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**Report of the JCARD Panel on Policies
Affecting Agriculture**



May 1986

Agency for International Development
Washington, D.C. 20523

PREFACE

The Occasional Paper series offers BIFAD an opportunity to circulate papers, reports and studies of interest to those concerned with development issues and the relationship between AID and the broader Title XII community.

This study was undertaken by a JCARD Panel established to examine and to make appropriate recommendations regarding the resources and mechanisms available to AID for initiating and sustaining a dialogue with developing countries on agricultural policy issues and reforms. The report was accepted by BIFAD for transmission to AID for review and appropriate action at the meeting of the Board on May 13-14, 1986.

We believe the report, as well as the initial A.I.D. response (in the form of "Talking Points" incorporated as Annex 5), will be of interest to those concerned with agricultural policy in the developing countries. Our ability to undertake relevant analyses and to engage in fruitful dialogue are essential to our efforts to bring about constructive policy changes in the agriculture sector.

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REPORT OF THE

JCARD PANEL ON POLICIES AFFECTING AGRICULTURE

May 1986

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EXECUTIVE SUMMARY
REPORT OF THE JCARD PANEL ON
POLICIES AFFECTING AGRICULTURE

Background

Hunger and malnutrition remain a major concern of the Agency, and rightfully so even though for the past three decades the world in the aggregate has produced more grain per capita, not less. In any given year of these three decades several million people have died from hunger related causes. And in that same time period, including today, hundreds of millions of people have their growth and physical activity limited by inadequate food consumption. The long run costs in economic and human terms are staggering.

The responsibility of BIFAD, through Title XII, is to make the experience and resources of the U.S. universities more accessible to AID as it attempts to solve problem of hunger and malnutrition. Relating this goal with the major policy dialogue initiative of the Agency, BIFAD believes there is significant opportunity for increased cooperation and commitment on the part of both AID and the universities.

Public policy in the developing countries is a major factor in solving problems of hunger and malnutrition. Accepting the critical nature of policy dialogue to agricultural performance, the specific concerns of BIFAD include building institutional and human capacity within the developing countries to

deal with policy reform; finding more effective ways to work with existing universities and non-university institutions to enhance AID's abilities in the area of policy dialogue; and making specific and constructive suggestions on how AID might organize and allocate resources to make additional use of university and non-university institutions for the purpose of broadening and deepening our understanding of the agricultural development process. With a desire to have these concerns more fully explored, the Panel on Policies Affecting Agriculture was established by JCARD.

The Purpose of the Panel

The main purpose of the Panel therefore is to look at the resources and mechanisms available to AID with regard to agricultural policy and to make recommendations, suggestions, and comments that may be useful in arranging and utilizing these resources and mechanisms more effectively and efficiently. The objective is to enhance our ability to participate in a fruitful dialogue on policy with the developing countries. By fruitful, the Panel means a dialogue leading to policy reforms that make economic, political, social and cultural sense for the long term development of the individual developing countries.

Conclusions

AID has long recognized the central role of government policies and programs in the development process. Substantial technical assistance has been provided to the LDCs to build human resource and institutional capacities

for policy analysis. The Panel concludes that the results have been encouraging but uneven among countries and regions. There is no doubt that AID-sponsored short-term technical assistance will continue to be a necessary component of supplementing the indigenous capacity of the LDCs for policy analysis. The enhancement of indigenous capacity, however, should be a primary objective of AID.

The immediate and critical nature of policy dialogue requires a short-term substantive capacity from within AID that is underpinned by long-term sustained investment in gaining a clearer understanding of country specific policy initiatives on the development of a society. The policy process is dynamic and a developing country working with AID cannot "fix policy" once and for all. The policy process of a country is ever changing requiring flexibility, adaptability, patience, human concern, and appreciation for the overall impact of policy changes. What happens to the individual? What happens to the society? Who benefits? Who pays? What are the overall consequences of policy actions? The Panel concludes that the answers to these questions require a sustained and focused effort at several levels within the missions and AID/Washington.

The Panel believes that at this time insufficient investment is being made to replenish the human resource base and add to the stock of knowledge on food and agricultural policies. AID should be in the forefront of donor agencies that are contributing to this body of knowledge. The Panel would like to see AID assume greater responsibility for generating as well as utilizing knowledge on agricultural policy formulation and implementation.

AID needs to continue to invest in longer-term skill development and research. U.S. education and research institutions including the Title XII universities, USDA, and the private research groups represent valuable resources that should be invested in to generate the necessary human capital and knowledge so essential for AID to be successful with its development programs.

The Panel believes that capacity creation comes with the experience of direct involvement in the formulation and analysis of agricultural policies. Capacity creation in both the LDCs and U.S. institutions is unlikely to occur without an infusion of resources specifically focused on capacity creation in both LDC and U.S. institutions. What is required, therefore, is an increased number of opportunities for long-term sustained substantive relationships among LDC and U.S. educational and research institutions and between AID and U.S. educational and research institutions.

It is the sense of the Panel that AID often defers to the policy pronouncements of other USG agencies and such international institutions as the World Bank and IMF. Sometimes, the full implications of some of these policies may not be adequately understood. The Panel believes that, while this acceptance does not always result in a negative developmental impact, it would be in the best interests of AID to organize in a fashion that would allow for a more independent substantive critique of policy directions and influences exogenous to the Agency. The Panel concludes that the expertise and mechanisms available to AID from within the Agency and from outside

sources could accommodate the above concern if appropriate measures were taken to do so as suggested in the Panel recommendations.

As policy dialogue is used to influence the wide range of policies affecting agriculture, the effort should be recognized as part of a dynamic process that evolves slowly, and even haltingly at times, over the long run. Any potentially constructive impact will therefore depend on continuity of effort, consistency of content, the availability of competent well-informed policy analysts in the recipient country and in AID, and long-term commitment of all institutions involved.

Recommendations

1. Issue: The need for long-term relationships between U.S. and LDC educational and research institutions is a critical part of developing LDC institutional capability to accomplish relevant policy analysis.

Discussion: Capacity creation is a long-term process that requires continuing commitments by both donors and recipient countries. We believe that the time-limited and fragmented assistance AID has often provided in the past is not sufficient to achieve the purpose intended. The Panel is concerned with the need for increased continuity of effort regarding the policy dialogue, policy analysis and LDC capacity building. Contributing to the lack of continuity are the frequent rotations in and out of positions that seem to characterize the career patterns of AID professionals and the increased use of private consultants to provide technical assistance for building LDC policy analysis capacity. In these cases, long-term human and

institutional linkages are missing, handicapping AID's policy efforts. To compensate for this method of operating requires a concerted effort at building institutional and human linkages.

Recommendation: The Panel recommends that a small number of countries be identified for comprehensive capacity building assistance based upon the use of mechanisms that promote long-term linkages among U.S. and LDC public and private institutions. In cooperation with the selected developing countries, an integrated long-term country-specific plan of action should be developed that considers all the necessary components for improving policy analysis capacity and decision making capability in the overall planning system. This would include developing human resources, building institutions, and establishing support services (data base, technical data management, etc.).

2. Issue: A decline in U.S. agricultural development policy expertise in the educational and research community is occurring at a time when the need for this knowledge and expertise is increasing.

Discussion: Staff capabilities in U.S. universities are important for the success of the linkage and research efforts recommended by the Panel and for effective technical assistance and institutional-building projects by AID in the developing countries. Earlier, AID invested through 211(d) grants and cooperative agreements in strengthening and utilizing these capabilities in U.S. universities. Some resources have been provided recently through Title XII strengthening grants, new memoranda of agreement and the Joint Career Corps. Yet the Panel views with alarm the decrease in university

capability that is occurring due to staff attrition, lack of opportunity, and lack of investment in additional staff with interest and competence in agricultural policy issues specifically. Furthermore, the use of the Title XII mechanism and the collaborative mode for project design and implementation is diminishing for AID assistance in this area.

Recommendation: The Panel recommends that a study be initiated by AID for the purpose of investigating and devising more adequate institutional approaches for increasing and maintaining U.S. educational and research staff capabilities in agricultural policy for the purpose of long-term utilization by AID. The study should be conducted by BIFAD in collaboration with AID. The Panel further recommends that AID invest resources in involving those U.S. educational and research institutions willing to develop as individual centers of country specific and/or technical excellence for the purpose of providing technical services in AID's development assistance programs. As for an individual institution, the commitment should include career incentives and a broad based approach to international programs. Steps to increase use of the Title XII mechanism and collaborative mode for project design and implementation should be identified.

3. Issue: There is need for a critical mass in quantity and quality of expertise in formulating and analyzing policy in both the Missions and AID/Washington to adequately focus on policy issues representing U.S. economic development interests at home and abroad in the area of agricultural development.

Discussion: First of all, the missions must have the ability to deal with host country governments and other donors in a well thought out substantive manner. Secondly, the missions through project activities are directly responsible for helping to strengthen the country capacity for policy analysis. Thirdly, AID/Washington must be able to support substantively and technically the needs of the missions with in-house and/or outside resources. Fourth, and less obvious, for a decentralized field oriented agency, AID/Washington must have a capacity to function substantively in the interagency process and to be able to give the Administrator professionally competent, technically correct, and pragmatic policy analysis.

The nature of the way AID does business is changing. The Agency is programming more resources using direct transfer mechanisms. We are increasing efforts to work more closely on policy issues with the World Bank, the IMF, and other international lending institutions. Also, traditional project type assistance has a very strong policy dialogue content. All of these activities require more economic analysis of a higher quality in the field and in Washington.

Recommendation: The Panel recommends that the Administrator establish an ad hoc study group to examine and make recommendations on improving as needed the AID capacity for policy analysis in the field and in Washington. The study group should include AID professionals, staff from other U.S. agencies, and representatives from BIFAD. The study group should utilize the organizational suggestions found in this report as a starting point for the review. They include establishing a Council of Economic

Development Advisors, establishing a small staff economics group in the Office of the Administrator, appointment of a world class Senior Economist reporting directly to the Administrator, and implementing a mechanism for Agency-wide economic policy analysis. Examples of the types of questions to be dealt with are as follows: Is the Agency organized at the mission level to effectively carry out policy dialogue? Is the Agency organized and staffed in Washington to the extent necessary to effectively work on policy dialogue issues with other USG agencies and international organizations? Does AID play an important enough role within the USG interagency process and is the Agency organized properly to make sure that development issues are dealt with adequately in these fora? Is AID staffed and organized to handle policy topics critical to development such as trade, debt, finance, etc.? Are the universities organized in a manner that allows sustained input into the policy dialogue? How can AID make use of existing resources and mechanisms to draw in more analytical capability?

4. Issue: There is a need for a mechanism that can effectively access and efficiently involve U.S. educational and research institutions in long-term research on agricultural policy issues as they relate to the development of the developing countries.

Discussion: The importance of policies for agricultural and economic development is widely recognized. Activities are underway in many countries to describe and evaluate existing policies and analyze the consequences of policy alternatives. However, the Panel concludes that in many cases a serious lack of knowledge on food and agricultural policies and

consequences exists. This lack of knowledge may lead to policy recommendations based on economic preconceptions rather than on an understanding of the country specific influence of policies within the complex process of agricultural development.

With limited resources to apply to the problem of policy dialogue, it is essential that AID make use of resources outside the Agency in a long-term sustained manner. Mechanisms should be found for applying the expertise of the universities and other research institutions such as USDA and the International Food Policy Research Institute (IFPRI) in a non-compartmentalized continuous manner to research and analyse the policy issues of agricultural development. The long-term Collaborative Research Support Program mode offers advantages in ease and efficiency of accessing and involving scientists from any of the participating institutions. The Panel recognizes existing severe budget constraints, but believes that the importance of the policy dialogue effort is such that funding of this type of long-term program is warranted even within lower overall resource levels.

Recommendation: The Panel recommends that steps be taken to develop and implement a long term, adequately supported collaborative research program focused on the policy issues associated with agricultural development.

I. INTRODUCTION TO THE REPORT

"A policy dialogue will need to be considered as a long term investment of talent and resources. When progress is achieved, it will most likely occur in small increments and when we are most successful, it will be from gradual progress over an extended period. We should not delude ourselves that we will be able to catalyze large or dramatic changes in the macro-economic policy arena for a small investment of time and resources."

AID Policy Paper on Approaches to the Policy Dialogue (December 1982).

A. BIFAD^{1/} and the Policy Dialogue

Hunger and malnutrition remain a major concern of the Agency, and rightfully so even though for the past three decades the world in the aggregate has produced more grain per capita, not less. In any given year of these three decades several million people have died from hunger related causes. And in that same time period hundreds of millions of people have their growth and physical activity limited by inadequate food consumption. The long run costs in economic and human terms are staggering.^{2/}

^{1/} The Board for International Food and Agricultural Development.

^{2/} Timmer, C. Peter, Walter P. Falcon, and Scott R. Pearson, Food Policy Analysis, published for the World Bank, Johns Hopkins University Press, Baltimore, 1983.

The responsibility of BIFAD, through Title XII, is to make the experience and resources of the U.S. universities more accessible to AID as it attempts to solve the problem of hunger and malnutrition. Relating this goal with the major policy dialogue initiative of the Agency, BIFAD believes there is significant opportunity for increased cooperation and commitment on the part of both AID and the universities.

Public policy in the developing countries is a major factor in solving the problem of hunger and malnutrition. The future welfare of a society, especially the welfare of its poorest members, depends on the efficient use of resources, including human resources. The policies in the agricultural sector, such as the price of fertilizer, the charge for irrigation water, or the commitment of resources to agricultural research, directly affect the efficiency of resource use. However, it is recognized also that many of the factors influencing the efficiency of resource use in agriculture and the distribution of benefits are reflections of the macro economy and the various policies and programs that affect it. Ignoring the macro aspects of food policy virtually guarantees partial and simplistic solutions that can be sustained only by high economic and political cost.^{3/}

Accepting the critical nature of policy dialogue to agriculture, the specific concerns of BIFAD include building institutional and human capacity within the developing countries to deal with policy reform; finding more effective ways to work with existing universities and non-university

^{3/} Timmer, C. Peter, et. al., Ibid.

institutions to enhance our abilities in the area of policy dialogue; and making specific and constructive suggestions on how AID might organize and allocate resources to make additional use of university and non-university institutions for the purpose of broadening and deepening our understanding of the agricultural development processes. With a desire to have these concerns more fully explored, the Panel on Policies Affecting Agriculture was established by JCARD.^{4/}

B. The Purpose of the Panel

The JCARD Panel on Policies Affecting Agriculture has the basic assignment of looking at how to make policy dialogue work more effectively and efficiently from the perspective of the food and agricultural sector. To the Panel, this "dialogue" implies a two-way communication on matters of policy leading hopefully to a two-way understanding. Therefore, the Panel from the start felt that it needed to look at both sides of that dialogue: the developing country side and the U.S. side. The scope of work then quite naturally began to revolve around the following two general questions:

- (1) How can the universities and AID work together to improve the policy analysis and utilization capability within the developing countries? and,

^{4/} The Joint Committee on Agricultural Research and Development (JCARD) functions in support of the Board for International Food and Agricultural Development (BIFAD).

- (2) How can the universities work with AID to improve the Agency's own capacity to handle issues of policy reform?

The main purpose of the Panel therefore is to look at the resources and mechanisms available to AID with regard to agricultural policy and to make recommendations, suggestions, and comments that may be useful in arranging and utilizing these resources and mechanisms more effectively and efficiently. The objective is to enhance our ability to participate in a fruitful dialogue on policy with the developing countries. By fruitful, the Panel means a dialogue leading to policy reform that makes economic, political, social and cultural sense for the long-term development of the individual developing countries.

II. BUILDING LDC CAPABILITY FOR AGRICULTURAL POLICY ANALYSIS AND UTILIZATION*

Policy analysis and decision making present a paradox for developing countries. The more they need them, the more difficulty they have doing them. On the side of need, the lower a country's level of socio-economic development, the greater the scarcity of its human and physical resources, and the weaker its institutional base, the more essential is good policy information. On the capacity side, those same resource scarcities and institutional deficiencies make good analysis less feasible and utilization less likely. Policy decision-makers and public sector managers are frequently dominated by urgent short-term needs and immediate crises. Long-run goals and alternatives are often deferred to some indefinite future. This dilemma of poor countries is deeply embedded in their institutional environments. Existing knowledge, the flows of data and information, and the capacity to interpret and utilize information for decision making and management, are all constrained by resources, organizational patterns, and attitudes.

However, the explanation for the poor quality of policy analysis and paucity of its utilization lies much more in organizational inadequacies and resource constraints than in irrational behavior of analysts or policymakers. No single management style or optimal organization can be specified a priori. Rather, arrangements that fit with the needs and tasks of analysts must emerge in each country as planning functions are institutionalized within the

*Readers should note, that in varying degrees, the comments found in this section are also relevant to discussion of improving analytical capacity on the U.S. side.

government and integrated into decision making and management processes. The place to begin is often with the technicians themselves: the range of their tasks; the methods they employ; the resources available to them; where they are located; how they are organized; their legal status; and their linkages to other government agencies, policy decision makers, and private sector economic agents.

The Panel views policy analysis -- the systematic identification and assessment of public policy issues and their consequences -- as an essential component of informed policymaking on the choices that all policymakers face relative to the use of scarce national resources for development. AID has long recognized the central role of government policies and programs in the development process. Substantial technical assistance has been provided to the LDCs to build human resource and institutional capacity for policy analysis. The results have been encouraging but uneven among countries. Although AID-sponsored expatriate assistance will continue to be a necessary component of supplementing the indigenous capacity of the LDCs for policy analysis, the enhancement of that indigenous capacity itself should be a primary objective of AID assistance. This section of our report concerns strategies and means by which AID might approach that priority objective, and the role of Title XII universities and other agencies in achieving it.

A. Design of AID Assistance

The development and institutionalizing of capacity for policy analysis may assume many different approaches and forms among countries.

There is no single, generalized optimum "model" applicable to all developing countries at all stages of development. The basic form and style of policy analysis vary among countries depending, for example, on the nature of development issues and the role of government in the development process. The optimum positioning of policy-analytic capacity will vary depending upon the structure and role of organizations in the policymaking process. Some countries opt for highly centralized, relatively large or highly specialized policy analysis structures; others for pluralistic, decentralized, small staffs of generalists. Some policy analysis staffs are oriented toward short-term policy issues; others toward longer-term strategic planning and policy formulation. What works well in one country may be less satisfactory in another. Clearly the development, design, organization location, subject matter focus, and operation of policy analysis institutions must take place in the context of institutional, economic, political, and social environment of the country in question. Standardized, "pat" designs for building policy analysis capacity are likely to fail just as some other types of technology unsuitable to the circumstance have failed.

However, bearing in mind that development of capacity for policy analysis must be approached in a pragmatic, adaptive manner, the following elements will need to be considered in all cases.

1. Objectives. Conceptually, policy analysis can serve policymakers in several ways: defining and clarifying policy objectives; identifying options for achieving specified policy objectives including their comparative economic and social benefits, costs, and distributional

consequences; assessing the cost effectiveness of specified policy instruments (programs); formulating long-term development policies, strategies and plans. The ultimate objective, of course, is to provide timely, relevant information and analysis to facilitate decision making by those responsible for policy formulation and execution. Typically, policymakers will have a continuum of needs for information and analysis ranging from that required for resolution of immediate or short-term policy issues to that required for long-term planning or policy formulation. It is essential that purposes and expectations of policy analysis be carefully and specifically delimited at the very early stages of capacity development. Too frequently policy staff groups are created without clear understanding of their purpose and the expectations of policymakers themselves, the result being poorly designed staff groups and ineffectual analysis. It is essential that policymakers themselves be involved in the process of setting realistic, operational objectives for building institutional capacity for policy analysis to enhance linkage of analysts and decision makers and utilization of the information produced in the policy formulation and implementation process.

2. Institutional Elements. Policymaking in government organizations generally involves several institutions each with specified hierarchical responsibilities for policymaking and program administration. With respect to agriculture, major development policy decisions may involve not only a ministry of agriculture but independent ministries related to commerce, foreign trade, natural resources, and central government planning, for example. Each ministry may require policy analysis capacity at several organizational junctures as may the central, coordinating agencies responsible

directly to the chief elected or appointed policy officials. In planning for development of capacity for policy analysis it is essential that the organizational structure of government and responsibilities of its component institutions in policymaking and execution be understood and incorporated into the design of policy analysis structures. There is no universally optimum design of policy analysis capacity applicable to all countries.

As a general rule, the pluralistic, hierarchical structure of governments will require the design of a system of policy analysis institutions, not a single institution either within or across ministries. For example, most governments possess a centralized planning and/or budget office at the level of the presidency of the state. It may be desirable to develop capacity for agricultural policy analysis within such offices as a means of integrating input to the policy process from several ministries involved with agricultural affairs. In many of the LDCs where the agricultural sector is vital to national economic development, a substantial capacity for agriculturally-related policy analysis and planning will be an essential component in central planning agencies. Similarly, small, specialized agricultural policy analysis staffs may be appropriate at several levels of those ministries having policymaking responsibilities related to agriculture. In the ministry of agriculture, for example, each line operating agency may require a capacity for analyzing policy issues relevant to that agency. Generally, the minister of agriculture will require a directly accessible policy staff as a source of information and analysis relevant to a variety of policy issues ranging from short- to long-term. Typically that staff group also will serve as a body to integrate information and analysis

from other agencies in the ministry and thus provide ministry-side cohesion in policymaking and execution. In some instances a "division of labor" in policy analysis may be desirable. Analysis of longer-term policy issues or analysis requiring estimation or reestimation of economic relationships or development of primary data may be assigned to a specialized research agency, leaving the policy staff at the ministerial level free to concentrate on more immediate short-run analysis and to perform essential task of integrating information in frameworks directly applicable for ministerial decision making.

While governmental institutions are the focal point for policy making in most countries, the building of capacity external to government institutions also requires emphasis. The development of capacity in universities may provide not only a source of human capital for future employment in government institutions but in their own right be an important source of policy analysis and the research and data that must underpin policy analysis. Universities frequently have a comparative advantage relative to governmental agencies in more basic, longer-term research. Similarly it may be desirable to stimulate capacity for policy analysis in the private sector as a means of supplementing capacity within government and universities.

The Panel favors a strategy for design of pluralistic policy analysis systems as opposed to concentrating development in a single institution. However, we recognize that development of the system may need to occur sequentially as resources permit. Although circumstances will vary among countries, the highest initial priority may generally be that of developing capacity within government and specifically at those junctures in

government at or close to the ministerial and chief executive levels. However, the development of capacity at other levels of government and in institutions external to government also is vital. In the longer run the development of that external capacity may be an important determinant of the quantity and quality of policy analysis in government. Further, it is essential that linkages to facilitate communication of information and exchange of personnel among institutions in the policy analysis system be established and maintained.

AID assistance has often been limited in time and directed toward a single agency or function. We believe long-term commitments that systematically address elements in the planning system should be made in countries where conditions are favorable. We include a recommendation for achieving that objective below.

3. Policy Analysis Agenda. The agenda for policy analysis will vary widely among countries and over time within countries. There can be no universal prescription of topics and methods of analysis. However, there are three important components that will require concurrent emphasis and development in the systems we visualize.

Policy analysis can be viewed as the integration and analysis of existing knowledge and data in frameworks that permit policymakers to choose among policy options given specified constraints. Thus, the continuous building of the knowledge and data bases is a fundamental element in building long-term capacity for policy analysis. A second component is that of

integrating specialized, partial sets of analysis and data into analytical models or frameworks relevant to the specific policy issues to be analyzed. Policy issues by their very nature tend to cut across disciplinary or subdisciplinary lines around which research tends to be organized. Until the integration of such research results is achieved in the context of the policy issue at hand, research, by itself, may be of limited value for policymakers. The third component is the "packaging and delivery" of the results of policy analysis. The most rigorous, comprehensive, and sophisticated analysis may be of little value in policymaking unless it is delivered to policymakers in an understandable, usable, timely form that accords with the reality of the issue at hand. Frequently, complex, technical analysis must be reduced to simple but accurate and reliable exposition.

The specific content of the agenda will be influenced by several factors including the role of the particular staff group in the policy analysis system. Ideally, the policy analysis staff itself will have information to permit development of anticipatory analysis, i.e., analysis of emerging policy issues before they necessitate decisions by a policymaker. This type of analysis may be particularly suited to universities and groups within government responsible for long-term planning and policy formulation. In reality, however, major parts of the agenda of staff groups directly responsible to policymakers at the ministerial level are likely to be defined as a result of ongoing policy deliberations of key policymakers and events external to government itself. In these instances, the capacity of the policy staff group to bring together quickly available information and to conduct analysis under severe time constraints will be critical to their effectiveness

in serving policymakers' needs. Of course, not all specification for information for policymaking will come to the policy staff in discrete, neatly packaged issue form. Policymakers may not require formal analysis of some issues; the need may be for general background information or for informal, judgmental assessment or an immediate, pressing policy issue. In such cases, it is essential that the staff have at its fingertips relevant, consistent, timely data and economic indicator sets and analyses or access to analysts who are familiar with the issue at hand.

The importance of accessibility of policymakers to the policy analysis staff cannot be overemphasized. Unless there is effective two-way feedback between policymakers and policy analysts the relevance, timeliness, and usefulness of analysis will be limited for policymaking purposes. In this regard, policymakers themselves bear major responsibility for providing clear indications of priorities of policy issues and a priori constraints to be applied in the policy decision. A basic precondition for development of capacity for effective policy analysis is the existence of a suitable institutional environment. The development of that environment requires among other conditions a commitment on the part of policymakers to define policy issues, objectives, and constraints for purposes of analysis and to provide an institutional climate in which the results of policy analysis and analysts themselves are an integral part of the policymaking process. In short, a demand for policy analysis must exist or be created, including a process for two-way interaction between analysts and policymakers. Too frequently policy analysis capacity is created and left to sink in a sea of indifference because of inadequate institutional development.

B. Components of LDC Policy Analysis Capability

Capacity building in the LDCs may or may not call for more people and institutions. In fact, in today's world of tight fiscal budgets, the challenge is the frequently heard phrase "do more (or better) with less." Capacity building might more accurately be described as the introduction of new skills and working relationships among those individuals and institutions charged with identifying and assessing national agricultural policy options and providing information to policy decision makers.

A "high capacity" policy analysis capability in an LDC is characterized, then, less by quantity of individuals or complexity of institutional structures as it is by the quality of skills brought to the task and the facility with which institutional relationships allow these skills to be employed and the results of analysis applied and utilized. A small, lean, well-focused cadre of incisive and responsive analysts can almost always be counted on to outperform a large, layered, multi-institutional, multi-layered government bureaucracy. Witness the frequency in the United States, for instance, that large federal government agencies turn to smaller private "Brookings" or "Rand Corporation" style "think tank" organizations when timely, hard hitting policy assessments are needed. In fact, policy analysis capacity might well be fostered in large measure outside as well as inside LDC public agencies. While LDC private and academic institutions may also be relatively weak, their potential role should be recognized. AID has on occasion used LDC university staffs as well as some private sector agricultural producer associations to assist in the assessment and formulation

of government development programs and policies. This involvement should be encouraged.

From AID's operational standpoint it is useful to think of policy analysis capacity as having three components. The first of these is the human resource base and its skill levels. The second is the institutional framework within which these human resources function and how that framework is organized -- on paper and in practice. The third component is the support services on which these individuals and institutions depend for the data, data processing, reporting and feedback needed to assure that timely, accurate and relevant policy analysis is possible. Given that there is a demand by decision makers for sound analysis of agricultural policies and given that there is a capacity to implement a set of policies once agreed upon, then skilled manpower, responsive institutional organization, and technical support services form the core inputs to enhance the policy analysis capability. AID has supported these core inputs traditionally in capacity building efforts.

1. Human Resources. The human resources available for policy analysis vary from country to country and in any one country from one year to the next. Every country has a pool of talent to draw upon; this may be domestic in-house public servants or private or academic advisors of either national or foreign origin. The supply of human resources is in part a function of domestic educational institutions -- supplemented with possible training from abroad. It is also a function of demand as manifested in a reward system of salary incentives, scope for career development, degree of recognition and sense of worth or value as contributors to the public

welfare. Both human resources supply and demand considerations are critical to building policy analysis capacity.

Human Resource Supply. Traditionally, AID has focused its assistance on the corps of LDC government public servants in building the human resources needed for agricultural policy analysis. LDC government analysts will continue to play important roles in formulating and assessing agricultural policies; they merit continued AID attention particularly in the form of long-term degree training, short-term in-service skills development and collaborative technical advisory support. Academic background and technical orientation maybe less important than their ability to critically assess policy options from political, economic, financial or even in some cases social and environmental standpoints. They need not be economists.

AID is perhaps in a particularly advantageous role when it comes to human resource development through training. It has the broad institutional base in the U.S. university system to draw upon. Formal training capacity is there and can be quickly expanded to meet growing demand. Policy analysis skills may be more transferable to LDC training participants for use in their work, than, say, some of the technical skills in the biological sciences where the gap in quality of services in LDC and U.S. laboratories may be greater than in the traditional office settings where analysts practice their trade.

AID might do well to establish the training of policy analysts as a centralized program activity in addition to mission or regional project

activities. The need for this approach is manifested in the fact that many policies (e.g., trade, monetary, fiscal) affect the performance of a range of project initiatives assisted by AID. There is a need in many of the LDCs to build a core of analysts to address the broader policy environment within which development programs are implemented. Other donor agencies, the FAO and IBRD, for example, have offered short courses in development planning and project design. As we come to recognize the impact of broader policy issues on our project assistance, the case could be made for developing through special training courses policy analysis skills as well. Focus of human resource development should extend beyond public agencies to reach those in academic and private circles as well. The current limited capacity of many LDC academic institutions and private associations, businesses etc., should not be an excuse for ignoring these talent sources for policy analysis. With a proper incentives and reward system, academic and private sources can grow as well.

One mechanism to build non-government capacity in policy analysis is through AID funded host country contracts with academic institutions and private firms. An assessment of this potential should be a part of the design and development of AID assisted policy analysis activities.

Human Resource Demand. AID should work to establish an adequate reward and incentive system for policy analysts. This will enhance the chances that those trained are attracted to and held in the profession. Salaries are important but not sufficient. An institutional setting conducive to work is important (see below). Also critical, is a system that encourages

timely and well articulated analysis of clearly defined and pertinent issues facing policymakers.

AID can help by conditioning its financial (project) assistance on the agreement to recruit and adequately compensate a core of analysts (inside and/or outside government) to advise on issues identified as critical to project performance. Study groups to assess the impact of interest rate structures on crop production credit programs or price regulations on the farm-level pay-off of agricultural research, extension or input supply activities are examples.

2. Institutional and Organizational Arrangements. Clearly, policy analysis capacity must be housed where it can count on the support -- statistical and computational -- required to make it work; and it is accessible by key decision makers in positions to use its output. The tendency is to place such capacity in a planning, economics or finance ministry. Line ministries such as agriculture are more commonly assigned administrative tasks rather than policy formulation and assessment roles.

This pattern is not likely to change any time soon. It can be workable. Critical to its success, however, are mechanisms that foster interagency consultation and communications. Various approaches to setting up these mechanisms have been attempted in AID recipient countries: task forces, subsector units and multi-agency commissions are examples. Each has its strong and weak features. The following factors appear to make for more sustainable institutionalization of policy analysis capacity: (a) Designation

of lead responsibility to an agency with adequate budget resources. Where one agency has had to depend on the ability or willingness of another agency to provide staff or information, performance of policy analysis tasks has been mixed; (b) Long-term continuity of effort. It takes time to build capacity, attract qualified talent and gain a sense of what is useful to decision makers; and (c) Access to management. The end-users of policy analysts are a small group of decision makers who face rapidly changing conditions and demands for their attention. Frequent and close access is needed to assure that analysis efforts are properly directed to priority concerns and that results are available in time for them to be useful in the decision makers process. Some needs can be anticipated (e.g., proposed new rice levels at the time of next year's crop season); others are net production shortfalls due to bad weather or foreign revenue declines due to deteriorating world export market prices. Other issues are long-term; e.g., the appropriate rate of capital formation or job creation in the agriculture sector. In all cases interaction between the decision maker and the analysts are critical to timely formulation and assessment of policy option relevant to both immediate and long-term development concerns.

3. Support Services. Well-trained analysts in well-organized agencies and well-placed in relation to the decision makers they serve, still require support services to function effectively. These services generally break down into: (a) data or information sources; (b) computational facilities to reduce these data to interpretable results; and (c) technical advisory guidance to turn to in deciding the best methodological tools to apply in a particular analytical task.

Data and Information Services. The raw material of agricultural policy analysis are numbers -- statistical summaries of observations on a range of economic and non-economic variables that trace the course of economic events and their impact on participating groups in national development. The demand for good statistical data is itself a derived demand driven by the particular type of analytical tasks of the moment or by the long-term agenda for analysis if there is one developed.

Data are not a free good. It takes time to collect, to synthesize into usable summary statistics, and to compile in reportable form. Data are to analysis what a foundation is to a building. And like building construction the data collection and tabulation may take up the greatest amount of time and resources. This is particularly true where, as is often the case of the agricultural sector, policy analysis requires "primary" data obtained directly from farmers or consumers.

AID should put adequate project resources into data collection to assure that a sound foundation is laid for building policy analysis capacity. However, good data "engineers" -- surveyors, and statisticians -- are usually scarce and ill equipped in most LDCs. This shortcoming needs to be overcome in AID assistance programs if sound policy analyses are to be crafted for use by national decision makers. Again this calls for more attention to data and statistical services in project design and perhaps a broader centralized programmatic approach to building LDC data collection and reporting capability in general.

Computational Facilities. Today's computer age opens the door for LDC, as well advanced country, policy analysts to perform more thorough and timely analyses than previously possible. The capacity and flexibility of small personal computers makes this affordable for all countries.

Training in micro-computer applications is, of course, necessary. AID has begun to build this into its project assistance. There is probably not much more AID can do at the country level except to see that sufficient micro-computer hardware, software and training in their use is built into its projects where micro-computer applications can be helpful as part of policy analysis activities. More centrally, and with U.S. university help, AID can begin to systematically review and assess some of the micro-computer tools being developed, in many cases by country policy analysts themselves, to assess their general usefulness and applicability to different country policy analysis circumstances.

Technical Advisory Services. The potential kit of policy analysis tools is large. Some tools are elementary, descriptive devices that go no further than looking at trends or comparisons among tabulated data. Other tools involve more complex formulations of technical and behavioral relationships. The choice of analytical tools is as much an art as a science.

Helpful in the process of building skills at selecting the appropriate analytical approaches to a policy issue is the opportunity to access fellow analysts and their work in the same task area. The development and maintenance of networks among policy analysts can provide time-saving and substantive improvements in analysis efforts.

AID should work to build networking and outreach mechanisms among LDC analysts to facilitate exchange of experiences among themselves and with counterparts in the U.S. and other developed countries. AID sponsorship of periodic experts meeting, exchange visits, collaborative research, and short-term consultancies and skills upgrading courses is an avenue open to fostering technical skills.

C. Role of Title XII Universities and Other Organizations in Capacity-Building Projects

The Panel did not undertake a full review of AID projects and other efforts to strengthen host country institutions and analytical capabilities. We did benefit from previous reviews undertaken by the LAC Bureau and S&T/AGR through its Agricultural Policy Analysis Project. Comparing past and present projects and activities is difficult because of variations in time, type, and level of support provided, and in specific objectives of the assistance. We address this issue in our recommendation below for emphasis for longer-term projects that deal systematically with all components of policy analysis systems in a coordinated sequential fashion.

Some trends in assistance are causes for concern. More and more missions are contracting for technical assistance through private firms. In turn, these firms recruit personnel from universities and other agencies since their own in-house technical capabilities are extremely limited. This approach draws on capabilities in universities but does nothing to maintain and improve those capabilities. The resulting erosion of capabilities in U.S.

institutions is a serious matter. If universities cannot provide attractive career opportunities to existing and new staff, the pool of these resources will continue to shrink.

This problem is related to another trend in project assistance that concerns the Panel. As project design and implementation shifts toward mission control, more and more projects call for specific manpower and materials to be provided on request. This approach diminishes the role of the U.S. institution as a collaborator, beneficiary, and contributor to the assistance process. It does not permit the U.S. institutions to provide continuing intellectual leadership in the design and implementation of the projects nor to institutionalize the expertise and experience gained from these projects.

III. AID CAPACITY FOR AGRICULTURAL POLICY ANALYSIS

A. Nature of AID's Policy Analysis Needs

The immediate and critical nature of policy dialogue requires a short-term substantive capacity from AID that is underpinned by long-term sustained investment in gaining a clearer understanding of country specific policy initiatives on the development of a society. The policy process is dynamic and a developing country working with AID cannot fix policy once and for all. The policy process of a country is ever changing requiring flexibility, adaptability, patience, human concern, and appreciation for the overall impact of our recommendations. What happens to the individual? What happens to the society? Who benefits? Who pays? What are the overall consequences of our actions? The answers to these questions require a sustained focused effort at several levels within the missions and AID/Washington.

First of all, the missions must have the ability to deal with host country governments, the IMF, the World Bank, and other donors in a well thought out substantive manner. Secondly, the missions through project activities are directly responsible for helping to strengthen the country capacity for policy analysis. Thirdly, AID/Washington must be able to support substantively and technically the needs of the missions with in-house and/or outside resources. Fourth, and less obvious, for a decentralized field oriented agency, AID/Washington must have a capacity to function substantively in the interagency process and to be able to give the Administrator

professionally competent, technically correct and philosophically unbiased policy analysis.

In the policy dialogue activity, AID has carved out a role as policy advisor. Acceptance of AID as a policy advisor by the LDC has in many cases lead to the acceptance of its advice being made a precondition to receipt of development assistance projects. The policy advice provided by AID in this role has many times tended to be rather general and non-country specific as it has been conceptualized -- get your prices right, or let the markets work. It would appear that policy advice should be based less on purely philosophical conviction and more upon solid, objective analysis of conditions in individual countries and the probable effects of alternative sets of policy reforms.

The Panel believes that if AID is to play a responsible and effective role as an economic policy advisor to the aid-recipient LDCs, its advice should be based on objective, comprehensive policy analysis. This implies the need for a minimum policy capability within the missions. The Agency should have access to country specific research and analysis which provides an analytical, objective understanding of broad policy issues, policy alternatives, policy settings, and probable consequences of adoption of alternative actions under different settings. This should provide the basis for the Agency's broad policy statements and its generalized policy reform advice. Policy should be an integral part of all the agency development assistance projects and activities. That is, there should be internal consistency among all agency programs and activities focused on any given

country. Because policy dialogue is a continuing process, and will be carried out between host country officials and long-term residence members of the AID mission and the Ambassador, AID should have expert policy analysis advisory capability to backstop this ongoing process. To support AID's policy advisory role requires highly qualified and broad gauged policy analysts, a long-term research/analysis base to provide objective foundations for policy advice and dialogue, and the capacity and authority to ensure consistency, with respect to policy, among AID programs and activities.

In Washington, it appears highly desirable that AID at a minimum strengthen its internal capability for agricultural/economic policy analysis to backstop its policy advisory role and to ensure consistency among its entire set of development projects and activities. The internal policy analysis capability should be sufficient enough to: (1) Conduct a limited amount of broad gauged policy research to provide a substantive, analytical basis for determining the broad outlines of the Agency's policy direction and advice in the policy dialogue process; (2) To advise the Administrator on the appropriate role of policy in the Agency's mission; (3) To backstop the policy dialogue process with expert policy analysts; and (4) To interact with and influence the direction of policy research conducted by universities and other institutions involved in longer-term policy analyses and research.

Providing assistance to the LDCs to develop increased indigenous capacity for policy analysis is a very different type of activity requiring a capacity different than that needed for policy advice. This is essentially an institutional and human resource development activity that needs to be an

integral part of ongoing policy dialogue and the policy decision process of the country. It is also important that the institutional linkages among longer-term policy research, short-term policy analysis, policy advising and policymaking and implementation be clearly defined at an early stage. All of these are elements of effective policy review and reform. They may all reside in a single agency or they may each reside in a separate agency. However, it is essential that the distinctness of these functions be remembered and that the linkage among all these functions be established and institutionalized.

B. Current Agricultural/Economic Policy Analysis Capacity in AID

AID draws its policy analysis expertise from an in-house human resource base made up of Foreign and Civil Service professionals spread widely throughout the Agency, both in Washington and in the field. Administratively this expertise is grouped into two broad categories: agricultural officers and economics officers.

In March 1985, there were 238 agricultural officers, of which 46 or 19 percent were functioning as "agricultural economists." Possibly another 5 percent of the supervisory agricultural officer ranks have functioned in the past as agricultural economists giving about 25 percent of the Agency's agricultural officers corps, academic training and experience in agricultural economics as a basis for addressing economic policy concerns affecting agriculture.

A second source of expertise exists among the "economic officer" group in the Agency. These are the program economists charged with overseeing the macro-economic performance of AID recipient countries: e.g., monitoring trends in LDC indebtedness, balance of payments, and monetary and fiscal practices. The program economics expertise is limited to less than one per mission and agricultural policy issues must compete with other economic concerns for their time.

Larger AID field mission and AID/W staffing requirements leave some field missions without either a program or agricultural economist on their staffs. In Africa, where this shortage is most acute, economic policy analysis is provided to smaller missions by regional offices when Agency direct-hire input is required.

On the whole, the Agency's program and agricultural economics complement has held its own absolutely -- and increased relatively -- during recent reductions in overall staffing. This has been accompanied, however, by increasing the supervisory and project management workload of the Agency's economists so it is questionable if capacity, as measured by available work hours to address agricultural policy concerns, has changed.

The Agency has kept up the absolute numbers of economists until recently, by actively recruiting both entry-level and mid-career professionals. Entry-level IDI classes (International Development Interns) have contained, until 1985, a large proportion of agricultural and program economists. Entry-level hiring was stopped in early 1985. Mid-career recruitment has been pursued on a less regular basis.

The analytical capacity of new entry-level economists to handle agricultural policy issues is probably greater than the average for the Agency, given the new microcomputer and quantitative skills they bring fresh from their academic programs. All entry-level economists hired by AID in recent years have had an advanced degree (many Masters and some Ph.D.) and some overseas exposure (Peace Corps, PVOs). Policy dialogue and implementation skills require more seasoned staff with on-the-job experience. Fortunately AID's high retention rate among its field officers particularly enabled it to build up a knowledge and experience based over the years.

Expertise in agricultural policy is scattered among many organization units in AID/W. There is not a centralized unit with overall responsibility for overseeing AID's agricultural/economic policy initiatives. PPC, which has a limited number of policy analysts, has responsibility for reviewing projects, including agricultural policy projects, and for formulating overall Agency strategy and policy. S&T, which also has expertise in agricultural policy, provides technical assistance to missions, primarily through a contractor. Regional bureaus also have some expertise in policy, usually in the technical offices but also in units such as development planning.

Perhaps most critical to sustaining in-house capacity in agriculture policy analysis will be the extent to which the Agency provides for professional upgrading of its current corps of program and agricultural economist. This capacity can also be enhanced by raising the sensitivity of the Agency's non-economist agricultural officers to policy issues as they

affect agriculture program development and implementation. Agricultural policy courses with this objective in mind are being offered by the Agency.

C. Can We Improve Our Efforts

Food and agricultural policy will be of paramount concern to economic development for the foreseeable future. Governments are trying to confront their food problems and they need good policy analysis to do so. Agricultural problems are merged in the broader issues of economic development. Solving these problems involves a long-run vision of how an agricultural system evolves under differing policy environments. With the emphasis on policy dialogue it is essential that AID have a stronger focus on economics and policy in Washington and in the missions. Resources and mechanisms must be organized to obtain a critical mass for policy analysis in AID remembering the distinct yet related areas of concern: strengthening the capacity in AID Washington for supporting the missions, getting technically sound economic advice to the Administrator, handling AID concerns in the interagency process, and in the field strengthening as needed the missions related to substantive policy work.

Because of the increasing complexity of nation building, because of the need to work more fully with international organizations and other donors, because of the need for the United States to be the leader of development efforts worldwide, because of congressional oversight, because of sensitive public concerns, because of increasingly tight budgets, AID, as an economic development agency, needs to comprehend fully the consequences of its policy related actions.

The Agency needs to look more fully at the long-term direction of the foreign assistance program on a continuing basis. The analytical process itself is critical as it allows the careful thinking through of complex problems within a consistent framework. There is no substitute for an in-house capability to assess the major economic issues such as LDC debt, decreasing oil prices, hungry people in the midst of plenty, and the implications of U.S. foreign assistance for U.S. trade. Even if the Agency contracts all of the analysis out, someone has to be able to understand the implications of the results. What could be done to improve our efforts? The following suggestions surfaced during Panel deliberations. They are worthy of more exploration.

The Panel believes that it would be beneficial to establish a Council of Economic Development Advisors (CEDA) to be chaired by and made up of experts in all fields of economic development. The main task of the Council could be to consult with and advise the Administrator on the major issues of development serving as an intellectual sounding board for new ideas and concepts. The Panel could be made up of representatives from the universities, the business community, and other appropriate institutions.

The Panel suggests that a small policy analysis staff be established in the Office of the Administrator. This group could be headed by a Senior Economist, career or otherwise, appointed by the Administrator. The Senior Economist would be responsible for advising the Administrator directly on policy issues. As director of the policy staff, he would be responsible for organizing the production of Agency-wide "big picture" position papers,

option papers, and providing an environment for drawing on AID and non-AID analysts that is conducive to producing creative think pieces on alternative courses of action and early warning of potential problems. The staff itself could be made up of a mix of Agency personnel, detailed staff from other agencies, universities and the private sector. The Senior Economist would also be responsible for guiding the agenda of the CEDA.

Due to the compartmentalized nature of AID's approach to policy analysis, the Panel feels that it would be productive to establish a mechanism to link the regional bureaus, S&T and PPC, (the policy staff should be included if established) to work on issues of developing country policies. With this linkage in mind, a Policy Analysis Sector Council could be established that would be co-chaired by the Senior Economist and the Assistant Administrator of PPC. The objective would be to draw together the staff level expertise of the regional and central bureaus as a means of developing a more coherent and substantive approach to policy dialogue.

The Panel believes that many opportunities exist for increased formal interagency cooperation with other analytical groups such as USDA's Economic Research Service and IFPRI. At this time, the analysis producing relationships with these institutions are tenuous at best. Serious sustained cooperation would be highly beneficial to AID giving the Agency access to analysts and data bases. These commitments should be multi-year and not subject to year-to-year budget gyrations. Exchanges of personnel might be a useful part of these programs.

To facilitate policy dialogue within the LDCs, the Panel suggests that missions be strengthened selectively as needed to improve the capacity for policy analysis. More effective use of foreign service nationals would be helpful. Also it would be useful to improve the capability for quick response world class short-term technical assistance. This would include such special efforts as the Presidential Agricultural Task Forces. As the AID Policy Paper on Policy Dialogue indicates, "it is unrealistic and ultimately counterproductive to try and carry out a dialogue on economic policies of great import to the recipient countries without knowledgeable, competent, and sympathetic people to conduct it. It is noted that much can be accomplished by optimal use of a relatively small number of high quality staff." This is true in Washington and at the mission level. Borrowing from the papers and proceedings of the AID Economists' Conference (November 1984), it was noted that one of the factors said to have been important in determining AID's ability to conduct credible and influential policy dialogue was the professionalism of the mission. The discussants identified the following specific determinants of professionalism: the extent of the mission director's training, understanding and interest in economic issues; how the mission allocated the time of its economists pertaining to technical economic and non-economic work; the ability of the economists to spend time outside of the office in developing relationships with local economists; and the organization position of the economists in the mission.

Related to the above, there is no doubt that more recognition for good policy analysis work could be given to personnel within the Agency. The following quote comes from the proceedings and papers of the Economists' Conference (November 1984):

"Demands on AID economists to do administrative and managerial work frequently for reasons beyond any single individual's control routinely result in the erosion of analytical skills to the detriment of the Agency. The present system, therefore, tends to constrain the flow of economic analysis and in the process to diminish the institution's stock of economic analysis capability. Greater concentration of economists time on applied economic analysis would tend to increase both the flow of economic analysis and the Agency's stock of economic expertise. It is further noted as the economist devotes more time to non-economic tasks, several things happen which are not in the best interest of AID. Exactly what occurs is the function of the individual economist and management unit's particular circumstances. But general observation and conversations with AID economists suggests that typically over time the economist is expected to do more non-economic work or quasi-economic work in less of the core economic tasks. And finally, this gradual erosion of in-house technical capability has the ultimate result that top level decision makers gradually receive less of the critical information they need for well-informed decision making."

And finally, in conducting policy dialogues, AID and host countries draw from the existing knowledge base on the role and impacts of policies as well as specific analytical information generated for the particular country and its policy agenda. Up to this time AID has relied heavily on short-term

expatriate personnel who go to a country to undertake a specified piece of analytical work, which may or may not involve collaborative participation by host-country analysts. Much of this work has been done as well as it could have been under the existing constraints of time and data availability. However, it generally lacks continuity and does little to contribute to cumulative knowledge about causal relationships and appropriate policy choices in varying technical and institutional environments.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

AID has long recognized the central role of government policies and programs in the development process. Substantial technical assistance has been provided to the LDCs to build human resource and institutional capacity for policy analysis. The Panel concludes that the results have been encouraging but uneven among countries and regions. There is no doubt that AID-sponsored technical assistance will continue to be a necessary component of supplementing the indigenous capacity of the LDCs for policy analysis. The enhancement of indigenous capacity, however, should be a primary objective of AID.

The immediate and critical nature of policy dialogue requires a short-term substantive capacity from within AID that is underpinned by long-term sustained investment in gaining a clearer understanding of country specific policy initiatives on the development of a society. The policy process is dynamic and a developing country working with AID cannot fix policy once and for all. The policy process of a country is ever changing requiring flexibility, adaptability, patience, human concern, and appreciation for the overall impact of our recommendations. What happens to the individual? What happens to the society? Who benefits? Who pays? What are the overall consequences of our actions? The Panel concludes that the answers to these questions require a sustained focused effort at several levels within the missions and AID/Washington.

The Panel believes that at this time insufficient investment is being made to replenish the human resource base and add to the stock of knowledge on food and agricultural policies. AID should be in the forefront of donor agencies that are contributing to this body of knowledge. The Panel would like to see AID assume greater responsibility for generating as well as utilizing knowledge on agricultural policy formulation and implementation. AID needs to continue to invest in longer-term skill development and research. U.S. education and research institutions including the Title XII universities, USDA, and the private research groups represent valuable resources that should be invested in to generate the necessary human capital and knowledge so essential for AID to be successful with its development programs.

The Panel believes that capacity creation comes with the experience of direct involvement in the formulation and analysis of agricultural policies. Capacity creation in both the LDCs and U.S. institutions can occur without an infusion of resources specifically focused on capacity creation in U.S. institutions. What is required, however, is an increased number of opportunities for long-term sustained substantive relationships among LDC and U.S. educational and research institutions and between AID and U.S. educational and research institutions.

It is the sense of the Panel that AID defers to the policy pronouncements of other USG agencies and such international institutions as the World Bank and IMF. Sometimes, the full implications of some of these policies may not be adequately understood. The Panel believes that, while

this acceptance does not always result in a negative impact, it would be in the best interest of AID to organize in a fashion that would allow for a more independent substantive critique of policy directions and influences exogenous to the Agency. The Panel concludes that the expertise and mechanisms available to AID from within the Agency and from outside sources, at this time could accommodate the above concern if appropriate measures were taken to do so as suggested in the Panel recommendations.

As policy dialogue is used to influence the wide range of policies affecting agriculture, the effort should be recognized as part of a dynamic process that evolves slowly, and even haltingly at times, over the long run. Any potentially constructive impact will therefore depend on continuity of effort, consistency of content, the availability of competent well-informed policy analysts in the recipient country and in AID, and long-term commitment.

B. Recommendations

1. Issue: The need for long-term relationships between U.S. and LDC educational and research institutions is a critical part of developing LDC institutional capability to accomplish relevant policy analysis.

Discussion: Capacity creation is a long-term process that requires continuing commitments by both donors and recipient countries. We believe that the time-limited and fragmented assistance AID has often provided in the past is not sufficient to achieve the purpose intended. The Panel is concerned with the need for increased continuity of effort regarding the

policy dialogue, policy analysis and LDC capacity building. Contributing to the lack of continuity are the frequent rotations in and out of positions that seem to characterize the career patterns of AID professionals and the increased use of private consultants to provide technical assistance on building policy analysis capacity. In these cases, long-term human and institutional linkages are missing, handicapping AID's policy efforts. To compensate for this method of operating requires a concerted effort at building institutional and human linkages.

Recommendation: The Panel recommends that a small number of countries be identified for comprehensive capacity building assistance based upon the use of mechanisms that promote long-term linkages among U.S. and LDC public and private institutions. In cooperation with the selected developing countries, an integrated country-specific plan of action should be developed that considers all the necessary components for improving policy analysis capacity and decision making capability in the overall planning system. This would include developing human resources, building institutions, and establishing support services (data base, technical data management, etc.).

2. Issue: A decline in U.S. agricultural development policy expertise in the educational and research community is occurring at a time when the need for this knowledge and expertise is increasing.

Discussion: Staff capabilities in U.S. universities are important for the success of the linkage and research efforts recommended by the Panel and for effective technical assistance and institutional-building

projects by AID in the developing countries. Earlier, AID invested through 211(d) grants and cooperative agreements in strengthening and utilizing these capabilities in U.S. universities. Some resources have been provided recently through Title XII strengthening grants, new memoranda of agreement and the Joint Career Corps. Yet the Panel views with alarm the decrease in university capability that is occurring due to staff attrition, lack of opportunity, and lack of investment in additional staff with interest and competence in agricultural policy issues specifically.

Recommendation: The Panel recommends that a study be initiated by AID for the purpose of investigating and devising more adequate institutional approaches for increasing and maintaining U.S. educational and research staff capabilities in agricultural policy for the purpose of long-term utilization by AID. The study should be conducted by BIFAD in collaboration with AID. The Panel further recommends that AID invest resources in involving those U.S. educational and research institutions willing to develop as individual centers of country specific and/or technical excellence for the purpose of providing technical services in AID's development assistance programs. As for an individual institution, the commitment should include career incentives and a broad based approach to international programs.

3. Issue: There is need for a critical mass in quantity and quality of expertise in formulating and analyzing policy in both the Missions and AID/Washington to adequately focus on policy issues representing U.S. economic development interests at home and abroad in the area of agricultural development.

Discussion: First of all, the missions must have the ability to deal with host country governments and other donors in a well thought out substantive manner. Secondly, the missions through project activities are directly responsible for helping to strengthen the country capacity for policy analysis. Thirdly, AID/Washington must be able to support substantively and technically the needs of the missions with in-house and/or outside resources. Fourth, and less obvious, for a decentralized field oriented agency, AID/Washington must have a capacity to function substantively in the interagency process and to be able to give the Administrator professionally competent, technically correct, and pragmatic policy analysis.

The nature of the way AID does business is changing. The Agency is programming more resources using direct transfer mechanisms. We are increasing efforts to work more closely on policy issues with the World Bank, the IMF, and other international lending institutions. Also, traditional project type assistance has a very strong policy dialogue content. All of these activities require more economic analysis of a higher quality in the field and in Washington.

Recommendation: The Panel recommends that the Administrator establish an ad hoc study group to examine and make recommendations on improving as needed the AID capacity for policy analysis in the field and in Washington. The study group should include AID professionals, staff from other U.S. agencies, and representatives from BIFAD. The study group should utilize the organizational suggestions found in this report as a starting point for the review. They include establishing a Council of Economic

Development Advisors, establishing a small staff economics group in the Office of the Administrator, appointment of a world class Senior Economist reporting directly to the Administrator, and implementing a mechanism for Agency-wide economic policy analysis. Examples of the types of questions to be dealt with are as follows: Is the Agency organized at the mission level to effectively carry out policy dialogue? Is the Agency organized and staffed in Washington to the extent necessary to effectively work on policy dialogue issues with other USG agencies and international organizations? Does AID play an important enough role within the USG interagency process and is the Agency organized properly to make sure that development issues are dealt with adequately in these fora? Is AID staffed and organized to handle policy topics critical to development such as trade, debt, finance, etc.? Are the universities organized in a manner that allows sustained input into the policy dialogue? How can AID make use of existing resources and mechanisms to draw in more analytical capability?

4. Issue: There is a need for a mechanism that can effectively access and efficiently involve U.S. educational and research institutions in long-term research on agricultural policy issues as they relate to the development of the developing countries.

Discussion: The importance of policies for agricultural and economic development is widely recognized. Activities are underway in many countries to describe and evaluate existing policies and analyze the consequences of policy alternatives. However, the Panel concludes that in many cases a serious lack of knowledge on food and agricultural policies and

consequences exists. This lack of knowledge may lead to policy recommendations based on economic preconceptions rather than on an understanding of the country specific influence of policies within the complex process of agricultural development.

With limited resources to apply to the problem of policy dialogue, it is essential that AID make use of resources outside the Agency in a long-term sustained manner. Mechanisms should be found for applying the expertise of the universities and other research institutions such as USDA and the International Food Policy Research Institute (IFPRI) in a non-compartmentalized continuous manner to research and analyse the policy issues of agricultural development. The long-term collaborative research support program mode offers advantages in ease and efficiency of accessing and involving scientists from any of the participating institutions. The Panel recognizes the severe budget constraints, but believes that the importance of the policy dialogue effort is such that funding of this type of long-term program is warranted even within lower overall resource levels.

Recommendation: The Panel recommends that steps be taken to develop and implement a long term adequately supported collaborative Program focused on the policy issues associated with agricultural development.

POLICY AND THE DEVELOPMENT PROCESSA. Public Policies and Agricultural Performance: Why Agricultural Policies Matter

While there is widespread and welcome evidence that governments of developing countries, as well as multilateral and bilateral donor agencies, are giving greater priority to food and agriculture in their development strategies and programs, the current situation in many countries calls for even greater efforts. Most developing countries confront serious challenges in adjusting to adverse external economic conditions and modifying their own policies and investment programs to improve their food and agricultural performance in support of their overall economic development. An essential key to meeting these challenges is the choice of valid national agricultural development strategies within national policy frameworks, including the selection and implementation of effective agricultural policy measures and productive public investment programs and projects.

Ill-advised government policies are now recognized as an important factor underlying the poor performance of agriculture in many developing countries. This recognition has led to a greatly increased emphasis on "policy dialogue," including use of structural adjustment or sector loans linked to stipulations about policy reforms to be adopted by the recipient country. It has become increasingly clear that effective domestic policies are the key to success in achieving development goals in developing countries.

Many public policies and investment programs affecting food, agricultural, and rural development exist in every country. For this reason, policy formulation and investment allocations are extremely difficult and complex. Yet, coherency in policies and programs is the essence of effective public management for agricultural development. This coherence is difficult to achieve if a country relies largely on an approach involving investment project formulation and implementation. It is becoming increasingly apparent that realistic planning, improved policy formulation, and effective investment program implementation are all necessary for successful agricultural and rural development.

Without appropriate planning and policy analysis, LDCs are finding it difficult to identify and implement the linked and interdependent policies, programs, and projects at the national, sector, regional, and district levels that are needed to achieve their multiple objectives for economic and social development. Concern with the interaction of the agricultural sector with the overall economy, the linkage of projects and districts to sector and economy plans and policies, and widespread citizen participation, are all becoming recognized as important elements of successful strategies.

The linkage of the agricultural sector to overall national performance is crucial since policies that affect food and agriculture are often determined outside the sector itself. Such key policy decisions as exchange rates, tariffs, interest rates, investment allocations, and subsidies are usually controlled by high-level policymakers located elsewhere in the government and advised by their own policy analysts.

Particular attention has focused on overvalued exchange rates and artificially low official prices for major farm products that have turned the domestic terms of trade against the agricultural sector. There has also been a great deal of concern over the poor performance of various types of parastatal organizations that are often given operational responsibilities for the marketing of farm products and the distribution of inputs.

There is a danger, however, that preoccupation with those particular policy issues, important though they are, will lead to an inappropriately narrow view of the role of policy in the development process. In their recent book on Food Policy Analysis, Peter Timmer, Walter Falcon, and Scott Pearson offer a definition that is also relevant to agricultural policy: "Food policy encompasses the collective efforts of government ... to influence the decision making environment of food producers, food consumers, and food marketing agents in order to further social objectives. Although the emphasis of policy is on the collective efforts of government ... to further social objectives," the goal is "to influence the decision making environment" of producers, consumers, and other economic agents.

A fundamental concern of policy analysis is to determine the range of activities to be included in "the collective efforts of government to influence the decision making environment ...". The AID Policy Paper on Private Enterprise Development (March 1985) refers to government's role in "the provision of universally accepted public goods like national defense, public safety, monetary policy and enforcement of contracts ...". What public goods or quasi-public goods in the realm of agricultural policy should be of

concern to governments? Clearly answers to that question should be specific to a particular country and a particular point in time.

In virtually all countries there is general agreement that agricultural policies should be concerned, in greater or lesser degree, with research, extension, and other support services; prices of food and other major agricultural products; investments in and maintenance of rural infrastructure; product marketing; input distribution; and agricultural taxation, including the de facto taxation that often results from national trade and exchange rate policies.

Most importantly, as policy dialogue is used to influence this wide range of policies, the effort should be recognized as part of a dynamic process. Its constructive impact will therefore depend on continuity, consistency, and the availability of competent and well-informed policy analysts in the recipient country, in AID, and in other donor agencies. The following is an exceptionally concise and useful statement of the nature of policy analysis:

Good policy analysis recognizes that physical truth may be poorly or incompletely known. Its objective is to evaluate, order and structure incomplete knowledge so as to allow decisions to be made with as complete an understanding as possible of the current state of knowledge, its limitations, and its implications. Like good science, good policy analysis does not draw hard conclusions unless they are warranted by unambiguous data or well-founded theoretical insight. Unlike good science, good policy analysis must deal with opinions, preferences, and values, but it does so in ways that are open and explicit and that allows different people, with different opinions and values, to use the same analysis as an aid in making their own decisions.^{1/}

^{1/} Morgan, M.G., Editorial, Science, September 15, 1978.

B. Selecting the Issues

The Administrator's statement introducing AID's FY 1986 Congressional Presentation notes that the Agency's long-run development strategy emphasizes four components: (1) policy dialogue, (2) institutional development and training, (3) [promoting] reliance on the private sector and market forces, and (4) research and technology development and transfer.

The statement further stresses that, within the context of broad and equitable development, there should be a focus on six key development problems: (1) unemployment and underemployment, (2) chronic hunger, (3) health deficiencies, especially infant and child mortality, (4) unmanageable population pressures, (5) illiteracy and lack of education, and (6) financial instability and structural weakness.

It is obvious, however, that at any point in time a meaningful policy dialogue between AID and a host government can focus on only a few issues. Part of the art of good policy analysis is to select the "right" issues, probably being guided mainly by the importance of the issues and whether circumstances are auspicious for a fruitful policy dialogue on them. Furthermore, given the fact that in a number of developing countries AID is currently providing only about 10 percent of total aid (compared to 50 percent or more in India during much of the 1960s), the extent to which AID can expect to have leverage is limited.

The issues that merit priority in policy dialogue are, of course, specific to a particular country and point in time. Remembering that the developing

countries have some significant features in common as well as important differences, the following sets of issues appear to merit priority attention:

(1) Issues concerned with macroeconomic and financial policies and structural constraints. These are problems that tend to lie outside the purview of Ministries of Agriculture and the areas of expertise of most agricultural economists. It is nonetheless important to emphasize that many of the problems of poor management of agricultural programs are systemic problems that derive in large measure from deficiencies in macroeconomic management: budget deficits, rapid inflation, overvalued exchange rates and the periodic budget crises and acute shortages of foreign exchange that have plagued developing countries in recent years.

It is also essential to recognize the extent to which these factors have been exacerbated by external factors. The effects of unfavorable shifts in the terms of trade with the upsurge in oil prices in 1973 and 1979 and the sharp drop in export prices of coffee and other commodities in the late 1970s are obvious. Possibly more important in Africa has been the proliferation of aid projects calling for increases in local currency expenditure that have grossly exceeded the capacity of host countries to increase government revenues and meet recurrent costs.

(2) Issues concerned with promoting greater reliance on the private sector and on market forces. While it is easy for donor agencies to proffer advice on this issue, it is difficult to initiate a fruitful policy dialogue. This is in part because of deficiencies in policy research and policy analysis

among both donor and recipient countries. What is needed particularly in this instance is an ongoing process of policy dialogue that leads to greater awareness that in the long-run private firms or independent cooperatives responding to market-determined prices have a significant comparative advantage in performing essentially commercial functions such as marketing agricultural products and distributing fertilizer and other inputs. It is essential to recognize, however, that there are cogent reasons why governments are reluctant to withdraw from such activities. These include political considerations, especially the extent to which trade in rural areas has in the past been dominated by aliens (Lebanese in West Africa, Asians in East Africa) and the political patronage dividends that can be realized from maintaining parastatals for carrying out those functions and by giving influential farmers preferential access to scarce resources.

Particularly with respect to the distribution of inputs, however, there are also reasons that have considerable validity in relation to agricultural development objectives. So long as there is only limited farm demand for fertilizers or other inputs within certain farming regions, few private firms will be interested in meeting that demand. As a result, the new inputs may not be available at all or they may be available only at monopoly prices because of the lack of competition among firms or cooperatives supplying inputs. Such problems are less serious in relation to the marketing of farm products, although in that case as well there is need for better understanding of the transitional problems that may arise in dismantling marketing boards or redefining their role to that of "buyer of last resort."

(3) Issues concerned with strengthening the national agricultural research systems, other supporting services, and a country's rural infrastructure. Research capable of generating the sequence of innovations needed to enable small holders to achieve continuing increases in farm productivity merits a particularly high priority. The African example, in contrast with Asia, indicates that bilateral and multilateral donors have tended to neglect the long-term investments in human capital formation and institutional development required to strengthen agricultural research. Fortunately, that failure is now being recognized and corrective action seems likely. The AID "Plan for Supporting Agricultural Research and Faculties of Agriculture in Africa" (May 15, 1985) is a significant contribution toward the policy analysis required to implement such a shift in priorities.

In strengthening research and other supporting services, it is essential for recipient countries and donor agencies to ensure that policies and programs are designed to foster a broad-based pattern of agricultural development rather than a dualistic pattern in which resources are concentrated in a subsector of atypically large and capital-intensive farm units. AID has given a great deal of attention to this issue. The 1978 and 1982 agricultural development policy papers both endorse a broad-based strategy, which is also clearly implied in the Administrator's statement discussed earlier.

There is now a great deal of lip service given to the idea that agricultural development in the late-developing countries in Africa and elsewhere should be based on fostering increases in productivity and output among small-scale farm units. In land-scarce countries, it tends to be

recognized that favoring a subsector of large farm enterprises will be at the expense of reducing the average size of the great majority of farm units. In African countries, however, policies to promote large farms and tractor mechanization have often been based on the assumption that encouraging large-scale, mechanized farm enterprises will have no effect on the prospects for promoting increases in productivity and output among small-scale farm units. In fact, when some 60 to 80 percent of a country's population and labor force are still dependent on agriculture, preferential treatment of large-scale farms that satisfy most of the domestic commercial demand for farm products accentuates the cash income/purchasing power constraint for the great majority of farm units and thereby preempts the possibility of broad-based agricultural development.

(4) Issues concerned with the incentive structures facing agricultural producers and marketing enterprises. Far beyond simple policy prescriptions for aligning domestic with international prices, policy analysts need to evaluate the complex and interrelated impacts of price, trade, tax, and exchange rate policies upon producer groups which vary by size and location, consumer groups which vary by income level, marketing agencies, and government budgets. Continuous monitoring and analysis of policy reforms is required to enable policymakers to respond appropriately to changing domestic and international market conditions.

C. Speaking Truth to Power

Useful policy dialogue, as mentioned earlier, must be part of an ongoing policy process. Two of the necessary conditions for fruitful policy

dialogue are that the dialogue obviously must focus on the issues that merit priority attention, and, further, that the representatives of host governments as well as donor agencies must have the necessary qualifications to engage in dialogue. Fulfilling those conditions depends on the availability of economists, specialists from other disciplines, and administrators who have acquired a degree of skill in "speaking truth to power."^{2/}

Recent studies of the policy dialogue in India during the 1950s and 1960s between U.S. and Indian policy analysts and policymakers emphasize that the degree of success ultimately achieved was due in large measure to the competence of the participants, a high degree of consistency in the views advanced by U.S. specialists, and the continuation of the dialogue over a period of years.

Given the complexity of the issues that arise in designing and implementing effective strategies for agricultural development, the "truth" that analysts are able to speak is almost invariably tentative and partial. Merely to define the agenda for policy dialogue is no simple task. Preoccupation with "getting prices right" will be of little value if attention is not being given to the investments in research, infrastructure, and other elements that determine the capacity of farmers to respond to improved production incentives.

^{2/} Wildawsky, Aaron, Speaking Truth to Power, 1979.

THE RELATION OF POLICY ANALYSIS TO DECISION MAKING

The main purpose of policy analysis is to provide information to decision makers and managers involved in policy formulation and implementation. The information provided by analysts can serve several useful functions: (1) It can help to better define policy problems that at present are only vaguely understood, (2) It can clarify the consequences of existing policies, (3) It can identify new policy alternatives and show the consequences of each in a cost-benefit framework, and (4) It can assist decision makers in choosing among alternative policies based on given goals and objectives.

A. Decision Making and Policy Analysis

Decision making in all economies is both public and private. In a public management context, decision making is concerned with the formulation, implementation, and evaluation of policies and public sector programs and projects. It is the responsibility of the decision makers and managers in the political-administrative system (Figure 1). In the rest of the economy (and society) decision making is carried out by private firms and households and decentralized public enterprises, the economic units responsible for production and consumption activities.

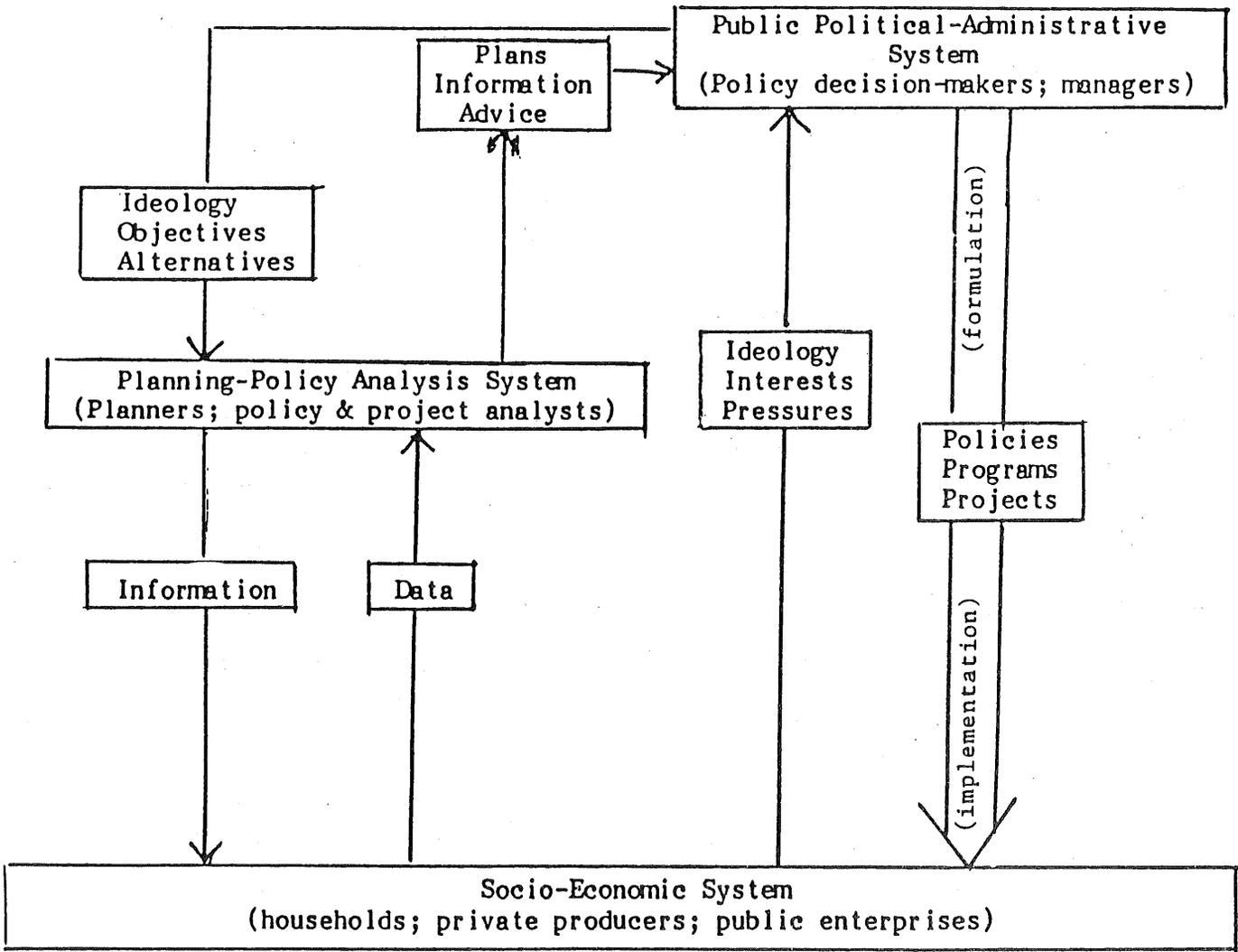


Figure 1. Policy Analysis in Relation to Policy Decision-making and Public Sector Management

The public political-administrative system, composed of policy decision makers and managers in implementing agencies, is responsible for the formulation and implementation of policies oriented toward influencing action of socio-economic agents to speed achievement of desired goals. Although analysts are not themselves responsible for policy decisions and management activities to implement policies, they have an important role to play in support of policy decision making and implementation actions.

Policy analysis includes all of the activities that generate and present information to improve the basis for decisions by policymakers and implementation actions by executing agencies. Analyses can range from informal advice, possibly based on nothing more than experience and opinion, to formal studies and plans requiring extensive data gathering and analytical procedures. Policy analysis, therefore, can best be described as the process that produces analytical information for the purpose of improving public policy formulation and implementation.

Within the public sector this includes identification of alternatives, the likely consequences of those alternatives, information to support the implementation of selected alternatives, and evaluation of the positive and negative impacts of implemented policies and programs. This information may be conveyed in plans, policy studies, informal documents, or direct advice and consultations with policy decision makers and managers.

In generating information, the planning system uses data gathered from the socio-economic system and ideological guidance on goals and relevant

alternatives obtained from interaction with policy decision makers. These data will also contain information on values and norms within the socio-economic system, communicated to policymakers through political channels. The extent of this communication, and the degree to which it influences the policies of the government, depends on the political system of the country.

The central role of the planning-policy analysis system is the creation of information to support policy decision making. The myriad of data gathering, analysis, and dissemination activities in any country generates these information flows and provides the result to those who use them in making decisions.

B. Data and Information for Decision Making

As governments have extended the scope of their interventions in the economy and set diverse and more ambitious goals for socio-economic development, demands for more extensive, relevant, and reliable information have grown. In response, data collection activities have proliferated in every country. The data produced, however, are not necessarily information. All measurement of real-world phenomena produces data, but these data are rarely of much direct use for policy decision making and managing programs. For those purposes, data must be transformed so that they are useful in a given context. Data, therefore, are not information in themselves, but rather raw material from which information can be produced. Many processing operations and statistical techniques are used to transform data from its raw form into information that can be used for decision making and management.

Information about food, agriculture, and the rural economy is needed in all countries to formulate and implement government policies and programs and to manage public and private resources. Public data collection is as old as institutionalized governance and census taking has been common since early civilizations.

Collecting data and producing information can be a costly process. Personnel required included statisticians, enumerators, coders, programmers, and policy analysts. Computers and other hardware are needed to process the raw data. Transforming the data into information requires human and financial resources. Dissemination of the information to users can also be difficult. The aggregate of all resources required for gathering the data and disseminating information can be considered as the cost of the information.

It is less simple to clearly identify the value of the information. The goal of information is to improve decision making. This is to say, decisions are more likely to be "right," in the sense of more apt to produce desired results. Conceptually, the value of a unit of information is the improvement in decisions attributable to its use. (Operationally, neither the units nor the gains are easily evaluated.) As such, the benefits of information are related to its relevance, its reliability, and its timeliness.

The collection of data and production of information that is not relevant to decisions wastes resources. It uses resources without returning any gain in terms of improved decision making. Reliability is also important. Unreliable information does little to improve decisions. Finally, information

must be timely. It loses value if made available only after a decision has been made or a management option selected.

In all countries resources that can be devoted to data collection and information generation are limited. It is important, therefore, to consider which types of information are needed by whom and for what, so that the information with the highest value can be produced. Furthermore, since absolute accuracy is impossible, decisions must be made on the degree of reliability needed in relation to the costs of achieving it.

Data systems are increasingly subject to obsolescence where the data being collected no longer give reliable or relevant information about real problems of the economy. Obsolescence may arise either from changes in the variables being measured or from shifts in problems and policies. If variables change but no changes are made in the operational definitions of measurements being made, the data system will be reflecting a reality that no longer exists. Each time a policymaker is faced with a new problem or considers a new policy option, it is essential to determine whether the present data system is supplying the raw data needed for its analysis. The process of adjusting the data system to make it more relevant to current policy concerns and contemporary socio-economic reality is a continuous and unending one. In a world of change, data needs also change rapidly. For this reason, it is just as important to keep an eye on the changing nature of the policy questions as to focus on information needed to address today's problems.

C. Utilization of Analytical Results

While the proposition that all decision makers have a need for information may seem obvious, it does not follow that all information produced by analysts will automatically be utilized. In a simple world, decision makers would be faced with choosing one alternative from a limited and explicit choice set based on a single criterion. Under those circumstances, analysts could easily rank the alternatives according to the agreed-upon objective. The approach of constrained optimization made familiar in microeconomics would be applicable. This could involve either fixing the level of goal achievement and ranking alternatives according to their cost or fixing a level of cost and ranking them by their degree of attainment.

In practice, however, goals are usually multiple and not all costs and benefits can be evaluated in quantitative terms. Moreover, as the analysis becomes more comprehensive, more decision makers, implementing agencies, and socio-economic groups become aware that they have interests in the decisions to be made. For this reason, and also to guard against recommendations that are biased by what the analyst feels should be done, the best approach may be to present a "scorecard" of the impacts of the alternatives and leave the ranking problem to the decision makers. Policy impact matrices, such as the one shown in Table 1, can be utilized for this purpose.

This approach places the emphasis on a full display of the consequences of the policy alternatives -- costs, benefits, and their distribution, qualitative as well as quantitative. This information should be accompanied

by a frank indication of how uncertainties could affect the various impacts. This approach encourages decision makers to ask "what if" questions which, when answered by the analysts, may lead to the design of other alternatives.

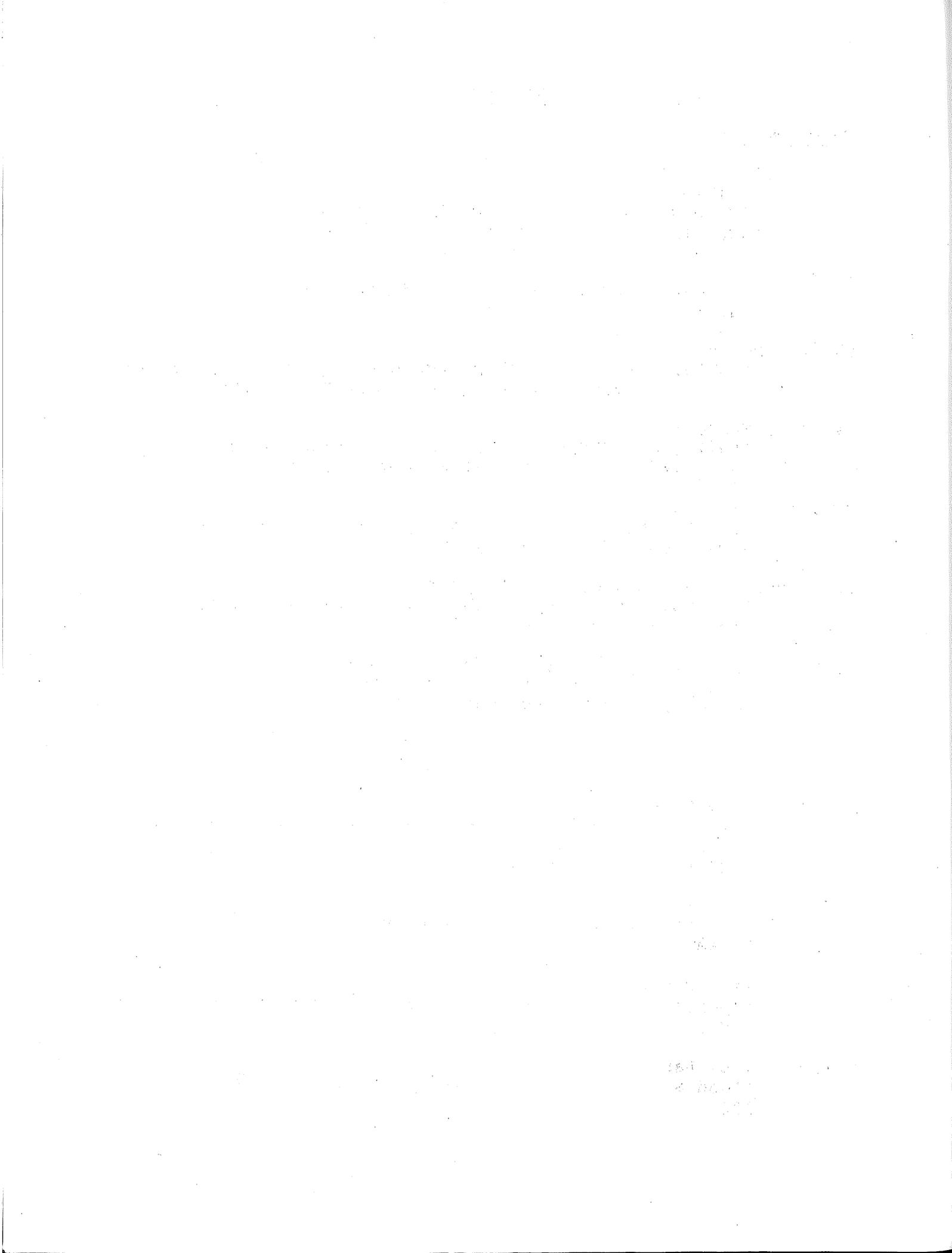
TABLE 1: Policy Impact-Evaluation Matrix

<u>Impacts</u>	<u>Current Policy</u>	<u>Alternative I</u>	<u>Alternative II</u>	<u>Alternative III</u>
Production				
Imports/Exports				
Price Levels				
Income Levels				
Government Expenditures/ Revenues				
Employment				
Equity/Income Distribution				
Nutrition				
Implementation Requirements				

Given the limitations of the models, data problems, and the many uncertainties, there are important interpretations that must be made after solutions are obtained before results have much information value for decision makers. Analysts must make these interpretations in terms such as, "This is what our analysis shows will happen if this policy alternative is adopted, and this is why. On this basis, these are our conclusions about the alternative policy choices."

Decision makers bring their own judgment and experience, goals, institutional perspectives, and other information available to them, to their evaluation of these decision alternatives. If they desire accurate information on the likely effects of policy changes, how will they decide whether or not to utilize the information provided by analysts?

Generally, decision makers cannot be expected to have a technical understanding of the structure of models, the theory and assumptions on which those structures are based, or the methods by which policy consequences are evaluated. Consequently, the policymaker is more likely to evaluate the analyst than the analysis. It is for this reason that a careful interpretation of the results of the analysis is required. Since policymakers are likely to rely on sources that have proven reliable before, analysts who want their results accepted should avoid acknowledging unrealistic assumptions, unreliable data, and untested results only in obscure footnotes, thereby relinquishing the responsibility of validating the results to the decision makers utilizing them.



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TALKING POINTS
A.I.D. Response To
JCARD Panel Report on Policies Affecting Agriculture
13 May 1986

I. Introductory

- Welcome initiative of JCARD to report its views on policy analysis and policy dialogue in the context of A.I.D. and BIFAD members' interest in helping LDCs in their efforts to achieve growth and development.
- Always useful to identify opportunities of increased cooperation and mutual commitment on part of A.I.D. and BIFAD members.

II. The Report Raises Some Basic Questions

1. First, and most important, how can the universities and A.I.D. work together to improve the policy analysis capability within the developing countries?
2. Second, a two-pronged question, (a) how can universities work with A.I.D. to improve university capabilities in agricultural policy analysis and (b) how can A.I.D. and the universities help A.I.D. improve its own policy analysis capabilities?

Underlying both questions is the conclusion that there is less capacity in the universities today than in the past to deal with agricultural policy questions and an assumption that the universities require A.I.D. assistance to help expand their ability to conduct policy analysis and dialogue in the LDCs.

The presumption that the capabilities of both A.I.D. and the universities are deficient, that both require substantial attention, is important; we must put our heads together to deal with it. What is the foundation for this presumption? What is the degree of seriousness of the problem, if there is one? What are its underlying characteristics? What steps can be taken--from the university side and from the A.I.D. side?

The report itself does not speculate on what the problems may be from the university side (though it does comment that private firms are drawing upon university talent). It does, however, conclude that A.I.D.'s own ability to conduct policy analysis is affected adversely by (a) the nature of assistance projects (time-limited and fragmented), (b) the frequent rotation of A.I.D. staff and (c) A.I.D.'s use of private consultants (the assumption here being that private consultants cannot offer or develop the long-term institutional linkages required for effective assistance in policy analysis in LDCs).

Recognizing the basic general validity of the concerns expressed by JCARD, comments on the specific recommendations of the report will highlight the tasks that it presents to us.

-- We need to test the conclusions of the report that deal with inadequacies in the universities and in A.I.D.

-- We need to look at specific country situations to understand whether, and where, A.I.D. and others have gone wrong in their program initiatives and policy advice (or relied on faulty sources).

-- We need to broaden the discussion of institutional involvement to include non-university institutions. Have they indeed improved their ability to provide the help A.I.D. needs more readily than the universities?

Pleased to note the report's comments that long-term association with a country and sustained investment in gaining understanding of the society and policies of that country are essential to success in policy dialogue. A.I.D. and JCARD agree that policy dialogue is a dynamic process, that results are slow but possible in the long run.

Legislative and administrative proposals currently under consideration may threaten A.I.D.'s ability to continue its unique in-country mode of assistance. A.I.D. welcomes the support of BIFAD members on all fronts in our battle to maintain our resident missions and close working relationships with the leaders of development in recipient countries. We also welcome your support, of course, on the general budget front so that we can be assured of the resources required to maintain long-term contractual and collaborative relationships with U.S. institutions working overseas.

III. Summary of Recommendations

1. That in a small number of countries A.I.D. should develop an integrated country-specific plan to build capacity in policy analysis and decision making, and that such a plan should be based upon mechanisms that promote long-term linkages among U.S. and LDC institutions.
2. That A.I.D. and BIFAD should study approaches to increasing U.S. institutional educational and research capabilities in agricultural policy that can be tapped by A.I.D.
3. That the Administrator should establish an ad hoc study group of public and BIFAD members to recommend changes in the organization of A.I.D. to improve its capacity for policy analysis.
4. That steps should be taken to develop a collaborative research program focused on policy issues associated with agricultural development.

IV. Response to Recommendations

1. The suggestion that A.I.D. identify a few countries for concentrated assistance in agricultural policy formulation has merit. In fact, it is not new. In more than a few countries, A.I.D. has such involvement. To mention a few:
 - in Kenya a U.S. university organization under its second contract, the first having begun in 1978, brings four or more U.S. economists to the rural planning division of the ministry of planning; that same university provides a dozen or more staff to the agriculture and livestock ministries under a multidonor-funded program;
 - agriculture policy is the subject of A.I.D. programs in Indonesia, Philippines, Pakistan, Bangladesh, Sri Lanka, and Morocco, in each instance under a different modality determined by the local environment;
 - in Latin America A.I.D. has major capacity building projects in Peru, Ecuador, Dominican Republic and El Salvador.

So the commitment at mission level is not the issue. It strikes one, therefore, that your recommendation is directed at the question of long-term relationships between U.S. and LDC educational institutions. That being the case, we must test some underlying assumptions, namely that:

- there are countries that would welcome involvement by a donor country university in an arena as sensitive as policy formulation;
 - there is extensive interest among U.S. universities in developing and maintaining a long-term country-specific expertise.
2. The report expresses alarm at the decrease in U.S. university staff devoted to agricultural policy work.
- The report gives no sense of the magnitude of earlier (presumably adequate) capacity, the degree of reduction in capacity or the dimensions of present need for university involvement as seen from the point of view of LDCs.
 - It is an indicator of the truth of the assertion that A.I.D. has had difficulty in finding university staff to fill Joint Career Corps positions overseas? What better way is there to contribute and build capacity than to take an overseas assignment? A contrary indicator, however, is the fact that A.I.D. received a large number of proposals to implement the S&T Bureau's Agricultural Policy project; these involved a dozen or so universities and hundreds of faculty members.
 - If it is true that staff attrition, inability to attract staff with competence in agricultural policy issues and lack of opportunity within a university for such staff are all operating to reduce U.S. university capacity, can this downward trend be reversed? What structural and other changes do the universities recommend?
 - As we think about models for provision of assistance to an LDC on a long-term basis by a U.S. university, should we look to Morocco and the collaboration between the University of Minnesota and Hassan II university?

3. It is difficult to argue that A.I.D. has sufficient capacity for agricultural policy analysis. A.I.D. suffers insufficiencies in staff capacity in many areas. Your report does recognize that A.I.D.'s complement of agricultural and general economists has increased in relative size during the recent difficult period of staff reduction. Perhaps a few figures will help you understand the situation.

- As Agency employment has gone down--by 11 percent since 1981 and 16 percent since 1977--employment of agriculturalists, agricultural economists and program economists has remained about steady.
- The proportion of International Development Interns in economics and agricultural economics has risen from 6 percent in 1981 to 17 percent in 1985 and 1986.
- The average tour for an A.I.D. officer overseas has increased from 31 to 39 months under this Administration.

At the same time, however, JCARD is positing a lack of capacity of current staff engaged in analysis, over-reliance (and perhaps misguided reliance?) on analyses of the major multilateral institutions and lack of substantive oversight of policy recommendations being made.

What is the problem? A recent evaluation of a number of capacity-building, planning and policy oriented projects has pointed out that capacity building is only half of the problem--the other half being lack of demand for policy analysis by decision makers .

Contrary to the conclusion of the report, A.I.D. has found World Bank and other macro-economic analyses basically to have been sound and very useful to A.I.D. as a starting point for our own thinking. A.I.D. has indeed generally offered useful analysis and advice to LDCs. Perhaps, not because we have been misguided but because we can improve, A.I.D. should look at its internal deployment of agricultural economists, and the lengths of their overseas tours, to ensure maximum use of their expertise in policy analysis and dialogue.

The report also suggests some specific organizational changes to bring in outside advisers and centralize the general function of economic policy analysis.

- The Agency certainly will consider the report's recommendations.
4. Based on its conclusion that there is a serious lack of knowledge on food and agricultural policies and inadequate understanding of the potential effects of policy recommendations, the report calls for a collaborative research program to support long-term research on agricultural policy issues.
- The report provides little basis for its conclusions. No doubt there are some deficiencies. But are the gaps at the country level or are they global; are the detrimental effects most severe in country-specific advisory work or in cross-country comparisons?
 - At the country level, we must (a) support the requests of A.I.D. Mission Directors for staff expertise and (b) remain alert to the long term nature of engagement in advice on policy.
 - On global and cross-country questions, A.I.D. has historically benefited tremendously from scholarly efforts (examples: the spring review evaluation of the 1970s; the current work of IFPRI). We have the tools--PPC policy research funds and S&T collaborative agreement and mission-support capacities. You have given us the challenge to use those tools, together with the expertise offered by the universities, to expand our knowledge and link it to our support of USAID mission agricultural policy analysis requirements.
 - A.I.D. needs to hear from BIFAD members, from the Research Advisory Council, from experts outside the university community. What are the policy issues? What are the hypotheses needing to be tested? Today we are undertaking work on the effectiveness of land markets, on the nutritional impact of structural economic change, on the impact of reductions in food subsidies on political stability. What else should we be doing today or tomorrow?

Thank you for stimulating a good hard look at the need for effective work on agricultural policy.

BIFAD

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