cameroonian entrepreneurs who had profited under the administered system and had trouble breaking in to the new system without financial backing. Technical advisers set rules for access to revolving credit and subsidy funds, managed by a designated fiduciary bank under contract to the government. This arrangement minimized the scope for delivering special benefits to clients of the regime by removing the government from day-to-day management of the funds. The credit fund, capitalized with grant money, was created to minimize problems related to illiquidity in commercial banks and provided working capital at preferential interest rates to fertilizer importers and distributors.

3.2 Côte d'Ivoire

The Côte d'Ivoire country study focused on efforts to reform cocoa and coffee marketing, to repeal tariffs on fertilizer, and to privatize agro-industrial enterprises in the context of Côte d'Ivoire's Agricultural Sector Adjustment Program, negotiated with the World Bank in 1989. Following eight years of adjustment programming in which efforts centered around the need to adjust demand in the economy, reduce inflation and restore growth over-all, the 1989 program proposed new measures to reduce public sector involvement in agriculture and to increase the efficiency of state-run marketing boards. Included in the proposed reforms were:

- *Marketing board reforms*, including: divestiture of freight and stocking responsibilities and withdrawal from conference line shipping agreements by the cocoa and coffee marketing boards; creation of a payment clearing house to prevent importers from delaying payments; implementation of a more transparent and flexible system for negotiating contract prices; liberalization of domestic and export marketing and; revision of financial controls and cash management systems of the marketing boards.

- *Revision of the value-added tax*, in order to shift revenue generation to consumption, rather than production.

- *Pricing reform* to align domestic and world prices for export and food crops, including progressive evolution toward a fully market-driven regime.

Implementation of reform in the context of adjustment programming had been rocky, however, with the World Bank withholding disbursements on three occasions between 1987 and 1993, due to concerns about the lack of progress and inadequate demonstrations of the Government's commitment to reform. Nonetheless, in 1990 the European Economic Community, of whose Lome STABEX funds Côte d'Ivoire had become the largest recipient, entered into negotiations with the government to reform cocoa and coffee pricing and marketing policies. With this step, the EEC began to play an increasingly important role in negotiating agricultural policy reform in Côte d'Ivoire. Risk assessment performed by the World Bank prior to negotiation of the 1989 program had already expressed concerns about prospects for reform, particularly with regard to efforts to render the operations of marketing agencies more transparent, efficient, and accountable.

The political context in which agricultural sector reforms were to take place was in a state of transition, and between 1989 and 1993 several key developments took place which were to affect the outcome of reform efforts: the introduction of multiparty elections and a reordering of responsibilities for agricultural policy-making within the government. The restoration of political pluralism created enhanced incentive for legislators to seek redress of farmers' concerns through the national assembly. The fragmentation of administrative responsibility resulted from decisions by the president to assign increased responsibility for policy-making to the office of the prime minister, albeit while maintaining his particular sway over most key issues of agricultural policy. At the same time, Côte d'Ivoire's participation in a variety of international commodity price pacts increasingly required the government to restrict exports, creating new opportunities for rent-seeking in the agricultural and trade bureaucracy. In this changing environment, consideration of the interests of farmers depended on the way growers of particular commodities organized themselves, the strength of others involved in marketing crops, and the access both had to higher-level bureaucrats and the presidency.

Despite the fact that the President had, himself, risen to political prominence through his leadership of a farmers' union, the *Syndicat Agricole Africain* throughout most of his tenure farmers remained unorganized or co-opted beneath the umbrella of the ruling party. Political liberalization in 1990 had provided incentives for the formation of new associations, including a number of unions, in the agricultural sector. Exporters of primary agricultural commodities and private-sector traders had developed their own organization early on, and enjoyed important informal access to the president and senior officials. Growers' associations organized around pineapple and banana production were dominated by the owners of large plantations and had established offices both in Côte d'Ivoire and in France, where they could lobby aggressively for exceptional consideration. Smallholders were able to organize to influence policy only after 1990, with competing organizations aligning themselves with the President's political party (the *Parti Démocratique de Côte d'Ivoire,* or PDCI) and with the principal opposition party, the *Front Populaire Ivoirien* (FPI). The former include numerous village-based marketing cooperatives, which had been the only officially-recognized smallholder groups prior to 1990. Over time, however, the farmers' organizations increasingly distanced themselves from their respective party affiliations and took on a more secular avocation and, eventually, were able to find common cause in seeking concessions from the government.

One of the most sensitive areas of policy reform during this period had to do with efforts to bring about changes in the institutional arrangements governing export crop marketing, an area in which previous reform efforts were abandoned in mid-course. The focal point of reform was the *Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles* (or CAISTAB), which was originally created before independence in order to help stabilize prices of primary commodity exports. Its *modus operandi* was to accumulate savings when prices were high, using some of its proceeds to cover operational costs and the remainder to pay out subsidies to producers when prices were low. For its own part, the government had long maintained an export tax on coffee and cocoa and, while during the early years of CAISTAB operations the government had raised about 15 percent of its revenue in this way, by the 1980s export duty revenues were roughly equal to the costs of collection, handling, treating, packing, storing and transport between the farmgate and export docks. Over time, CAISTAB reserves were depleted through default on government borrowings from its accounts, a prolonged period of price decline on international markets (which created a sustained drain from CAISTAB subsidy reserves), and extensive financial leakage.

The new round of CAISTAB reforms called on Côte d'Ivoire to: create a clearinghouse to prevent importers from delaying payments and thereby forcing Côte d'Ivoire to forgo interest earnings; to adopt a more flexible and transparent system for negotiating contract prices; to allow direct sale arrangements by private exporters on an experimental basis, and improve management procedures in place at the CAISTAB.

Frustrated with Côte d'Ivoire's lack of reform progress, in 1990, the European Economic Community EEC hired a consulting team to negotiate a series of reforms with the Ivoirien government. Between 1990 and 1993, a series of negotiating sessions included the consultants, CAISTAB officials, exporters and the major donors. The negotiations focused on three areas of cocoa/coffee marketing: pricing policy, internal commercialization, and management of export sales.

Pricing policy issues centered around whether CAISTAB should continue to provide guaranteed prices, on the grounds that these created a heavy fiscal burden, limited incentives for producers to optimize costs, and provided incentives to fraud. Likewise, the EEC negotiators argued against the creation of quality premiums for cocoa on the grounds that these reinforced the power of the local buyers, provided them with incentives to adulterate higher quality beans, and required the presence of regulatory agents in the field.

With regard to internal marketing policy, the EEC negotiators opposed the restrictive licensing system for privileged buying agents, and proposed total liberalization of internal marketing, including abolition of differential reimbursements for transport, legalization of coffee hulling by cooperatives, and provision of various forms of assistance to promote direct links between cooperatives and exporters. Indigenization of internal marketing was a sensitive topic, and Ivoirian negotiators pressed for the creation of credit facilities for cooperatives and farmers.

The management of export sales was a third focus of discussions. Until the late 1980s, Ivoirian authorities allocated quotas to private exporters each year based on the rather weak and hypothetical rationale that they were a way of implementing restrictions on supply that might be stipulated by an international cocoa agreement. While the CAISTAB itself could negotiate contracts with buyers and ask exporters to supply the beans or, alternatively, exporters could find buyers and negotiate a price subject to CAISTAB approval. If the world price was below that which the exporter had to pay local traders, the CAISTAB reimbursed the exporter for losses incurred. However, during the late 1980s and early 1990s, CAISTAB was chronically in arrears to exporters.

The EEC critique of Ivoirian export management policy was based on the argument that, despite its large share of the world market for cocoa, Côte d'Ivoire should behave as a price taker and pursue measures to hedge against risk with regard to both coffee and cocoa. Hence, they recommended that with foreign competition growing, Côte d'Ivoire would do best by hedging its risk by selling some portion of its crop in advance and maintaining a continual presence in the market. They also recommended that FOB reference prices announced at the beginning of each buying season be used as a reference price for exporters, assuming that 66 percent of the crop would be sold at the market price and 33 percent would be traded on the futures market. Exporter quotas were to be ended. CAISTAB would retain authority to approve deals made by exporters and clear the release of tonnage sold. Finally, terms for the repayment of CAISTAB's debts to banks and exporters were reformulated, allowing CAISTAB to transform debt into negotiable securities.

Two new growers' organizations—the *Syndicat National des Agriculteurs de Côte d' Ivoire (SYNAGCI)* and its cooperative wing, *Coopératives des Agriculteurs de Côte d'Ivoire* (COOPAGCI)—launched their first major efforts to influence policy by threatening to boycott export crop deliveries and shipments of food to urban areas on three occasions. Although the grievances of these groups were centered on pricing issues, they also called for a wide range of policy actions that would effectively liberalize trade and renounce the country's commitments to adhere to quotas imposed by its participation in international commodity organizations.

Although it is still too early to predict the ultimate outcome of reform efforts, a number of observations can be made about early stages of implementation. Pricing reform was frustrated by the government's persistence in announcing farmgate prices as guaranteed prices.

There were also difficulties persuading the CAISTAB to calculate the FOB reference price using a formula based in part on the average world market price of the previous twelve months--a formula that CAISTAB found to be too conservative. In coffee, the government-announced reference price was above the level the formula permitted and the donors demanded a demonstration that financing was available; this led to delays in the annual coffee marketing campaign. Second, with the nod of several donor agencies, the government overrode the objections to quality premiums that had been voiced during negotiations. Third, the CAISTAB broke its agreement to maintain a continual presence in the marketplace.

Some progress has been made in restructuring the marketing chain, including the replacement of factory-based hulling of coffee beans with farmer-supervised artisanal hulling. Efforts to involve cooperatives in marketing directly to exporters were frustrated due to financial difficulties and tight credit in the local economy. To the extent that the government continued to reimburse exports for payment of a guaranteed farmgate price while it did not enforce payment of such prices to growers, it was possible for the former license-owners, many of whom could pay farmers who desperately needed cash up front, to secure beans at below the government-announced price. Both the trader and the exporter could collect extra cash in this way, dividing the difference between the price paid for the beans and the reimbursed price obtainable from CAISTAB. Driven by the specter of competition and the need to secure a supply of high-quality cocoa and coffee in a turbulent market, some of the larger exporters began to negotiate directly with cooperatives, cutting out the middlemen or redeploying them in new organizational structures.

Although CAISTAB reforms have been less than satisfactory, notable progress was made in enlarging the organization's administrative council to include representatives of all sectors of the cocoa and coffee industries, including farmers, manufacturers, exporters, and bankers. Introduction of the securitized debt instruments eased financial pressures on CAISTAB and was widely-viewed to be a step towards transparency, albeit with a great distance yet to go.

Reform efforts in the pineapple and banana subsectors aimed to reduce input costs that eroded the competitiveness of producers in a market that was approaching saturation. In an environment free of quotas, a small number of large, politically-influential farmers were dominant. Initial pressures for reform originated in the donor community: the EEC had negotiated a new, unified policy regarding imports of bananas and pineapples that sheltered the African-Caribbean-Pacific bloc of signatories to the Lome Convention, but feared the accord could come under attack from Latin American countries in the GATT trade talks.

In 1992-1993, growers lodged requests with the Government for reduction in fertilizer and transport costs. The government replied that it would remove taxes to help bring the cost of complex fertilizers within the reach of more farmers, although by mid-1993 that policy had not yet been enacted. Efforts to liberalize shipping were even less successful.

Between 1989 and 1993, farmers' organizations enjoyed few powers of influence in Government programs to privatize public enterprises, a condition attached to various World Bank loans extended to Côte d'Ivoire in 1989 and 1990. The privatization process itself was under the direct control of the Prime Minister. Under the terms of the privatization program, the government was scheduled to sell its equity in several agricultural and agro-industrial enterprises. Rubber and oil palm enterprises were scheduled for sale in May 1993, according to the original schedule, however no action was taken. Although public perceptions attributed the delay to the Prime Minister's fears that the action would damage his future political prospects, the problem appeared to be related to technical difficulties in restructuring the enterprises and in formulating the organizational method by which privatization would take place.

Debate on the modalities for privatization revolved around two axes: the emerging political rivalry between the Prime Minister and the president of the National Assembly, and activism of pressure groups. In early 1993, the president of the National Assembly, Henri Konan Bédié, organized a lengthy, two-month debate on the sale of public assets, in a blatant move to make privatization the focus of nationalist concerns. The volatility of this issue was increased by the controversial sale of the state electricity utility, on highly favorable terms, to a French-led consortium, in a non-competitive transaction conducted behind closed doors. How seriously this threatened the fabric of government was reflected in the President's decision to personally intervene, effectively ending the debate by endorsing the Prime Minister's privatization plan.

In the period since the president's intervention, neither the activities of pressure groups nor rivalries among the regime's "barons" are sufficient to explain the slow pace of privatization. The principal reasons for delay are: first, the enterprises slated for transfer to private ownership covered a variety of operations, including plantations, village extension programs, transport services, and processing plants. As a technical matter, it was difficult to determine how best to restructure the assets to make them attractive to buyers and especially how to handle the various social services provided to growers through extension programs. Second, prospective foreign buyers were reticent, in light of the seeming imminence of devaluation of the CFA franc. Third, the overall investment climate in Côte d'Ivoire's agricultural and agro-industrial sectors was highly unattractive, due to negative price trends for their products, high debt burdens for individual enterprises, high labor costs relative to productivity, strict rules governing the terms and conditions under which workers could be terminated, and the sheer difficulties inherent in an economy whose currency was overvalued.

3.3 Ghana

Support for Rawlings' return to power in the 1981 coup was based less on an understanding of what his policy agenda might be than on belief in his dedication to radical change. Rawlings clearly enjoyed an exceptional degree of freedom to maneuver in relation to domestic political forces; he had popular support, but was beholden to no particular constituency.

Rawlings' economic policy team included two university professors, Finance Secretary Kwesi Botchwey and former Finance Commissioner, Joseph Abbey. Abbey led a group of technocrats in an evaluation of Ghana's reform options, concluding that the linchpin of any reform program must be devaluation of Ghana's currency and an increase in the producer price of cocoa. By 1982 Rawlings and the PNDC recognized the futility of "quick fix" measures and public exhortation in the face of Ghana's prolonged economic crisis.

Announcement of the Economic Reform Programme came during the April 1983 budget address, and included a substantial *de facto* devaluation of the *cedi*, an increase in the price of many foods, goods and public services (including hospital care, public transportation, postal rates and utilities), and a promise to raise producer prices for cocoa. The fulcrum of the ERP was exchange rate reform, aimed at stabilizing the balance of payments, restoring the incentive to export, and enabling the regime to raise prices for agricultural producers. The PNDC allowed the official exchange rate to remain at 2.75 cedis to the U.S. dollar, but created a system of exchange rate bonuses for exports and exchange rate surcharges for imports that amounted to a *de facto* devaluation. This "pseudo-devaluation" triggered little protest, but was too complex to administer. Six months later *de jure* devaluation, was announced, followed by subsequent "adjustments" that lasted through 1986. This ultimately gave way to a foreign exchange auction system. Initially limited to a small range of import and export transactions, over time the auction system became more comprehensive in scope to include virtually all current account transactions.

Aid to ERP I (1983-1985) was initially obtained from the IMF, which provided 238 million SDR in Standby Assistance in 1983-1984, and an additional 180 million SDR in 1984-1986. The World Bank designed a combination of program aid (in support of balance of payments recovery) and project lending for sectoral rehabilitation efforts. As the ERP evolved over time, the World Bank would ultimately play the more important role. Conditionality attached to donor assistance was severe, requiring the PNDC to proceed with devaluation, clear arrears on external debt, enact budget cuts, and raise interest rates.

While a principal theme of ERP I was to shift incentives and investments to the export sector (with cocoa as a principal beneficiary), the overall thrust of agricultural market liberalization was to stabilize and promote the production of strategic staples and industrial crops by increasing prices paid to producers. As price decontrol was enacted elsewhere in the economy, the PNDC maintained floor prices for a limited number of agricultural commodities.

Cocoa production in Ghana in 1983 reached its lowest historical level since independence (159,000 tons), due to the combined effects of drought and related brush fires and the cumulative effects of dysfunctional domestic marketing. In ERP I the PNDC recognized the need to rehabilitate cocoa plantations and to improve the ability of farmers to maintain them. Beside its commitment to gradually increase the producers' share of the cocoa export price, in 1983 the PNDC mobilized youth brigades to assist in revitalizing abandoned and nonproductive cocoa plantations.

Negotiations with the World Bank opened the way for the first new donor program under the ERP, aimed at rehabilitating Ghana's transport system and physically reconnecting Ghana's farmers to world markets. Between 1983 and 1985 donor funds of more than $130 million were made available in a series of reconstruction and export rehabilitation programs for road, port and rail construction and upgrading.

The reasons for which cocoa pricing policy required reform were purely pragmatic. Price incentives were necessary not merely to stabilize and increase production, but also to put an end to the smuggling of cocoa into neighboring countries. Among the conditions attached to ERP I-era aid packages negotiated with the IMF and the World Bank were three that directly impacted on PNDC cocoa pricing policy: (a) a commitment to increase the producer price of cocoa; (b) a commitment to decrease the marketing costs of the CMB, and (c) the removal of subsidies and price controls. Multilateral conditionality aside, the PNDC was already strongly committed to cocoa price increases. However, in sequencing price increases the PNDC also had to balance the revenue demands of the state (traditionally tied to cocoa revenue) against efforts to provide increasing incentives to cocoa farmers. Under the ERP nominal producer price increases were enacted which, by 1987, raised the producer price share to 42 percent of the international price.

ERP I also sought to liberalize the state apparatus for cocoa marketing. Cash management was removed from the CMB to the banking system, to limit endemic leakage. In 1984 the PNDC created the Ghana Cocoa Board, (widely known by its acronym, COCOBOD), a stripped-down version of the CMB. 36,000 of its 90,000 employees were cashiered; the number of cocoa buying stations was slashed; divestiture was slated for 92 state-owned plantations, processing facilities, and insecticide plants, and a greater role was provided for contractors in the transport and processing of cocoa. Efforts to reduce COCOBOD operational costs encountered bureaucratic resistance, as employees sought to safeguard their sinecures and the vast network of cocoa patronage.

PNDC political strategy during the launching of ERP I was based on two assumptions: the need to keep potential sources of resistance off-balance through political disenfranchisement and intimidation, and the development of supportive constituencies with a tangible stake in the PNDC's survival. Although the regime continually reasserted its intention of restoring democracy to Ghana throughout ERP I, the challenges of economic reform provided the regime with ample justification for delaying democratization. Implementation of ERP I coincided with growing authoritarianism on the part of the PNDC. While the PNDC enjoyed qualified support from many Ghanaians who were in favor of any alternative to the status quo, potential opponents of reform evidenced a sense of powerlessness and justifiable fear of repression. Although protest was not absent, it did not begin to exert an influence on policy-making until 1986.

In spite of continued downturn in many of the country's key indicators of growth during its first year of implementation, ERP I largely succeeded in achieving its goal of economic stabilization. Beginning in 1984 Ghana experienced five years of steady economic growth: GDP returned to levels unknown since the early 1970s, while per capita GDP began to rise at a rate of 2 percent/annum. The program succeeded also in shifting growth to priority sectors, with the share of exports of GNP rising from only 6 percent in 1983 to more than 10 percent by 1987. The PNDC was somewhat unsuccessful in limiting import growth during this period. Continuing balance of payments deficits were offset, however, by multilateral finance inflows and largely the result of machinery and transport equipment necessary for first-phase rehabilitation of national transport and critical industry rehabilitation.

Some of the success of ERP I can be attributed to the fortuitous recovery of the agricultural sector following the drought of the early 1980s, a rebounding of world cocoa prices, and a drop in the price of petroleum. Although cocoa exports did not begin to rise until 1986, a shift in the terms of trade in Ghana's favor resulted in increased export proceeds of 60 percent during the 1984-1986 period.

Economic stabilization was not without significant costs. Predictable, if overlooked, impacts of adjustment included declining standards of living for many of those at the lower-middle levels of Ghanaian society: farmers outside the cocoa sector and women farmers nation-wide, petty traders, and redundant workers in the public sector were the incidental victims of budgetary retrenchment and policies to promote accelerated recovery in the export crop subsector. The urban and rural poor, whose incomes tended to lag behind recovery, continued to lose ground disproportionately. The unevenness of ERP I outcomes were especially notable in the non-cocoa agriculture sector. New incentives for cocoa producers had been enacted at the expense of interventions to assist food producers. While the gradual removal of subsidies on fertilizer and other agricultural inputs was offset by increased prices to cocoa farmers, food producers had to rely on longer-term market responses to recover their own lost ground.

ERP II began in 1987, and coincided with the nation's first Structural Adjustment Program. The focus of ERP II comprised: (a) developing an incentive framework to stimulate growth, encourage savings and investment, and strengthen the balance of payments; (b) improving resource use while ensuring fiscal and monetary stability, and (c) improving the efficiency of public sector agencies and institutions. Trade and exchange rate reforms remained at the center of ERP II, and included the establishment of licensed foreign exchange bureaus and the eventual opening of foreign exchange auctions to all-comers. At the same time, import licensing was abolished.

The centerpiece of cocoa production reforms under ERP II was a five-year, US $143-million cocoa rehabilitation project co-financed at concessionary rates by the World Bank and other donors. The project established a goal of increasing national production of the highest quality cocoa to 300,000 tons per year by 1991, an objective that was ultimately attained ahead of schedule in the 1988-1989 growing season. Other project objectives included increasing the productivity of cocoa production nation-wide, through the introduction of new drought and disease-resistant high-yielding hybrids, improved quality and availability of research and extension services, and improved plantation maintenance.

Conditions attached by the donors to the rehabilitation were few in number, but touched upon politically sensitive areas of reform, including the implementation of a five-year program aimed at further net reductions of COCOBOD staff; privatization of COCOBOD plantations and three of its industrial facilities. Additionally, donors required that a mechanism be established for improved monitoring of markets and the annual announcement of producer prices for cocoa no later than March 31 each year.

The rhythm of cocoa pricing reforms under ERP II was determined only in part by world markets. Rehabilitation efforts began during a period when world cocoa prices were plummeting, from a high of US $2,500-$3,500 per ton during 1983-85, to a low of merely US $800 per ton in October 1988. In Ghana, the effects of post-drought rehabilitation efforts and producer price increases began to be felt before the end of ERP I, and by 1988 production of 305,000 tons was nearly double that of four years earlier. Nonetheless, Ghana held to its political commitment to increase producer shares of world prices to 55 percent (and, by 1992, 60 percent). By 1990, COCOBOD reported that for the first time ever, an increasing proportion of cocoa was being smuggled into Ghana from Côte d'Ivoire and Togo. COCOBOD's ability to stay the course on increasing producer prices was the result of several factors, not the least of which was reform of the country's foreign exchange regime. An additional factor which entered into play was the reduction of central government budgetary allocations for agricultural subsidies. By 1990 COCOBOD implemented full cost-recovery of inputs by eliminating the subsidies on inputs and equipment. Finally, increased efficiencies in COCOBOD marketing operations were resulting in cost savings that could be passed on to producers.

The greatest resistance to cocoa subsector reforms of ERP II and its complement of donor assistance focused on the ultimate fate of COCOBOD. The donor vision of a fully privatized marketing institution was at variance with the PNDC's originally-stated intentions, and became the subject of heated debate in which issues of national sovereignty came into play. Beside the tight conditionalities imposed by donors, the PNDC sought compromise in the form of a commitment to divest COCOBOD of only those functions that the private sector could be proven to perform more efficiently. While donors were enthusiastic about providing technical assistance to improve COCOBOD efficiency, they offered little to mitigate the politically-provocative effects of mass layoffs undertaken under ERP I, not to mention those slated to occur under ERP II.

3.4 Madagascar

The two forces which most strongly influenced Madagascar's president to initiate rice marketing reforms in 1982 were the gravity of the nation's economic crisis and the commitment of policy champions in his government to a course of reformist action. That year, when the government could no longer afford its rice import bill, it was obliged to consider dissolving its monopoly on rice marketing. In an effort to raise capital for imports, the government approached its Eastern bloc allies who responded that they could no longer provide financial aid on the scale necessary to support the economy. In a measure of desperation, Ratsiraka put aside his ideological principles and turned to the Western donors. The president's fear was not merely focused on the viability of government marketing operations. Having received only 50 percent of the traditionally loyal *Cotier* vote in his home district in the 1982 elections, Ratsiraka suspected that the survival of his regime could be at stake.

Pressure from reformist policy champions resulted from a 1981 technical report, prepared by World Bank consultants, that had examined the management of rice marketing and suggested a complete reorientation of their operations. The consultants' study had a major impact on several senior technocrats, including the Minister of Agriculture. He, in turn, called attention to the report and its recommendations and succeeded in recruiting support from the Minister of Finance and the Director-General of Planning for the Government. reforms.

In 1983, the Government met with the Paris Club of official creditors to negotiate the terms of a structural adjustment package. The international financial institutions set two conditions for assistance: the government had to agree to raise consumer rice prices from 65-75 Malagasy Francs (MF)/kilo to MF 140/kilo (still a highly subsidized price), and it was required to formulate a credible action plan for liberalizing rice marketing.

Although Ratsiraka feared that urban consumers might riot if prices were to rise any higher, as a result of the withdrawal of subsidies, he nonetheless heeded the advice of policy champions and foreign technical advisors to "get the rice prices right." His investment of faith paid off during the first phase of reform. In the second phase, however, Ratsiraka's preoccupation with winning the 1985 and 1988 elections motivated him to return to restore subsidies to earlier levels.

By 1983, the monopoly on rice marketing had been eliminated in all but the two most politically-important geographic areas, Lac Alaotra and Marovaoy. Donors often cite this first phase of rice marketing as one area of significant progress in terms of domestic structural adjustment. In contrast to subsequent Phase 2 reforms, the initial liberalization effort was accomplished swiftly. By 1985, the legal ceiling price for rice had been abolished. The difference between consumer and producer prices for rice (with several exceptions) shrunk significantly in almost all regions of the country, largely as a result of the reforms.

Higher rice prices after liberalization were the major factor underlying rising producer incomes between 1982 and 1986. Gross revenues increased by 45 percent between 1982 and 1985 and by 56 percent by 1986 among small farmers in Antananarivo. At the same time, increased competition and geographic reach among rural marketing "collectors" provided new outlets for producers in remote areas.

By late 1983, the government had successfully implemented Phase 1 of the policy reforms by legalizing rice marketing in all areas of the country except Lac Aloatra and Marovaoy. By 1986, however, the government still refused to initiate Phase 2 of the rice price reforms, which included liberalizing of the Lac Aloatra and Morovaoy reserve areas. In order to lower the president's resistance, donors offered to include provisions for a rice buffer stock as a "sweetener" to progress in reform implementation. The rationale for the buffer stock was that it would dampen price peaks such as those that subsequently occurred in 1985 and 1986, and minimize gross speculation. The essential element in the buffer stock was an automatic mechanism for putting imported rice on the markets when the local market price exceeded a designated "trigger price." The buffer stock strategy implicitly protected mostly urban consumers from price spikes, and thus minimized the reform's threat to the sustainability of the regime. This donor tactic, using price stabilization to mitigate potential losses from the reform, was essential to convincing the government to accept the rice price reforms in 1986.

One of Ratsiraka's preoccupations was the prospect of civil unrest in response to any further price increases or emerging shortages in certain regions of the country. Therefore, the government sought to maintain control of the Lac Aloatra and Marovaoy surpluses to ensure against such urban rice shortages.

A rare degree of donor coordination facilitated successful initiation of the global "Rice Compact," the set of reforms agreed to by donors and the Government. Multilateral and bilateral donors, including A.I.D, the World Food Program, and FAO proved receptive to participating in the Rice Compact initiated by the World Bank. These reforms matched the different interests of the donors: A.I.D in donating surplus rice; the World Bank in liberalizing the two "reserve areas" and reducing imports; and the FAO in providing technical assistance in planning and operating the buffer stock. The Rice Compact offered several attractive benefits to the government: it reduced the political risk of eliminating state control over the rice of the reserve areas; it convinced donors to supply food aid, some of which substituted for commercial imports; it enhanced donor commitment to respond to Madagascar's food security problems; it provided the government with an opportunity to improve the distribution of publicly imported rice and; it permitted an increase in rice imports, rather than the draconian cuts required by the IMF Standby Agreement.

In 1986, after the buffer stock was proposed, the two remaining marketing monopolies in Lac Alaotra and Marovaoy were eliminated *de jure*. However, the implementation of Phase 2 was only partially carried out, as a result of formidable political obstacles. The political interests of the presidency, political elites, the ruling party, parastatals, and local government officials impeded reform implementation. The implementation of this policy reform was more complex than its initiation, requiring that policymakers begin to turn some greater control of pricing over to the marketplace. The losers from liberalization—parastatals, the President's party, political elites, and local government officials—sought to oppose or even tried to dismantle the reforms, bringing the Government to retreat.

Political motives caused the government to retreat further on economic policy reforms by the end of 1987. At this time, donors realized that the government's primary aim was to use imported rice for political objectives rather than for price stabilization purposes. Political motives had eroded the policy package upon which donor funding for the buffer stock was based. By 1988, World Bank officials had realized that Malagasy authorities were not negotiating the rice program in good faith and understood that political objectives were hindering the program's operations.

Contrary to the agreed upon move toward liberalization, members of the political elite largely replaced the official marketing channels with a quasi-official market in 1988 and 1989. Thus, in spite of an announcement by the president in 1987 that merchants were free to import rice, no private commercial imports actually took place before 1990. Hence, continued partial intervention with regard to imports held market prices down. The instrument for implementing this quasi-official policy was PROCOOPS, a private company that was widely believed to be owned by the President's family, and which served as the economic arm of the President's party, AREMA. In 1987-88, PROCOOPS sold 10,000 tons of North Korean rice, donated to AREMA by its Asian ally, which shared Madagascar's leftist orientation. PROCOOPS did not operate on a commercial basis, sold imported rice at below market prices, and then used the proceeds to purchase local rice for further rounds of resale below both costs and market values. The cooperatives of the President's party (KOPAREMAs) also were used as outlets for the rice.

The Ratsiraka government's import and pricing policies during the election years of 1985 and 1988 offer clear examples of how rice was used as a political commodity. In the months preceding the 1985 elections, the Government used up donor rice stocks, even though most of this period was *not* the hungry season, the months preceding the rice harvest. Rice prices dipped in June 1985, just prior to the elections, and began to spike just after the elections, when the import quota ran out. The Government's decision to import during the months after rice was harvested, the "non-hungry season," was purely politically motivated: it essentially used low consumer prices to buy votes at the expense of future price hikes. During the election campaign of 1988, the government stated openly that substantial gifts of imported rice to the political parties from their supporters abroad were to be considered *"political imports."* Unlike "official imports," this rice was to be exempt from the rules governing the Rice Compact. As in 1985, 1988 rice prices were used as a mechanism to "buy" votes for Ratsiraka and his party. In March 1989 the president was reelected and AREMA retained overwhelming control of political life in Madagascar in the series of parliamentary and local elections that followed.

Another example of institutional resistance to liberalization was the government's use of two large parastatals (SINPA and SOMACODIS) for the distribution of rice from the buffer stock. These two parastatals and PROCOOPS were allowed to buy buffer stock rice at below market price. The noncompetitive conditions under which buffer stock rice was sold eliminated opportunities for improving the private wholesale market, one of the reform goals.

Opposition to liberalization also emerged among local government officials, who controlled rice marketing in their jurisdictions. Revenues from local taxation of rice sales had financed the administration of local government. While officials had a wide reputation for rent-seeking behavior, they were also concerned about food security in their villages. Often fearing that rice stocks would run out, they banned exports from their area. While reforms ostensibly ended local government monopolies, a new decree in 1988 granted officials unlimited power to prevent shipment of rice out of their administrative zones during periods of scarcity. This policy shift essentially amounted to backpedaling on reform in the interests of local elites. Local officials also opposed reform because it limited their capacity to exact rents. Traditionally, municipalities had received a *ristourne* tax from parastatals on movement of goods out of their area and also extracted rents from traders passing through roadblocks. Local officials complained that traders now traveled at night to avoid roadblocks that had been set up to exact a "local *ristourne*," now that national *ristournes* were illegal.

Most Malagasy leaders—with the exception of the policy champions—supported reform based on the recognition that the state-run agricultural system had failed, rather than on a belief in reform ideology. The real enticement to reform was the prospect of continued World Bank and donor support. To the extent that liberalization partially succeeded at all, it did so in an uncongenial intellectual and ideological reform environment.

Other important political actors in the implementation of Phase 2 reforms were donors and foreign technical advisors. Donors participated in the implementation of all the regions and concurrently monitored the outcome of the reforms. Certain donors avoided participation in those regions with uncongenial political environments: Lac Alaotra and Marovaoy. Those donors felt that it would be an inefficient use of resources to try to intervene in an area where marketing was dominated by close associates of the Ratsiraka regime.

Private sector response to policy reform was a final crucial element to the success of market liberalization. Policies that provoked uncertainty about future rice prices inhibited -and continue to inhibit—private sector participation in distribution, which allows the public sector to play an even stronger role. Thus, lack of private participation helped to undermine the successful implementation of the reforms.

In three instances, the government changed its rice pricing and import policies in mid-season, heightening the risk of entering the market for unprivileged private traders. First, in 1987 the Government lowered the minimum buffer stock release price midway through the hungry season. The Government's political concern about potential urban unrest in response to higher rice prices motivated this policy change. As a result, in the year following this policy change, traders were reluctant to participate in the market, especially with political elections on the horizon. Second, the Government's failure to abide by import restrictions imposed by donors generated further uncertainty among private traders. By importing rice quantities above the quota level from its socialist allies, the Government was able to sell imports at below market prices, which undercut private traders. Policies such as these enhanced the role of parastatals, who often have better access to government information and are less sensitive to risk. Third, and most recent, in 1991 there was tremendous uncertainty about the price and timing of imports (which determine the seasonal price ceiling). Traders expected the government to import rice in the fourth quarter and managed their stocks accordingly, selling in anticipation of a price ceiling at the cost of imports. When the Government failed to import, stocks were lower than they should have been and resulted in a price spike. In other words, anyone who had inside information on the government's plans earned windfall profits.

The sad conclusion to be drawn from this case is that endemic reluctance—either ideologically-based or in the interest of personal gain—has systematically undermined any smooth transition toward more liberal pricing and distribution policies for rice in Madagascar.

3.5 Malawi

The economic shocks of the late 1970s exposed both structural weaknesses in Malawi's economy and the flawed assumptions in President Banda's development strategy. His policy of maintaining a strong, convertible currency mitigated some of the effects of the crisis and, in fact, brought several of the less stable economies of the region into Malawi's economic orbit. However, Malawi's dependence on a narrow range of export commodities, highly-leveraged lending to vulnerable export-oriented estate development, and emerging food insecurity together amplified the negative effects of cyclical price swings in external markets. The 1980-81 drought in southern Africa had a further demoralizing effect on Malawi's leadership, which prided itself in the fact that the country had been self-sufficient in food production for the previous thirty years. The sudden emergence of a food deficit necessitated the importation of large quantities of maize, both to offset production shortfalls and to create a 180,000 ton strategic grain reserve.

The Government responded to the emerging crisis rapidly, by slowing down its investment program and altering its pricing strategies. But the regime was hamstrung by its inability to fund a crisis-response program. This factor alone provided sufficient reason to turn to multilateral sources of financing, in spite of the fact that this would entail disagreeable conditions and a constraint on government autonomy in directing the flow of resources. In anticipation of an agreement with the World Bank, the Government took a number of unilateral actions to protect its interests. In 1980 President Banda raised the official producer price of maize by 32 percent in order to ensure that ADMARC could remain competitive with private traders, in spite of the fact that declining export revenues could push ADMARC's balance sheet into the red. Banda also ordered that commercial banks begin to better supervise their lending to the estate sector, "politics be damned."

The structural adjustment program proposed by the World Bank in 1981 cited five general objectives: improving the balance of payments; adjusting price incentives and incomes policy; strengthening resource management; rationalizing the Government investment programme; strengthening of institutional capabilities. In most respects, the structural adjustment program was an easy sell to Malawian authorities, as it called upon them to undertake a large number of studies and action plans that, while potentially threatening to entrenched interests over the long term, provided the Government with much-needed resources and additional time to regain its equilibrium. Even the conditionalities attached to SAP I were short-term stabilization measures rather than requirements for systemic reform.

Malawian agencies were full participants in the formulation of the World Bank's first structural adjustment loan (SAL I) and were given high marks for their performance. A point of pride and strategic importance to President Banda was the fact that SAL I granted a primary role and considerable leeway to Malawian technocrats in the performance of the many studies, price reviews, and action plans called for in the program. While World Bank consultants and personnel were required to approve the analytical methods to be used, the prescribed method of conducting the work could hardly have been viewed as an infringement on nationalist sensibilities nor on the regime's fear of losing control over the policy agenda. That SAL I included no calls for reductions of the civil service or inflationary reforms in the consumer price regime was, in fact, a testimonial to the conservativism of Malawian authorities during the previous fifteen years. Hence, the SAL required no actions that threatened the civil service or might prompt reticence in their efforts to implement the program.

In spite of the fact that SAL I required very few difficult actions on the part of the Banda regime, implementation was endangered from the start by the President's concerns regarding food security and conflicts with the price policy conditions of the adjustment program. One of the very few enforceable components of SAL I was the requirement that ADMARC raise the price of smallholder export crops (principally tobacco) to redress policy bias toward maize production as well as to reduce government expenditures (incurred to cover losses generated by ADMARC's maize account). This reform was intended to serve as the centerpiece of adjustment in the agricultural sector, seeking to correct the bias against smallholders that had become so strong during the previous decade. However, the 1979-1980 drought and harvest failure had broken with three decades of food self-sufficiency and led the President to undertake emergency actions. One year later the President remained as concerned as ever about prospects of widespread scarcity; ADMARC was ordered to nearly double maize prices as an inducement to bolstering smallholder food production, and to postpone any increase in the price of smallholder tobacco. This action was taken in defiance not only of SAL conditions, but also those attached to the country's IMF Standy Agreement. Donors recognized, however, the political importance of the President's preoccupation with food security against the background of drought experiences.

It is important to note that this was viewed by the President as a stop-gap action, and it did not derail other agreed upon elements of agricultural price reform. Technical cooperation between ADMARC and the Ministry of Agriculture continued toward the formulation of a new methodology for price determination, which ultimately enjoyed the President's endorsement.

Government agricultural price policies during SAP I largely achieved the Government's policy objectives, if not those of the donors: maize sales to ADMARC more than doubled, permitting replenishments of the Strategic Grain Reserve. The downside to this strategy was a roughly 50 percent decline in tobacco, cotton and rice purchases by ADMARC. Agricultural price reform and Banda's personal manipulation of ADMARC, however well-intended it may have been, set the stage for a weakening of this important marketing institution during the early reform period. Establishment of the Strategic Grain Reserve took place during a period when interest rates had increased sharply, in keeping with costs of capital within and outside of Malawi and on the basis of the country's Standby Agreement with the IMF. In order to expand its ability to store buffer stocks, ADMARC borrowed heavily for the construction of silos and warehouses, assuming mistakenly that costs would be later covered by a transfer from central government accounts. Between 1983-1984, ADMARC's profits fell by 50 percent and, following a brief rebound in 1984-85, it incurred heavy losses during the subsequent two years. This situation was aggravated by a number of factors: Government refusal to allow ADMARC to adjust prices on a seasonal or regional basis; rising operational costs associated with the management of buffer stocks; falling prices for tobacco on world markets, and credit ceilings imposed by the SAP. The weak state of ADMARC's accounts and Banda's failure to intervene set the stage for subsequent SAL III reforms to liberalize grain marketing and to withdraw subsidies on fertilizers sold by ADMARC.

Donor relations with the Banda regime during SAL I grew progressively tense, as reform efforts closed in on concrete policy and institutional actions. SAL I had been viewed by donors as a necessary first step toward obtaining the data and consensus required for more aggressive reforms. With the completion of studies and action plans called for under SAP I, a second Structural Adjustment Loan (SAL II) was approved in December 1982 which provided $55 million in financing. Under the second SAL, conditionality was tighter overall, mandating actions that would significantly erode President Banda's autonomy and his personal sway over the economy. These included annual reviews and greater transparency in the financial accounts of the quasi-official holding companies (referred to in the SAL as parastatals); maintenance of positive real interest rates in the commercial banking system; consumer price decontrol; surveillance and improvement of the government debt-monitoring system; and establishment of a system of 3-year forward budgeting. In addition, the President's own personal interests were placed at stake in a mandate to restructure Press Holdings (totally owned by himself) and the MDC.

SAL II reiterated conditionality tied to smallholder crop pricing and, to the Government's chagrin, added a new conditionality in the form of a program to remove fertilizer subsidies: these were to be reduced by 80 percent in the 1983-1984 agriculture campaign, and eliminated by 1986-1987. This was catalyst for disagreement between donors and the Government and within the Government itself. Also brought into the fray was the U.S. Agency for International Development, which agreed to support the reform effort. Negotiations between donors and the Government on the fertilizer subsidy removal program were not merely tense, but driven by the Government's need for rapid-disbursing finance. This resulted in a compression of the time and effort needed to devise appropriate conditionality and to negotiate a schedule of implementation that would be satisfactory to all necessary parties.

Malawi's fertilizer subsidy for smallholders was originally designed to buffer the effects of high transport costs and to encourage the adoption of improved technical packages for hybrid maize production. Donor objections were based on several arguments: that the foreign exchange costs of fertilizer imports were too high; that ADMARC could ill afford to sustain the cost of subsidies; that the principal beneficiaries of the subsidy had been the officially-designated progressive farmers; that much of subsidized fertilizer was being "leaked' to commercial estates; and that farmer response to subsidy withdrawal would be compensated by the introduction of high-analysis fertilizers and would accelerate adoption of more productive hybrids. Conditions attached to donor assistance required ADMARC to phase the fertilizer subsidy out over a three year period while simultaneously increasing the volume of high analysis fertilizers (HAF) as a proportion of all imports. Tranche disbursements were to be made separately, as ADMARC met its subsidy reduction and HAF targets each year. Given that implementation of the reform had begun a year later than originally scheduled, USAID overlooked this violation of its covenant with the government based on a promise that corrections would be made in the following year.

If, in the pre-adjustment era, Malawi's bureaucrats could be counted on to march lockstep with Presidential concerns, SAL I and II ushered in an era of conflicting mandates and technical rivalries. President Banda's decision to break with SAL I price policy and issuance of the ADMARC mandate to create the Strategic Food Reserve were carried out with complete disregard of technical staff warnings about eventual outcomes. A second critical instance of bureaucratic conflict came during negotiations over the program to remove fertilizer subsidies, when Finance and Agriculture Ministry officials clashed.

Little can be said about mass response to reform that does not relate exclusively to how well smallholders fared under adjustment. For Malawi's rural masses, opportunities for political participation appeared smaller than ever. President Banda had defied the donors over the issue of price policy. Even though conditions in rural areas continued to worsen, most Malawian's perceived the President and the bureaucracy to be working in their interest. Producer response to Banda's increase in ADMARC maize prices left no question that Malawi's smallholders were highly price responsive. But non-price constraints on rural production were certain to remain, or worsen, in the absence of other aggressive interventions. Even changes in relative price incentives for export crops could do little to ease the problems of land hunger, high transport costs, and increasingly endemic undernutrition.

SAL III was approved in December 1985, providing the Government of Malawi with a total of more than $100 million from combined sources: high stakes in a small country. Many of the program elements of SAL III represented continuation of earlier reform efforts, including fertilizer subsidy withdrawal, which was extended two years beyond the original target date of 1986-1987. SAL III also included a number of new elements, including the redefinition of ADMARC's role, privatization of some of its non-marketing related subsidiaries, and measures to expand private trading in the smallholder subsector of agriculture. Overall, conditions attached to lending were relatively small in number. SAL III represented a major departure from the past, in which President Banda was obliged to cede increased autonomy not only to the policymaking apparatus, but also to the very organizations in which he had a personal financial interest. Although his political authority and that of his closest allies was not significantly diminished, the increasingly tight focus of reform efforts had the effect of strengthening government technocrats.

Beginning in 1983 the Government had enacted management reforms within ADMARC and, in keeping with the advice of donors, begun to divest itself of properties unrelated to ADMARC's marketing mandate. The hand of President Banda was greatly evident in the method by which this was done: ADMARC simply transferred ownership to the MDC and Press Holdings. Although the Government was wary of the impulse toward ADMARC privatization, it could take comfort in the favorable light that this cast on its efforts: decentralized, private marketing would no doubt appeal to the masses. At the same time, Banda could take comfort in the fact that capital to fund private activities would continue to be managed through a banking system that he, through the quasi-official holding companies, managed. ADMARC's financial condition was critical by 1986 due to high marketing costs, increased external transport costs, and poor returns on its investment portfolio. These problems were compounded by a 33-percent drop in tobacco prices at auction and maize production shortfalls. The severity of the crisis created an operational financing gap, for which it received supplemental SAL funding of US $42 million. ADMARC began to withdraw from the rural areas where its operations could be filled by private traders.

Although donors had recommended that smallholder marketing be opened to further private competition as early as 1983, it was not until December 1986 that the Government issued a decree that confirmed the legality of private trade in all crops other than tobacco and cotton.

Reform of Press Holdings and the MDC was necessary because of their deep reach in the economy and their technical insolvency. At the donors' insistence, the decision to reorganize Press was made by President Banda in December 1983, and implemented the following year in a manner that was not only satisfactory to him, but that evidenced his transactional genius: Press's debts to Malawi's commercial banks were converted to specially registered equity, and swapped against equivalent preferential shares and income notes. MDC reform was no less complex. In one domain, the holding companies were successful in fending off what they perceived to be excessive control. As part of SAL I, the Government had agreed to establish a Department of Statutory Bodies to provide oversight of all parastatals and quasi-official holding companies. By the end of the decade this organization was neither adequately-staffed nor fully empowered to fulfill its mandate.

In 1987, after two years of tentative cooperation with donors, the Malawian Government reneged on its commitment to proceed with the complete removal of fertilizer subsidies, leading USAID to terminate its support for the reform program. Concerns about national food security, reduced government food stocks and a massive increase in the numbers of refugees from Mozambique provided it with adequate justification to withdraw from its agreement.

These events underlined the contradictions inherent in donor reform strategy: the insistence that maize purchase prices be held constant during periods of rapidly increasing fertilizer prices squeezed producers in a manner perceived by the Government to be not only unfair, but dangerous in light of food insecurity. Government concerns over food security remained an obstacle to smallholder price reform.

3.6 Mali

This study focused on the process of the policy design and implementation of the multidonor-supported Program for the Restructuring of the Cereals Market, *Programme de Restructuration du Marché Céréalier* (PRMC) in Mali. The PRMC was selected for analysis because of its unique features: a widely perceived success story; a program initiated before the World Bank-led Structural Adjustment Program; a rare example of the coordination of donors in their attempt to influence policy reform; and a long-lived program that spans more than twelve years, sustained almost entirely under a dictatorial regime, but surviving the transition to democratic government.

The PRMC included three policy reform thrusts: (a) market liberalization (to broaden private sector participation in agricultural marketing); (b) pricing policy (with prices to be determined by market conditions); (c) reorganization of parastatals, such as the *Office des Produits Agricoles du Mali* (OPAM), the grain marketing board, and *Office du Niger* (ON), the rice development organization.

The dynamic process of the PRMC reforms began in 1978, but followed a different path and pace depending on the commodity. The extended duration of the initiation phase of the various programs (1978-1982) was intended to allow for the protracted process of consensus-building.

Implementation of the PRMC encompassed the interests of a wide variety of stakeholders, and was truly national in its scope. Pressure from non-elite coalitions and the public played a relatively small role in the initiation and implementation of PRMC reforms, particularly when compared with pressure and intervention by donors and the political elite. Trade unions and civil service pressure reinforced the perception that reform was needed, although this pressure did not alter the direction of reform. The perception of crisis was much stronger for coarse grains than for rice. The National Seminar on "the restructuring of OPAM and the Cereals Market" provided an efficient vehicle to build consensus and for Malians to accept the proposed reform that donors had begun to promote.

The speed with which the National Seminar on the restructuring of OPAM and cereals market was prepared (29 December 1980-3 January 1981) indicates the sense of urgency and consensus reached by donors and the Government of Mali (GRM). At the implementation phase, however, donor-government commitment often wavered. For example, the scheduled price increases stalled in 1984 when Mali reentered the CFA zone (West African Monetary Union), and consequently consumer purchasing power was cut in half. Donor coordination was sometimes lacking, for example in 1986, when they could not agree on the new role of OPAM. European donors also disagreed with the World Bank about the pace and extent of reforms directed at the ON. Occasionally, the conditionality imposed by the International Monetary Fund (IMF) conflicted with the PRMC's tactical thinking. The consensus that was eventually reached among donors provided them with a powerful bargaining chip in negotiations with the Malian Government.

The guaranteed flow of important food aid and the creation of the common fund persuaded Malian authorities to adopt the reform program. These elements made it easier for policy champions to win over the President, and allowed the President to appease those of his allies who opposed the reforms. The political risk of food riots was also thus avoided. Most observers believe that the role of policy champion was played at the crucial initiation and early phases by one or two individuals, who used the reform to their own political advantage.

Conversely, during the same period, observers viewed the Minister of Agriculture as a "hydraulic brake" in reform of the ON.

No real critical mass of bureaucratic support coalesced during the PRMC. High turnover and sporadic meetings do not allow the development of a long-lasting informed technical cadre. Because of the patronage system of the Traoré regime, autonomy of the bureaucracy was nonexistent. Bureaucrats willing to take risks and be innovative still needed personal contact with the inner circle of Moussa Traoré. The technical assistance provided by PRMC at times helped bureaucrats in their initiatives, such as in the design and implementation of the cereals market information system, and in provision of credit to traders and village groups. On the other hand, bureaucrats were often frustrated by the presence of expatriate technical advisors because it limited their ability to gain access to their Minister.

The successful and unsuccessful features of PRMC reform generally related to episodes of successful strategy or action.

- The 1980-1981 National Seminar held at the initiation phase helped the GRM prepare the public and build consensus among decision-makers for market reform. It helped Moussa Traoré in two ways: (a) to rationalize a choice he could no longer postpone, thus saving face; and (b) to broaden support for reforms and avoid direct confrontation with those of his political allies who were against the reforms. Building on this success, the PRMC organized two other such seminars, in 1987 and 1993.

- Donors perceived the need for consensus among themselves before dealing directly with the government. Different viewpoints and experiences were pooled, not to mention different resources, something that would not have been achieved had each donor worked individually. However, donor consensus-building may have been attained at the expense of government capacity building. The donors "club" has excluded GRM officials and limited the ability of Malians to participate in the decision-making process.

- Policy champions were critical to the initiation/adoption phase of the PRMC. Policy reform was accepted and implemented when the policy champions were backed up by resources that they could bring to the table as compensation or incentives for change. As important as the national "policy champion" was the "technical facilitator," the expatriate technical advisor to the various ministries in charge of OPAM and PRMC, who provided guidance to both donors and the GRM, particularly with regard to acceptable negotiation strategies. He served as an historical memory of interactions and was perceived as an effective ombudsman for the Government of Mali.

- Information-sharing with Malian technical cadre, in the form of dissemination of research reports and other technical knowledge gained during PRMC, occurred rarely. Lack of access to technical information limited capacity building and minimized the potential contributions of even the most involved Malian officials.

- Donors have cited high turnover of government staff in all positions to explain the ineffectiveness of the *Comité d'Orientation et de Coordination* (COC) of the PRMC as a Malian decision-making body, and as a reason to not devote resources training counterparts at the *Conseiller Technique* level. However, donors made little attempt to effectively deal with this issue, such as negotiating a condition precedent of a minimum fixed-term appointment for Malians in key positions.

The successful transition to democratic government in 1992 raised the level of transparency and accountability of the Government, however the potential implications of this development have yet to be identified. Analysts recognized the need for more intensive contacts with representatives of the new regime, rather than the arms-length interactions that occurred in the period following inauguration of the Government.

The analysts concluded that it was difficult to predict the effect that the new democratic initiatives will have on policy reform and the political dynamics that have driven reform in the past. Communication between and among donors and government officials is identified as being more critical during this period than in the past; issues that result from the new pressures must be quickly shared, and strategies for appropriate resolution of concerns must be developed with full understanding of the dynamics at play.

3.7 Zambia

The Zambia country study analyzed the implementation of maize marketing reforms since 1985. The principal observation of the study was that agricultural reform has tended to vacillate between episodes of heavy government intervention in the sector and minimal governmental involvement that relies on the dynamism of the marketplace and private sector initiative. The interventionist stance typified the philosophy of UNIP, the ruling party until 1991. The market economy position was largely imposed on Zambia by international donors, particularly the World Bank and IMF, and became a stated goal of the MMD Party during the election campaign of 1991. The World Bank and IMF representatives in Zambia had been working with a core group of government representatives since 1982 to convince and guide them toward market solutions for Zambia's economic problems.

Introduced by European farmers in the colonial period, maize processed into mealie meal quickly became the principal food staple throughout Zambia. European farmers received both producer subsidies and protection from African competition, while consumer prices were subsidized in order to ensure the availability of maize as a cheap source of food. The costs of subsidizing producers and urban consumers were covered by a seemingly inexhaustible supply of income extracted from taxation of exports and profits gained from sales of copper. This established a pattern which was to continue into the independence era for as long as it was fiscally feasible.

Under UNIP, power was concentrated in the office of the president, Kenneth Kaunda, and those in the party who spoke on his behalf, particularly those in the National Council and

Central Committee. UNIP's agricultural policy, while espousing diversification, concentrated mainly upon maize production and was unabashedly interventionist. Committed to food self sufficiency in maize and to freeing Zambia's agricultural system from (largely) European farmer control, UNIP adopted many of the same system components developed during the colonial era and redirected them so that the benefits would accrue to the majority of traditional and newly emerging commercial farmers instead of the system's previous minority beneficiaries. UNIP enacted pan-territorial pricing and pan-seasonal purchasing policies, subsidized seed and fertilizer prices, and established a broad parastatal marketing and purchasing system of provincial cooperative unions, lending institutions, and storage facilities. Maize production came to encompass 70 percent of Zambia's cultivated land and 90 percent of the cash receipts of its small-scale farmers.

Fixed investments to the agricultural sector during the first 15 years of UNIP rule, however, demonstrated the reality of its commitment to the sector. During the First Plan (1966–70), the agricultural sector received a mere 6.6 percent of total fixed investment. During the Second Plan (1971–75), this allotment fell to 5.2 percent, and in the Third Plan (1979-83) when the decline in terms of trade forestalled virtually all sectoral investment, it slid to a minuscule 3 percent of total government expenditure

Small-scale commercial farmers (those tilling 1–10 hectares and representing approximately one-third of Zambia's farmers) were the main targets of UNIP's agricultural development policy (see below). Government support rested on a commitment to food self-sufficiency, which translated into maize production and consisted of developing a number of parastatals and cooperatives, which supplied farmers with inputs and credit, and purchased their output (approximately one-third of the marketed maize). The net effect of this process was to discourage agricultural crop diversification, and it made this group dependent on government support and direction for producing maize. At the same time, the inefficiencies inherent in the marketing process—delays in provision of seeds and fertilizer, delays in payment for crops, and corruption within the marketing board and cooperatives—weakened the residual support these farmers had for UNIP. When multiparty elections were reintroduced in 1991, these small-scale commercial farmers voted for MMD.

The serious and continued decline of copper prices, which began in 1975, necessitated substantial borrowing from both domestic and international lenders (including the IMF) on fairly hard terms. The decision to maintain high levels of consumption was in part based upon the assumption that the price of copper would return to and even exceed its previous levels. This never occurred and by 1985, relative to GDP, Zambia was the world's most indebted country.

On December 4, 1986, the government decontrolled breakfast meal prices. The following day, serious rioting broke out in the Copperbelt, in part over the rise in price of maize. Ironically, the government's decontrol of prices on breakfast meal was announced five days before releasing the roller meal subsidy mechanism (i.e., literally on the last day of the food riots!). The government response to the riots was two-pronged and swift. Seeking to diffuse any focus of responsibility for this turn of events, UNIP accused the millers of price-gouging and hoarding and nationalized all private mills. It simultaneously rolled back prices and reinstated the subsidies on both breakfast meal and roller meal.

When the UNIP government abandoned its commitment to the World Bank/IMF adjustment program in May 1987, it had to come up with an alternative. The introduction of the New Economic Reform Program (NERP) was a device to buy time for continued popular support. The NERP was not successful and economic problems persisted. The government reinstituted economic reforms as part of an agreement with the IMF in September 1989.

The burden of maize-related subsidies on the economy had remained high throughout the second half of the 1980s—they exceeded 10 percent of the total government budgetary expenditures, peaking at 16 percent in 1989. By 1990 inflation was running at 100 percent annually. High inflation continued in 1991 (111 percent) and in 1992 rose to over 200 percent, mostly attributable to growth in money supply, higher prices for food (with maize price controls removed), and higher costs for imports as the kwacha depreciated against other currencies. UNIP could not survive this period of great economic instability and eroding purchasing power among consumers.

The public did not accept or trust UNIP's attempt to reassert its stated commitment to economic reform. UNIP MPs began to desert the party and join MMD, which made the implementation of economic reforms the centerpiece of its political platform. The victory of MMD in March 1991 was a mandate for carrying out market liberalization measures to the extent these were understood by the electorate, who had yet to feel the effects of another round of price increases. The enthusiasm and optimism generated by the victory of MMD was real for those who participated in the process and actually voted. In one sense, the vote was more important as an expression of popular discontent. However, the total voter turnout was only 40 percent, and in the rural areas it did not exceed 30 percent.

The strongest supporters of reform, Ministers Kasonde and Scott, were forced to resign in April under contrived insinuations of mismanagement. In fact, many observers speculate that their persistence in adopting specific policy changes and their unyielding support for pressing ahead with legal and regulatory reforms that diluted the power of politicians made them unpopular as political elites. The many years of UNIP rule—whereby government control of the economy was considered right and just—had conditioned bureaucrats to repel any attempts to introduce laisser faire thinking into the decision making process.

The large commercial farmers with political influence only stood to gain from market liberalization since their interests were in diversifying crops and markets, especially regional markets. The emerging farmers were ambivalent to the arrival of MMD on the political scene, because they had no effective means to communicate or advocate their interests, which were in maintaining the status quo as the lesser of two evils. But with UNIP in disarray they had no representation in the largely urban-biased Zambian political scene. UNIP had "hooked" the emerging and commercial farmers on maize subsidies, and while the marketing was handled poorly every year, it kept them in production and therefore protected their livelihood. Under free market conditions, many emerging farmers would not be able to stay in business while small farmers would likely limit their production of maize to subsistence needs and diversify into other crops. Initially very few in MMD understood the implications of an abrupt shift to free markets, and those that did understand knew that it was critical to quickly and fully implement the program. Delay and equivocation on reform implementation would only increase private sector uncertainty on the benefits of trade and investment in the Zambian economy.

The private sector marketing of maize in Zambia remains problematic because of the lack of free market pricing and the weak private sector capacity to buy, store, and resell maize at a profit. Without trade finance and access to storage, the private sector will not take physical possession of maize. The government is likely to remain the buyer of last resort until liberalization can provide an environment for the private sector where price determination is market-driven, trade finance is available, and the urban food problem is resolved.

The entire subsidy and market control system has effectively been dismantled. The maize marketing reforms in Zambia are now in the early implementation phase after a long period of initiation. No reforms can be considered sustainable at this point. The serious recognition that reforms were needed emerged in the mid-1980s and the process of negotiation and bargaining has been laborious. The transition from state control to market-determined forces is not automatic. Sustainability of reforms in the implementation phase will be achieved only if accompanied by strong political leadership.

Broad popular support can be achieved only if public awareness of how market forces work is increased. An important aspect of the free market message is the overwhelming proof that government has turned over the role of marketing agent to the private sector. In addition, a legal and regulatory framework that allows business to prosper must be in place.

For maize marketing reform to be sustainable, farmers not only must benefit directly from reforms, through remunerative prices and better access to markets, but also urban citizens must be able to afford their staple food—mealie meal. The government bureaucracy must refrain from participating in the marketing system. The political elite must ensure that the role and power of the bureaucracy is focused on supportive activities such as market information and extension. High-level policymakers must not dictate pricing policies that inhibit trade.

4. KEY FINDINGS OF THE CASE STUDIES

This section distills the key findings which emerged from the seven country case studies on the politics of agricultural policy reform in Africa. Generalizations are developed on the basis of the case study material about the political factors which either help or hinder the long process of reform. While the countries studied shared a few common characteristics of reform, they also displayed pronounced differences, suggesting that the politics of reform vary greatly depending on the context. Nevertheless, technical advisors working on policy reform can benefit from lessons learned and questions raised by these studies.

The experience with agricultural policy change in the seven country case studies illustrates that politics creates opportunities for reform. This section examines examples from the country case studies of how reformers, both African policy makers and donors, strategically managed reform. Sixteen major lessons are suggested by the experience with agricultural reform in the seven case studies.

4.1 Analysis, Strategy and Tactics

While economic analysis is the basis for the design of agricultural marketing reforms, political analysis is crucial to assessing the prospects of reform success and developing appropriate implementation strategies.

As part of their policy dialogue with host-country governments, donors have increasingly relied upon policy inventory and diagnosis as a means of identifying the need and prospects for agricultural policy reform. Policy diagnosis typically employs quantitative and qualitative analysis in order to identify the macroeconomic impacts of policy and the impacts of policy on the agriculture sector and relevant subsectors. A second aspect of problem identification and diagnosis also often involves "political mapping," which identifies the array of institutions and actors whose interests or activities play a roie in policy implementation and its outcomes.[7]

The case studies upon which this document is based are compelling in their demonstration of the need for detailed stakeholder analysis in the design, implementation and monitoring of agricultural policy reforms.

The purpose of stakeholder analysis is to identify (a) whose interests must be taken into account when political or policy decisions are made; (b) the character and saliency of those interests; (c) the probable response of those actors to prospective policy actions.

This information is vital to policymakers and their technical advisors for numerous reasons: identifying whom might benefit or be threatened by reform, and what the magnitude

[7] For a more detailed discussion of this topic, see Abt Associates Inc. *et al*, "Agricultural Policy Analysis: A Manual for A.I.D. Agricultural and Rural Development Officers", 1989.

of their interests would be; identifying whether stakeholders are in a position to challenge or strengthen the authority of political leaders; identifying pockets of prospective institutional support or resistance to reform; predicting how the interests of stakeholders might be utilized as a constructive force for positive change, and; developing effective strategies and tactics for creating predictable political and economic outcomes. If carried out with appropriate rigor and objectivity, stakeholder analysis can be a powerful tool for effective political, social or economic marketing.

Seizing political opportunity can be crucial to the successful initiation of reforms.

The cases illustrate the importance of political timing to politicians trying to initiate reform efforts. Policy makers often advantage of political moments that were ripe for reform, such as periods of economic crisis and the "honeymoon period" immediately following a regime change. In Cameroon, Mali, Ghana and Madagascar, the economic crisis of the 1980s fostered a political environment that was conducive to reform initiation. The crisis atmosphere empowered President Ratsiraka to end government control of rice; President Traore to abolish the state monopoly on coarse grains; Flight Lieutenant Rawlings to completely overhaul the national cocoa marketing system, and; President Biya to close the National Export Crop Marketing Board. In these four cases, the fact that the previous regime had been discredited put pressure on leaders to take bold action immediately, in order to ensure their political legitimacy—and in some cases, survival. The political interest of the regime and the economic interests of the entire nation coalesced behind the reform.

In Mali, the fact that the public perception of crisis was much stronger for coarse grains than for rice enabled coarse grain reforms to proceed, while rice reforms were delayed. The case of rice provides a useful counter-example suggesting that it is difficult to initiate reform in the absence of a public perception of crisis.

While crisis catalyzes reform initiation, there is no guarantee that any remedial actions taken in response to crisis will be institutionalized or sustained. With alleviation of crisis and weakening of the reform motive, political forces resistant to reform may easily revive, producing cycles of policy deterioration and relapse back to old policy ills.

Timing within the political cycles was also a crucial factor in the ability of Zambia's newly-elected President Chiluba to launch broad economic reform initiatives in 1991. Kaunda's economic and policy legacy provided greater political leeway for Chiluba to formulate policy. Chiluba took advantage of the political honeymoon offered by his victory which he won on a platform promising change from the policy failures of the previous regime.

The Ghana case suggests that the agricultural marketing reforms benefitted from a more radical and systemic transformation of governing institutions, in which prospective opponents of reform were intimidated by a climate of suspicion and, at times, violence. However, the authors hesitate to generalize this observation given that reforms undertaken during a period of radical change are likely to be as vulnerable as the unstable political environment itself.

Risks of failure are heightened when policy reform will result in the displacement of entrenched political patronage systems and the suppression of politically-derived rents.

This observation is drawn from several of the case studies—Cameroon, Madagascar and Ghana—where agricultural policy reform was, in effect, an antidote to systemic rent-seeking which shifted the benefits of agriculture from producers to protected elites. Reform only became possible when strategies for compensating, coopting or eliminating rent-seekers were devised.

Political patronage and croneyism exist, in large measure, because of their sheer utility. A regime which enjoys considerable autonomy and little public accountability is, through patronage, able to forge a strong constituency united by the fact of its control on segments of the economy. However, when that control becomes predatory, economic crisis is often the result. This was, indeed, the case of the Cameroonian and Ghanaian marketing boards, which over the course of several decades, extracted such progressively greater rents that they triggered an exodus away from cocoa and coffee production.

To some extent nearly every agricultural reform examined in the case studies had a redistributional impact, e.g. reducing official or quasi-official rents extracted from agricultural marketing, lowering barriers to widespread participation in agricultural production and marketing, or increasing returns to individual producers. However, in those nations where political patronage and croneyism are deeply entrenched political leaders had the least room to maneuver for change. Only the fact of prolonged economic crisis and regime transition enabled political leaders to acquire the political freedom necessary to reverse corrupt institutional culture.

"Sweeteners"—strategies designed to defuse opposition by compensating—raise the cost but lower the political risk of reform failure.

In several cases, donors offered compensatory programs to reforming governments or to groups of potential losers from reform to "sweeten" bitter reform programs and minimize political risk. From the time reforms were initiated, donors recognized the importance of devising strategic tactics to minimize political obstacles to reform. In the case of Madagascar, donors were aware that liberalization of the rice market could destabilize consumer prices of the nation's staple commodity, and, consequently, threaten the stability of the government. To minimize this political risk to the regime, a consortium of donors proposed a buffer stock strategy as a mechanism for minimizing the political risk of liberalization.

It is especially important to try to defuse the opposition of political elites benefitting from the previous regime who stand to lose their power from privatization. The cases revealed that those elites who were not brought in to the reform coalition in the initiation phase often used their political clout to derail reform in the implementation phase.

For instance, agricultural reforms in Cameroon and Madagascar met with institutional resistance from parastatals, ministries, and businesses whose employees had received privileged access to markets, jobs, rents, credit, trade licenses, foreign exchange, and other resources under the old regime. In Cote d'Ivoire as well, powerful vested interests opposed to suspending quotas on cocoa and coffee, impeded reform implementation in these two markets. In all three cases, failure to compensate losers blocked implementation efforts. In cases such as these, reform would have been more effective if policy makers had anticipated opposition and modified the reform program to accommodate losers.

4.2 Initiation

Political leaders' control over bureaucratic appointments and government structures gives them enormous power to mobilize elite support behind reform and distance reform opponents.

Political leaders can use their power to build elite coalitions behind reform, even in highly divided, conflictual political environments. Heads of state can use their executive power to restructure government institutions, shuffle bureaucratic appointments, and protect pro-reform technocrats from economic interest groups. For example, they can create special technical advisory units, economic Cabinets, or Agricultural policy units in the presidency to serve as institutional champions of reform. Leaders have virtually a free hand to bring in technocrats of their choosing to lead these new reform centers.

In the case of Mali, President Traore used the forum of a National Seminar to mobilize elite support behind the grain marketing reforms. The consensus-building framework of a public forum shielded the President from confrontation with anti-reform politicians. The President's strong leadership and political management skills enabled him to reach consensus by arbitrating effectively between reformers and ministers opposing reform.

In Ghana, Flight Lieutenant Rawlings hand-picked a core group of economic policymakers, provided them with institutional insularity and support over time to forge a workable set of policy alternatives to reverse the downward cycle of cocoa production. His choice of competent advisers, his insistence on their integrity, and his willingness to take personal responsibility for their policy decisions sent a powerful message to opponents: any attack on presidential advisers would be equivalent to an attack on the head of state, himself. Rawlings' continued support for this team over time also enhanced Ghana's position vis a vis donors, by providing for continuity and familiarity between negotiators during periods of policy crisis.

However, other cases revealed that African leaders' concerns about re-election, legitimacy, or survival often prevented them from taking advantage of these opportunities to champion reforms. Many African regimes are too fragile and their span of control too limited to effectively lead reform programs which would hurt their supporters. For example, after the Cameroonian elections in 1992 when President Biya's legitimacy was threatened, he failed to honor his promise to donors to liberalize cocoa prices, because he was afraid to jeopardize his strategic political constituency in the cocoa zone.

In Madagascar as well, President Ratsiraka eschewed liberalization policies that would alienate his supporters. During his election campaign, he used low rice prices to "buy" votes. The mechanism he used to keep prices down was to designate that foreign rice donated to his political party should be considered *political imports* which were exempt from restrictions on official imports. This policy violated the spirit of liberalization and sent signals that the President was not serious about reform.

"Policy champions" are instrumental in selling the reforms to the President, organizing reform constituencies, and brokering compromise.

In all of the African cases studies, politically influential technocrats facilitated initiation of reform and successful implementation. "Policy champions"—technocrats who can organize constituencies for reform both in government and among interest groups in the society at large—were instrumental in convincing top policy makers to back reform. These are people who are not only themselves attuned to the need for economic reform and the options available to them, but who also have political skills. They consult with those who may be opposed to reform measures and seek to broker compromises with them. In so doing, they may seek to limit both bureaucratic barriers to implementation and outcry from parts of the citizenry negatively affected. In some instances, they may perform an educational function by ensuring that natural clienteles—people whose interests are favorably affected by reform—are aware of the initiatives and galvanizing them as public spokespersons for proposed measures. The combination of political management skills, bureaucratic access, and technical training enabled these leaders to stem opposition among the political elite and influence policy change at the level of the Presidency.

The case studies suggest that policy champions often acted autonomously, as a result of prior experience in the policy area, personal values, ideology, or study, debate and discussion among a group of individuals concerned with similar issues. In other words, policy elites are not always motivated by their own vested interests or rent seeking. Rather, their decisions can be understood independently of the social class background or economic interest of the societal groups from which they come. In the case of Madagascar, the Special Economic Adviser to the President used his access and technical skills to convince President Ratsiraka to take the tough decisions necessary to turn the rice sector around, even though reform meant the end of a system of privileges benefitting the political elite of the country, of which he was a member.

The cases indicate that to be effective, policy champions must have broad jurisdiction. They lacked this scope in Cote d'Ivoire where the responsibility for agricultural policy was divided between four different agencies. As a result, the Minister of Agriculture had little influence over cocoa and coffee policies, even though he behaved like a policy champion, bringing bureaucrats, farmers, and private business interest together to identify common ground.

In this case, the Minister's narrow scope of authority undermined his ability to broker compromise and "reform deals."

Build consensus among donors before negotiating with the government.

Agricultural sector reforms were accomplished more swiftly when donors reached consensus among themselves before dealing directly with the government. Cereals marketing reform in Mali represents a rare case of donor success in accommodating different donor-specific approaches to policy change and establishing a coalition. The confluence of unusual circumstances (the crisis of food aid), personalities (policy champions) and strategies (donor flexibility, consensus building, and World Bank pressure to liberalize) shaped the donors' perception of the need for coordination of the Cereal Market Reform Program (PRMC). Consensus eventually reached by donors provided them with a powerful bargaining chip in negotiating the reorganization of the grain marketing board (OPAM) with the government.

Conversely, when donor consensus was *not* achieved, as in the case of *Office du Niger* reforms in Mali or ONCPB (National Marketing Board) reforms in Cameroon, liberalization was much less successful. Export crop marketing in Cameroon represents an example where the government was able to play upon conflicting donor interests because donors had not reached consensus before dealing with the government. The divergent interests of the French government, the French bi-lateral aid agency, and the World Bank provided maneuvering room for the government to postpone reform. In the country cases where donors did not act as a united front in negotiating with the government, they were less influential in the reform process.

Foreign technical advisers play an important role in supporting policy champions.

The cases suggest that foreign advisers resident in Africa who have good access to host country technical staff can play an important role in cultivating policy champions. In the case of Madagascar, foreign experts used technical reports diagnosing the state of the rice sector and presentations of policy options to convince host-country technocrats of the necessity of reform. Malagasy policy makers who had not been liberals in the past altered their ideas about appropriate solutions to particular problems in the agricultural sector and thus enlarged the range of policy options they would consider.

Essentially, technocrats who had devoted their careers to state management of the economy were transformed into progressive advocates of reform. The cases considered in this study attest to the potential for learning and reflection among African policy makers. Countries where host-country policy makers were genuinely convinced of the importance of reforms—and "owned" the reforms, themselves—led to much more successful policy outcomes than cases where the liberalization program was externally driven.

Close donor contact with host country technocrats leads to more successful implementation.

For reforms to succeed, donors need good access to technical staff in ministries. Donor access is vital for building dialogue and tailoring conditionality to local conditions, as well as for providing assistance in the implementation stage.

Comparison of cocoa/coffee reforms with banana/pineapple reforms in Cote d'Ivoire indicates that the rate of implementation of agricultural sector reforms was highest where the policy process was most open and where donors had contact with technical personnel. In the case of pineapple and banana reforms, the World Bank had started to work hand-in-hand with growers to analyze costs and competitiveness, prior to suspension of lending to the country. The ties developed were strong enough that even after lending was formally stopped, the contacts continued. In contrast, in coffee and cocoa where the marketing board (CAISTAB) regulated contacts between donors and personnel tightly, there were comparatively few advances on key aspects of reform proposals. Technocrats could not act as interpreters, explaining the reforms to their directors, nor could they seek help in overcoming problems they encountered in implementation. Implementation of some of the reforms was stalled, as a consequence.

4.3 Implementation

Policymakers' lack of understanding of market reform and weak intellectual commitment to liberalization inhibit implementation.

Lack of understanding of market reform by political elites erodes local tolerance for the costs and risks of liberalization. In Zambia, only a relative handful of political actors understood proposed market reforms. The concept was murky to many Zambians, largely because it was imposed from without, at the instigation of the World Bank, IMF, and USAID, in the agricultural sector. In Zambia and Cameroon, as well, where market reform was a foreign goal, domestic "ownership" was missing. In cases such as these where commitment to reform did not extend beyond the donors and a small circle of technocrats with temporary backing from political leaders, the reform process dragged out at a slow pace. Donor support proved not to be a strong enough base upon which to build reform efforts.

In all the case studies, reformers met with resistance from officials who did not believe in the ideology of market reform. African policy makers in Francophone countries who inherited the *dirigisme* development strategy and the statist ideology out of which it emerged often lacked an intellectual commitment to reform. The colonial legacy of suspicion of private traders reinforced local skepticism about the free market. The statist development policy pursued by the leaders of non-Francophone African countries, as well, such as Zambia and Ghana, has supported a more active role for the state than reform proposals allow. It was difficult for policy makers who had devoted their careers to state control to be converted to believers in the "miracle of the market" overnight.

Reform is most likely to succeed when implemented by a strong and committed central authority.

To what extent are political liberalization and economic reform compatible? The case studies suggest, at the very least, that in those nations where representational governance functioned best, agricultural reform was most difficult.

Committed political leadership is an essential ingredient of the reform process, however there are often limits to the extent by which that leadership can exercise its authority to implement reform. In the case of Ghana a coup d'etat, political violence and intimidation against the opponents of the Rawlings' regime, and public support for radical change of any kind creating conditions in which the chief of state was able to unilaterally dictate the timing and goals of the national Economic Reform Programme, which included a systemic overhaul of the cocoa marketing system. The success of the ERP provides some comfort to Ghanaians and foreign observers alike, however the inescapable conclusion is that nothing short of a dictatorship could have accomplished what several decades of uncommitted leadership could not.

The presence of strong central leadership does not alone guarantee success for reformers: the Malawi, Mali and Côte d'Ivoire studies portray regimes which enjoy highly-concentrated authority, yet which were so internally fractious as to unnecessarily prolong the initiation of reforms which were widely-acknowledged as being necessary.

The true test of reform effectiveness, of course, comes not with *de jure* implementation, but rather with the degree to which institutional and political culture are sufficiently altered over time as to make reform both effective and sustainable.

Donor conditionality is an imperfect strategic tool in reform implementation.

While donor conditionality can be used to induce government to initiate policy change, it is not an effective tool for either enforcing compliance with reforms or for sustaining reform. Development practitioners should understand what donor conditionality and other forms of leverage can and cannot accomplish.

Conditionality in policy-based grants or lending is a simple *quid pro quo* disbursement of funds based upon the recipients implementation of an agreed upon reform or reform-related action. Characteristically, conditions attached to policy-based financial transfers are seen as a way to lower resistance to change by allowing the recipient greater financial maneuverability during the period of policy transition.

Conditionality is often the subject of heated debate during pre-reform negotiations, however political opposition, and a government's willingness or lack of willingness to override it, becomes more likely to emerge at the implementation stage. The failure of a recipient to live up to its commitments is possible because political leaders are well aware of donors' and lenders' reticence toward any action which might place on-going reform effort in total jeopardy.

A lender's dilemma is further enhanced when the possibility arises that invoking conditionality sanctions will endanger his prospects of recovering his loan.

The means by which governments seek to delay adherence to conditionality are many, and include: politically-based delays, such as election calendars, democratization timetables, and concerns about public security; weather conditions or natural disasters that impact on agricultural productivity during a given year or cycle of growing seasons; exogenous market conditions for agricultural exports; exaggerating the difficulties of enacting a particular reform; prolonging or delaying the implementation process, and; arguing that financing is inadequate given the emerging complexities of enacting a particular reform

The case studies undertaken for this study reinforce a variety of other analyses which emphasize the limited capacity of donor conditionality.[8] Conditionality was successfully invoked when market problems reached crisis proportions in virtually all of the case studies, but was almost never a sufficient condition for producing successful policy reform. In the case of fertilizer in Cameroon, conditionality, and the staged release of funds, in particular, provided an institutional means for the government to make a commitment to liberalization. USAID used the mechanism of a phased program agreement to enhance the political chances of the reform's success by convincing members of the public and private sectors that the government was serious about reform.

In the case of Cote d'Ivoire, The World Bank failed to use conditionality as an effective instrument for enforcing reforms. The Bank lost credibility with Ivorian policy makers when it did not always conduct appropriate reviews of compliance before releasing subsequent tranches of loans. In other African nations, as well, donors have not exercised the leverage that conditionality theoretically provides, and thus the overall credibility of conditionality has suffered.[9]

Finally, in the case of Malawi conditionality conflict emerged when the team negotiating the country's third Structural Adjustment Loan sought to remove a fertilizer subsidy for small farmers which was fundamental to the success of the National Rural Development Programme, which was being financed by the Bank's own project division.

Donors rarely have the resources to monitor a government's compliance with conditionalities, particularly in environments characterized by poor or unreliable government statistics or large and dispersed agricultural communities. As noted in Table 4.1: "Financial Transfers: Four Types of Conditionality," in such settings it can often require several years to obtain adequate policy compliance data.

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[8]See Center for Strategic International Studies, *The Politics of Economic Reform in Sub-Saharan Africa-Final Report*, March, 1992.

[9]See *Ibid*, 1992.

Table 4.1: Financial Transfers: Four Types of Conditionality

Type of Transfer	Instrument (condition)	Target (purpose of condition)	Link between Instrument and Target	Monitoring of Compliance	Legal Enforceability
Loan by bank to individual	Collateral must be transferred to bank to extent of loan default	Maximize probability of repayment	Very tight	Instant	Yes
Loan by IMF to sovereign country	Various, usually including ceilings on central bank credit and public spending	Maximize probability of repayment; reduce aggregate demand	Fairly tight	After delays (usually 1-3 months involved in publication of statistics)	No
Loan by World Bank or bilateral donor to sovereign country	Various, usually including increases in agriculture and energy prices, reductions in rate of protection, etc.	Increase aggregate supply by improvements in economic efficiency	Rather loose	Often not for several years	No
Grant by bilateral donor to sovereign country	Various, usually including market liberalization, cost recovery for government services, deregulation, etc.	Increase aggregate supply by improvements in economic efficiency	Rather loose	Often not for several years	No

This table is adapted from Paul Mosley, "On Persuading a Leopard to Change His Spots: Optimal Strategies for Donors and Recipients of Conditional Development Aid," in Bates, 1988. Mosley did not examine grants by bilateral donors to a sovereign country. However his approach to assessing the effectiveness of conditionality applies well to this instrument, used so often in the support of economic policy reform efforts.

Complementary public policies that strengthen the environments in which the private sector and rural markets operate improve implementation capacity.

The replacement of state-managed agricultural systems with new, viable institutional regimes enhances potential for reform success. For example, USAID program and project assistance helped the Cameroonian government to design a new institutional mechanism for fertilizer provision and fostered private sector participation in the fertilizer reform program.

On the other hand, several of the case studies undertaken for this research effort revealed that when policies were *not* pursued to complement marketing and pricing reforms, implementation was problematic and slow. In Cameroon, for example, where the state had been responsible for the provision of inputs, credit, and technical assistance before the reform, farmers were left in an institutional vacuum after liberalization of cocoa and coffee marketing. In Madagascar and Cameroon, the absence of public policies strengthening rural markets has frustrated the marketing and pricing policy mechanisms for improving market incentives and signals at the farm level. Malagasy rice farmers and Cameroonian cocoa producers lack rural infrastructure, including transportation, credit and savings opportunities and market information on prices.

Contingency planning should be a key element of implementation strategy

By its very nature, agriculture is a risky pursuit, subject to the vagaries of annual variations in weather, natural and man-made disaster, and exogenous market and currency forces. When these are combined with risks engendered by social and political action (e.g. regime changes, democratization, and civil conflict) the complex challenges facing agricultural policy reform can be better appreciated.

While each of the reforms analyzed in the case studies may be considered to have been successful, in whole or in part, no single case took place as originally planned. Opposition to the reform process in key institutions (marketing boards in Ghana and Cameroon), politically important geographic zones (Madagascar and Mali), and among senior government cadres (Zambia, Malawi and Côte d'Ivoire) exerted itself by prolonging the reform process. In Ghana, Côte d'Ivoire and Cameroon sluggish world markets for agricultural exports limited the freedom of reformers to act, prolonged the period during which the benefits of reform were to be realized by agricultural producers and the state alike, while simultaneously allowing the opponents of reform to consolidate their resistance.

The lesson to be derived from all of the case studies is that planning for reform requires the development of alternative strategies that lay out alternative courses of action. The importance of this contingency planning element is that it allows policy-makers to anticipate events and avoid the appearance of indecisiveness when setbacks occur.

4.4 Sustaining Reform

It is not sufficient to assume that political support will coalesce among the beneficiaries of reform. Policymakers and political leaders must work to mobilize stakeholders to defend the reform process.

Policy makers often failed to build support for reform among agricultural sector actors who stood to gain the most from reform, especially small farmers and members of the private sector. Smallholders who tended to be dispersed and disorganized did not have a strong voice in the political debate over reform.

Small farmers in Mali, Cameroon, Malawi, Madagascar, and Zambia lacked bargaining power at the national and local levels and thus did not act as a united, countervailing force against institutions opposing reform. Furthermore, after reforms had been formally adopted in Madagascar and Cameroon, farmers were unable to challenge the traditional patterns of control over marketing networks. Consequently, reforms were only partially implemented.

In contrast, Ghana and Cote d'Ivoire represent counter-examples, where the political actions of potential winners from reform—cocoa and coffee farmers—facilitated reform. In Côte d'Ivoire in 1992, new national farmers unions lobbied for trade liberalization and political reform of the agricultural sector. Specifically, farmers' unions championed efforts to rid internal marketing of opportunities for rent-seeking and emphasized the need for transparency in government operations. In Ghana, small farmers who have most benefitted from cocoa marketing reforms turned out at the polls in support of Rawlings' presidential bid, effectively neutralizing centers of opposition based in the country's largest cities.

Failure to bring private sector actors into the policy dialogue inhibited them from participating in the new policy regime and hindered implementation. Furthermore, inconsistent policies provoked private sector uncertainty about the government's commitment to the new policy regime. Consequently, private traders viewed participation in the new policy regime as a risky endeavor. In the case of Madagascar, the government changed its rice pricing and import policies in mid-season, heightening the risk to private traders of entering the market. The exaggeration of risks stemming from erratic government policies impeded implementation of marketing reforms.

The case studies identified another constraint on private sector participation in privatization efforts: hostility against foreign traders and ethnic groups likely to benefit from reforms. Governments have resisted reforms where the ethnic groups likely to benefit from reforms are potentially powerful politically or economically. Ethnic constraints on reform have been particularly important in West and Southern Africa where fear of the economic power of Asian residents has contributed to a reluctance on the part of governments to implement reforms likely to benefit Asians.

For instance, privatization was a politically sensitive issue to the Malagasy who feared it would benefit exclusively foreign business people, especially Indians and Chinese. Public discontent with liberalization was often targeted at Asian traders who were accused of gouging consumers and were blamed for high rice prices. Economically powerful groups such as the Bamileke in Cameroon and the Lebanese in West Africa have provoked similar fears that economic reform will disproportionately benefit more powerful groups.

Donor commitment to supporting reform should extend to the medium-term

Donors played a critical role in the initiation and implementation phases of agricultural policy reform in each of the cases studied. In some instances (e.g. Cameroon, Madagascar, Mali and Malawi) they also provided financial and technical support for extended periods of time. In the case of Ghana, however, donors came belatedly to the process, only when they became convinced of the Rawlings' regime's commitment to a sustained reform effort.

Just as timing can be crucial to the initiation and implementation of reform, commitments to support reform efforts until they become safely embedded are essential to success. Technical assistance in monitoring policy performance, helping to demonstrate the sustainable benefits of reform, and supporting efforts to transform institutional and political culture are of the greatest possible utility to policy champions in Africa.

At the same time, the tendency for opponents of reform to resist implementation through recidivism, counter-reform measures, and "rent-shifting"; the building of opposition over time; and the impulse to attribute a wide variety of ills to the effect of reform are all dangers to the sustainability of reform efforts. Sluggish economic performance resulting from exogenous variables opens the way for opportunistic attacks on policy-makers, even after the initial benefits of reform have registered.

All of these factors suggest that the best assurance of sustainability is a commitment by donors, as well as policy-makers themselves, to a course of action extending over a period of as many as five to ten years. However, the internal budgeting and planning cycles of donor agencies, such as USAID make this an extremely difficult proposition.

5. STRATEGIC RECOMMENDATIONS

The purpose of this section is to examine the implications for policy reform practitioners of the findings of the seven case studies. It is important to stress that the case material presented in this study does not reveal an easy political formula for successfully undertaking and sustaining policy reforms. Nevertheless, political analysis can be a useful tool for policy reform practitioners. The political analyses conducted in these case studies do contain important insights, findings, and questions that, if kept in mind and applied thoughtfully, will enable officers involved in policy reform to do a better job at the difficult tasks they face.

The case studies indicate that tactics and strategy can make the difference between effective and failed reform efforts. The lessons presented above revealed instances where reformers acted strategically to foster conditions facilitating policy change and better manage reform constraints. The discussion also demonstrated how the absence of strategic management damaged reform outcomes, in several cases. This last sections suggests strategic recommendations for improving reform outcomes in the design/initiation phase, the implementation phase, and finally the long-term "sustainable" phase.

5.1 Design/Initiation Stage

In the design of USAID policy reform programs, there has been a tendency to focus on economic analysis and to concentrate less attention on political, social, and institutional analysis. Yet a central message of the case studies is that policy reform in Africa is an intensely political process which deserves careful attention from policy reform practitioners. Advisors need to think directly about how political factors influence policy outcomes and encourage African policy makers to include political issues in analysis of policy options, before reforms are adopted.

The following discussion suggests how donors can incorporate political factors into the policy initiation process through conducting political analysis themselves, financing training of African policy makers in political management, mobilizing reform supporters, cultivating policy champions, acknowledging and defusing opposition, and taking advantage of politically opportune moments.

- Both prior to and during implementation, Missions should conduct political economy analyses of reform and sponsor training programs in which host policy makers can learn tools for political and policy analysis. Useful analytical techniques for political analysis include stake-holder analysis (Box 5.1) and dynamic political mapping (Box 5.2).[10] These analytical tools aim to develop management skills in designing improved strategies

[10] For a useful discussion of these and other techniques of political analysis aimed at developing management skills, see Crosby, Benjamin, "Management and the Environment for Implementation of Policy Change: Parts 1 and 2," in "Technical Notes," Implementing Policy Change Project, April, 1992 and "Strategic Analysis: A Vital Tool for Strategic Managers," in "Technical Notes," Implementing Policy Change Project, March, 1992, by the same author.

for achieving reform goals and can be used most effectively when reformers view strategic management of reform as an iterative process.

While these tools are useful for clarifying the political environment for reform and its potential effects, they do not prescribe a generic solution to political dilemmas surrounding policy change in Africa. After the analysis is done, the challenge is for reformers to craft the best strategy to fit the particular reform context. After these analyses have been conducted, the next step is to consider prospects for sustaining reform through the implementation stage. The premise behind this type of analysis is that all policy reforms will encounter antagonistic reaction which can be overcome more easily if policy elites develop a specific strategy for managing the reform process. Implementation can be organized in such a way that can reduce the negative impact of policy on certain groups.

- At the reform initiation stage, Mission technical staffs should present a variety of scenarios to host governments as part of the analytical work conducted in support of reforms. The state of the agricultural sector should be forecast under conditions where no reforms are undertaken and where alternative reform packages are implemented. Missions should keep in mind that forecasting alternative scenarios requires substantially more time invested in analytical work than presenting a single policy solution. Nonetheless, if carried out and presented well, it can provide the basis of a learning process for both host governments and USAID. Comparison of an array of policy options also yields stronger arguments for technocrats to present to political leaders.

  The case study experience suggests that the timing of the presentation of analytical findings and presentation style are important considerations when using analysis to effect policy change. For example, foreign advisers to the Ministry of Agriculture in Madagascar made a very influential analytical presentation of three different policy scenarios just before leaders met with the Paris Club, apolitically opportune moment for reformers. Using visually powerful charts, the advisers demonstrated vividly that the current policy regime was unsustainable and persuaded political leaders to undertake dramatic reform of the rice sector.[11]

[11]One such chart prepared by the technical team was especially powerful tool for converting policy makers to support the reform effort. Entitled, L'Hemorraghic de Devises ("The Foreign Exchange Hemorrhage," in English), it depicted in red the amount of foreign exchange necessary to finance Madagascar's rice import bill. Such an image conveyed the extent to which subsidized consumer rice prices had truly "bled" the Malagasy economy.

Box 5.1: Stakeholder Analysis

Stakeholder analysis is a tool for identifying the constellation of political, social and economic interests which may come into play in the policy reform process. It provides insight as to whose interests must be taken into account; the positions that they are likely to take on reform, and their probable response to reform and its effects.

Stakeholder analysis is most relevant (a) during the early phases of the reform process, when policy decisions are being evaluated, deliberated and assessed for their probable effectiveness, and (b) periodically during implementation, when the effects of reform are being most closely monitored. Stakeholder analysis is also a useful tool for donors and host-country policy analysts during their preparations for negotiation of the timing, pace and financial support for the reform process.

A simple matrix for stakeholder analysis is found below, in which the analyst is asked to provide certain information:

Political Actor: Any social, political or economic constituency, party, institution or actor who may be seen to have an interest in the outcome of the policy or issue being analyzed.

Position: Tendency to support or oppose the policy or issue being analyzed. (+, Neutral, or-)

Saliency: An assessment of the relevance or importance of the policy or issue to the actor's interests. (High, Neutral, Low)

Power/Capacity: An assessment of the political actor's ability to influence the outcome by economic, political, violent or other effective means.

Appropriate responses to the information required should be derived from a variety of sources, screened for their bias or authoritative integrity: interviews with the actors themselves, interviews with local and foreign political observers, media and secondary sources, public position statements of the actors themselves, etc.

Stakeholder Analysis Matrix:
Maize Marketing Liberalization in Country X

Political Actor	Position	Saliency	Power/Capacity
Government-licensed buyers	Oppose (-)	High (Protected economic activity)	Moderate (Rely on personal influence with political elites)
Maize producer cooperatives	Support (+)	High (Principal source of income)	High (Actively petitioning regime for this reform)

BOX 5.2 — Interactive Political Mapping

Political mapping is one analytical technique that can be used to develop management skills for designing improved reform strategies. Host country policy makers and donors, alike may find it useful to construct "policy maps" to guide them through the often treacherous and confusing political terrain upon which they travel. While the work that has been done on political mapping is useful in laying out the actors and institutions involved in reform, it has one major flaw: it fails to consider the interactions between the players.

A new type of "interactive policy map" which was designed for use in several of the case studies is presented in Figure 5.2. What is original about this schematic is that it shows the dynamic relationship between different organizations and actors. One way for practitioners to clarify their understanding of the dynamic political forces influencing reform is to draw a policy map in three steps: Figure 5.2 maps the dynamic forces influencing initiation of rice policy reform in Madagascar.

Step 1- Identify the Key Actors

Therefore, the first step is for the analyst to decide who the most important political actors on the path leading to reform. The boxes in Figure 5.1 represent the most important actors at the initiation stage of rice reform in Madagascar.

Step 2-Determine how the Key Actors Interact

The second step is to determine the pattern of interaction between policy actors. This can be done through careful field research, including interviews with the key political actors, and study of the country's political history and policy background. It is clear from the map that in Madagascar, the Presidency is the hub of the policy making process (as illustrated by its position in the center of the map). Therefore, the most important interactions take place between political actors and the Presidency, where policy reform is generated. This map is useful in clarifying potential points of access to the Presidency which were necessary to have leverage over reform initiation.

Step 3- Weight the Influence of Actors on Reform Process

Third, the analyst must weight each actor's influence on the reform process. The relative strength of the influence is indicates in this diagram by the weight of the arrows.

It is more complicated to draw a map of implementation than initiation. Interest groups who did not play a role in initiation, but stood to lose from the policy changes, reacted to the reform in the implementation phase. Several new political actors appear on the policy map, including traders, local government officials, the ruling party, and parastatals, who try to subvert the reform process (as symbolized by arrows 10, 14, and 15 breaking the implementation arrow). Several other cases, including Cameroon, displayed a similar pattern.

Figure 5.1: Politics of Agricultural Policy Reform: Initiation Stage, Phase I

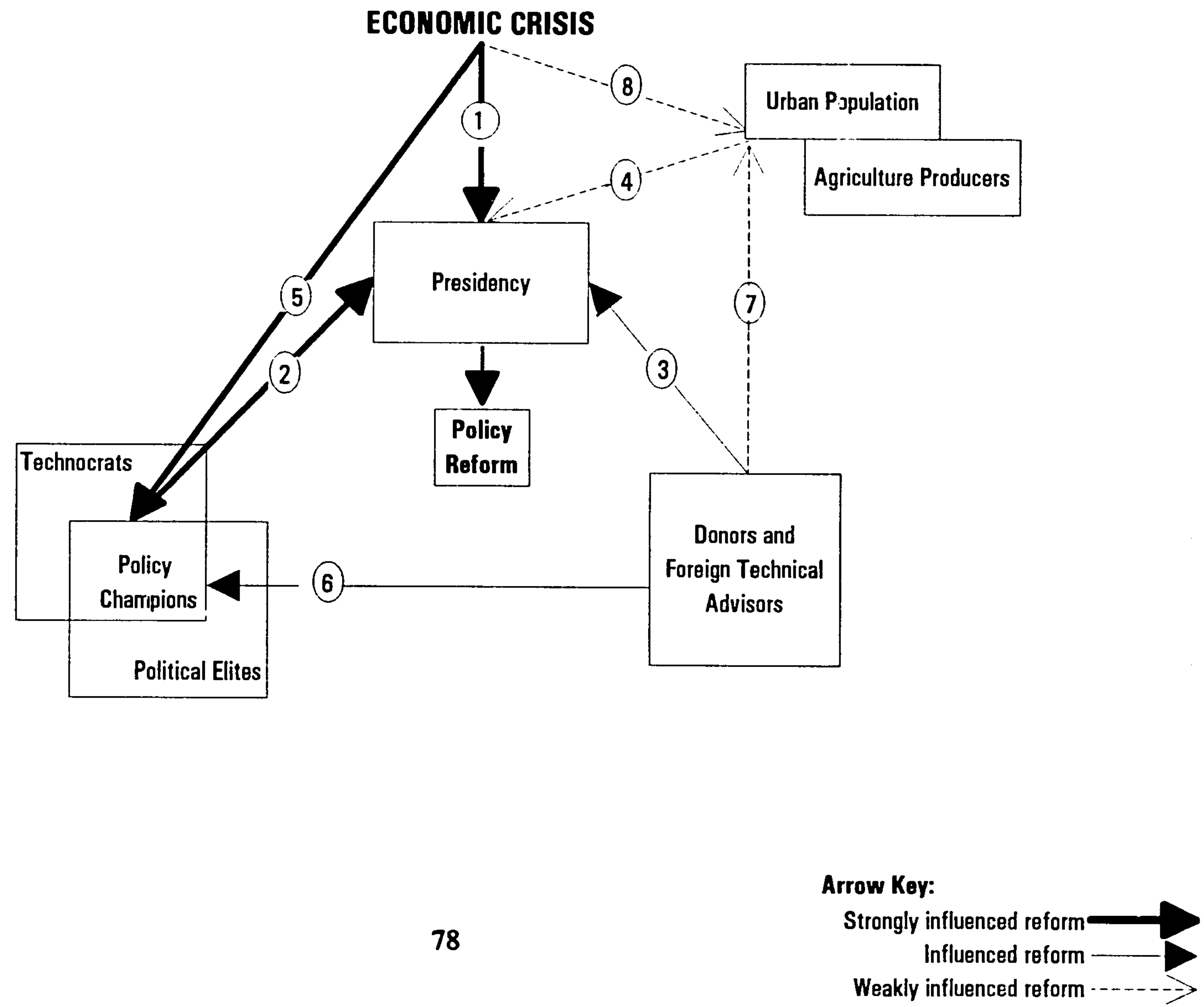
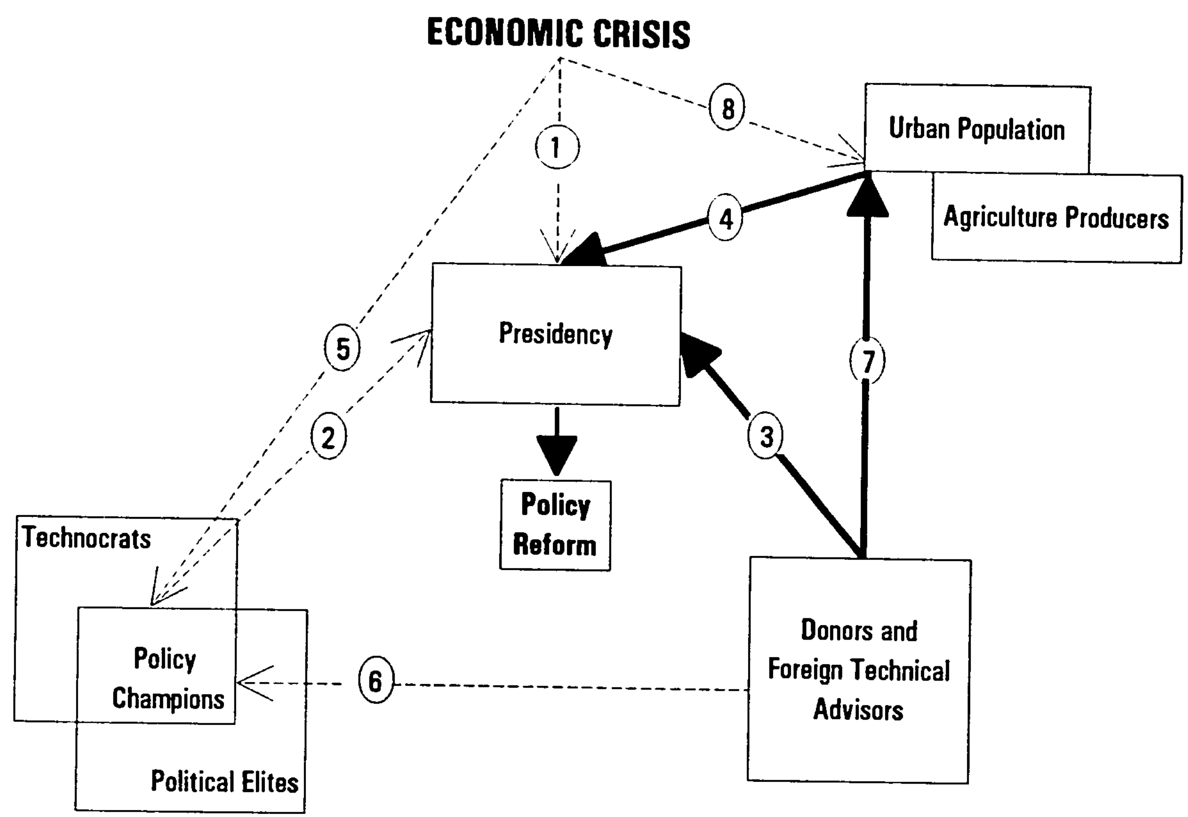
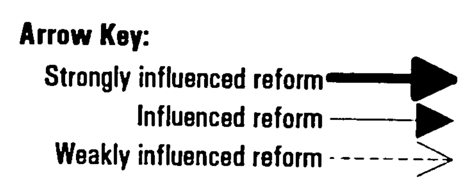


Figure 5.2: Politics of Agricultural Policy Reform: Initiation Stage, Phase II





- Donors should encourage governments to build consensus behind reform and broaden support for reforms among decision makers early on. Donors can sponsor public for a for consensus-building among public officials at the beginning of the reform initiation process. President Traore of Mali effectively used the forum of a National Seminar to build elite consensus behind the grain marketing reforms. Other Malian politicians, as well, minimized the personal risk of spearheading reforms by negotiating for consensus in high-level government forums, such as the *Bureau Executive Central* and the *Conseil des Ministres*. Individual ministers were not held responsible for unpopular decisions taken under the cloak of these executive institutions.

- Donors should encourage policy makers to stem political opposition to reform by integrating "sweeteners" to compensate losers into program design, crafting reforms in such a way that defuses opposition reduces the political risks of reform. In Mali, compensatory measures (*mesures d'accompagnement*) promising government access to funds originally used in paying for subsidies to increase civil servant salaries were used to inspire politicians' support of parastatal reforms. While measures such as these may conflict with the reform objective of reducing government spending, they are essential for capturing the support of the most politically potent losers.

In the case of fertilizer reform in Cameroon, USAID devised a "sweetener" to bring political elites who benefitting from the previous regime into the reform process. USAID Yaounde sent entrepreneurs who had participated in the previous fertilizer distribution regime to a seminar on marketing in Jamaica, ostensibly to facilitate their participation in the new regime. Anticipating that these business people had enough political clout to endanger the implementation process, USAID technical staff created a strategy to coopt them. While small-scale workshops can be funded from project funds, other sweeteners such as the buffer stock strategy in Madagascar discussed above are often expensive and require program funds.

- The last decade's record of both limited external influence on reform and often disappointing results counsels more open minds about the best solution to policy problems among donors. Policy dialogue must become more genuinely two-way, in order to better serve the goal of increasing government commitment and ownership of adjustment programs. In African countries where the state has historically controlled the economy, there is great potential for ideological resistance to liberalization: market-oriented policies are *not* the "natural" first choice of policy makers seeking solutions to their economic problems. Therefore, donors should recognize that the rationale for privatization is not always obvious, and work with host-country policy makers to develop a consensual view of the most appropriate solution to the policy problem.

  Policy dialogue should be more a mutual effort to define key problems and devise alternative solutions than an attempt to persuade governments of the merits of specific external recommendations. This shift is particularly needed with respect to the design of politically unpalatable reforms when host country knowledge and judgment is essential to the design of feasible strategies.

In Mali, for example, in 1984, the diagnosis of problems that eventually formed the basis of its economic policy reform program was done in a shared, collegial manner among professionals from the Mission, host government, and the private sector. The Mission provided the working groups with economic data previously collected for its own country assessments and gave the Malians time to reflect on the implications of the data for the economy before a jointly developed program was designed. Reform is more likely to be accepted politically when host government technocrats have conducted analyses of their economic situation, set their priorities and selected problems to be tackled under the reform program.

- Donors should reach consensus among themselves on reform and coordinate their reform programs. Contrasting ideologies, development theories, policies, and styles of individual donors make collaboration especially challenging. Nevertheless, varying policy positions which result in different spheres of investment and project activity need not hinder reform efforts. Conversely, donors can use differences to their advantage, as the Mali case illustrated. The presence of many players with their own bilateral projects (USAID, FAO, EEC, French, and Dutch) supporting Malian grain marketing provided technical background and knowledge of on-the-ground activities that is often limited when policy reform is undertaken by a single donor. Therefore, donor collaboration strengthened the position of donors in their policy dialogue over cereals marketing reform.

- Donors should identify potential policy champions who are well positioned in key institutions leading the reform effort. Once reform leaders are identified, donors can cultivate their development by sponsoring training in policy and political analysis at the earliest stages of reform, funding reform groups early on in the process, and offering incentives to bureaucrats, such as workshops abroad. Training courses could include analytical methods for defining different policy options as well as techniques of political analysis such as stakeholder analysis and dynamic political mapping. Donors can strengthen the effectiveness of policy champions by providing them with resources to bring to the bargaining table.

- Foreign technical advisers could encourage policy champions by building the capacity of local technocrats to diagnose technical problems in the agricultural sub-sectors that need reform and provide well-defined policy options. USAID should focus on providing support for foreign advisers to build local analytic capacity and provide opportunities to gain experience that they can apply to future policy analysis and management, rather than on conducting the technical analysis themselves. In the case of Cote d'Ivoire, local consultants were better equipped to undertake the technical analysis than foreign consultants.

- USAID Missions should insist upon private sector participation in the policy dialogue. In the case of fertilizer reforms in Cameroon, it was necessary for Mission staff to go over the heads of technocrats responsible for supervising the reform program and advocate at the level of the Presidency for the private sector to be included in the policy dialogue. Their participation boosted private sector confidence in reform and facilitated implementation.

5.2 Implementation Phase

Throughout Africa and in other developing countries, as well, the frequent disparity between policy goals and outcomes has called attention to the problem of implementation. Political analysts acknowledge that implementation involves far more than a mechanical translation of goals into routine procedures and raises fundamental political questions about the division of resources and power in a society (Grindle 1980). Implementation requires highly developed political skills needed to devise the most effective implementation strategies. And yet, design and analysis often focuses only on getting the policy regime approved. The case studies addressed this problem by examining the political factors affecting the implementation process. The following recommendations emerging out of the case studies suggest how USAID can enhance the capacity of African policy makers to strategically manage the implementation process.

- Donors should continue to support high-level workshops in political, institutional, and policy analysis for policy makers participating in reform projects and programs. Policy champions and African academics should be trained to conduct the training themselves for other policy makers new to the reform process. Programs to "train trainers" will foster greater host country ownership of—and commitment to—reform programs. After political and institutional analyses have been done, the policy makers should use the findings to carefully devise an implementation strategy. At this point, USAID should support workshops and seminars for dissemination of the findings and the implementation strategy.

- Donors should strengthen those sectors of society that are "winners" from economic reform, but have thus far been politically weak in most African countries, such as farmers. USAID can undertake activities that promote the organizational strength and capacity of farmers through supporting non-state organizations, such as producer associations. Political liberalization is creating a context in which these types of organizations are likely to become more viable than they have been in many countries in the past. USAID could follow the example of the German bilateral aid agency (GTZ), which recently financed a project supporting mobilization of Cameroonian cocoa farmers in *groupements producteurs* (producer associations) to sell their crops collectively. This project, which resulted in lower marketing margins and, consequently, higher producer prices, improved the environment for implementing export crop reforms.

USAID could also support farmers unions, like those in Cote d'Ivoire that gained a voice in the agricultural policy debate in the early 1990s. Through collective action, cocoa and coffee growers won greater opportunity to market their own production to exporters and suppressed many of the practices that enabled local authorities or traders to extract rents or offer farmers very low prices. Farmers unions and cooperatives used two effective mechanisms to put their issues on the agricultural policy agenda. First, they threatened a farmers general strike that would block movement of export crops and/or food to port facilities and urban areas to convince the government to heed their demands. Second, they called press conferences and public meetings to highlight the abandonment of farmers by the government whose leader, President Houphouet Boigny, cultivated a reputation as the country's "*premier paysan.*"

USAID can support activities such as these either through projects that facilitate specific policy reform programs or in project activities that are not "policy-based." It may be easier politically for donors to fund these organizations through intermediaries, such as indigenous and foreign NGOs.

- Donors should provide a forum for listening to the perspective of farmers, who often lack a political voice at the national or local levels. For instance, in Mali, a rice farmer representing producer groups eloquently presented his views to donors in an effort to put pressure on them to revise their requirements for rice pricing.

- Donors should assist in the creation of viable institutions after the state-run system has been dissolved. One successful example from Mali was the creation of a market information system, *Systeme d'Information sur le Marche Cerealier* (SIM) originally proposed by a research team from Michigan State University funded by USAID. The SIM provided a new sphere of activity which replaced the dismantled Grain Marketing Board, and consequently made institutional change more politically-palatable to staff and management alike.

- Donors should assist governments in conducting publicity campaigns clarifying the content of reforms and the new "rules of the game." It is important that governments make effective efforts to publicly defend their reform agendas, especially in controversial areas such as privatization. Enhancing public understanding of economic issues can help sustain the economic reform process. In the new political environment of Africa in the 1990s, public opinion will play a more important role in determining the viability of reform efforts. USAID Missions should explore activities that enhance public understanding of economic issues in general, and the specific reform program, in particular.

One possibility would be for Missions to hold open, high-profile meetings to defend their proposed policies. In the case of Cote d'Ivoire, the World Bank Resident Representative met regularly with journalists and business associations to build the case for reform. In so doing, he advanced public knowledge of the proposals and of the reasons for them, contributing considerably to the level of economic literacy of the community.

- Recent experience indicates that donors often underestimate the complexity of reform implementation and fail to realize that assistance with implementation is often necessary.

USAID field staff can be most effective by working hand in hand with their African counterparts and engaging in direct and open dialogue over problems with reform implementation. Close donor contact with technical personnel enhances the success of policy implementation. Therefore, missions should be actively involved in program implementation and not allow consultants or Washington support staff to dominate the activity. Donors must also realize that implementation will be heavily staff intensive, if it is to be effective.

In the case of pricing and marketing reforms in Cameroon, representatives of the World Bank who remained distant from reform technocrats were less successful than the French donors who benefitted from 30 years of intimate institutional involvement in Cameroon. Strong resident Missions in Africa will facilitate fuller policy dialogue than that currently allowed by organizations such as the Bank which rely on inevitably hurried visiting teams. In the case of Mali, arms-length interactions with Malian policy makers meant that donors were not aware of the political pressures and risks facing their Malian counterparts.

5.3 Sustainability

Once reforms are initiated and even after implementation has begun, there is no guarantee that they will be sustained in the future. The real challenge of the reform process is how to sustain the gains realized by policy changes. Even in the case of reforms that are "self-implementing"—such as a price increase—sustainability will be determined by public reaction. Therefore, consolidating and institutionalizing reform requires building a new base of political support among emergent winners. The case study experiences suggest the following recommendations for how donors can promote long-term sustainability of policy reform.

- The case studies show that policy reform efforts, by themselves, have not been sufficient to address the agricultural development problems that necessitated structural change. USAID's efforts in agricultural reform should be less narrowly focused on the particulars of policy change and more on fostering the broad societal environment for sustainable efforts. This involves working on activities to promote economic literacy and shape the overall intellectual environment. These efforts should be directed not only at government officials, but also the media, unions, the military, consumers, farmers, and other groups likely to have an impact on the adoption and implementation of reform.

- Sustaining economic reform means affecting a transition to a market-based, private sector-led economy. Donors should provide assistance for strengthening the environment in which rural markets operate. This transition depends upon the generation of a wide range of public goods, many of which are in short supply in Africa. Some of these goods are traditional, while others are related in particular to the needs of the transition period. Especially important are investments in infrastructure and research; and the key institutional underpinnings for a market economy, such as capital markets, privatization capacity, market information systems, and economic monitoring. USAID missions should work with governments, the private sector and NGOs on developing financially sustainable programs of enhanced public good provision.

- The sustainable provision of the public goods needed for the transition to a market-based economy in Africa depends upon fundamentally changing the role of government in Africa. One appropriate entry point for USAID into this process is to focus on building capacity for effective implementation of reform programs. Another potential entry point is for USAID to support efforts to shift to more rule-driven policies and reduce the autonomy of politicians.

- USAID can promote better governance in Africa by supporting measures which enhance civil society. By holding governments more accountable to their citizens, good governance encourages transparency in reform implementation and sustainability. USAID can foster civil society by supporting legal, institutional, and regulatory reform, as well as promoting non-state institutions, such as civic organizations and farmer associations.

- USAID must take steps to foster the political sustainability of reform which requires a change from the "top down" pattern of policy reform that dominated donor efforts in the 1980s. New regimes coming to power in Africa are likely to base their legitimacy on a more participatory policy process. Consequently, USAID should try to broaden and indigenize the policy dialogue process by permitting a wider range of social actors, such as members of the private sector and farmers, to put their issues on the policy agenda. The political sustainability of policy reform in the new political environments of the 1990s will demand far greater attention to coalition-building than had been the case in the 1980s.

- In order to sustain reform, host country technocrats should be responsible for training other African policy makers in political, institutional, and policy analysis. Donors should continue to finance training policy champions to become trainers and take over the leadership of workshops and courses previously conducted by foreign experts.

- Certain key policy changes, such as exchange rate policy reform at the early stage of the reform process, are prerequisites for the success of the overall reform process. Sustaining reform is not possible in nations where reform of an inappropriate exchange rate regime is precluded. Unitl 1994 overvaluation of the CFA franc counteracted policy efforts to create price incentives for export crop production. Thus, there was limited scope to deepen and sustain economic reform efforts in CFA countries, in the absence of basic change in the franc zone monetary arrangements.

- Sustaining reform is not possible unless states transform themselves from instruments of neopatrimonial political control to instruments of development. For example, under the Biya regime in Cameroon where patronage politics still dominate, attempts by elites to subvert the reform program for their advantage jeopardized the sustainability of export crop marketing reforms. Therefore, USAID efforts should focus on countries that have moved the furthest towards political liberalization. While it is appropriate to give additional financing to support reform in newly democratic regimes, such support should be strictly time-bound. USAID should avoid the temptation of trying to create "African winners" through a large and long-term commitment of donor resources.

- Accurate information is a crucial element in making markets operational and in promoting improved governance. USAID activities should focus on improving the flow and lowering the cost of information. These efforts will be much more politically viable given the more open political environment in Africa today.

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105