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TOWARD IMPROVED
AGRICULTURAL POLICIES
IN ZAIRE

ISSUES AND OPTIONS
FOR
U.S.A.I.D.

REPORT OF
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TOWARD IMPROVED AGRICULTURAL POLICIES IN ZAIRE:
ISSUES AND OPTIONS FOR USAID

I. INTRODUCTION

Improvement of the food and agricultural sector is a fundamental requirement for future economic development and political stability in Zaire. Nearly 70 percent of the nation's population is in rural areas; 75 percent of its labor force is in agriculture. Inadequate nutrition is widespread, chronic in some rural areas. The current population of nearly 30 million is growing annually at 2.7-2.9 percent. Migration from rural areas is exerting increasing pressure on food systems in urban centers of the country. Although total food production increased nearly 40 percent, per capita production declined almost 4 percent between 1970 and 1983.

To stem or reverse this growing "food gap" and enhance the contributions of the agricultural sector to national economic growth will require major reordering of development priorities, larger public and private investments in the sector, and more consistent, effective agricultural policies than have prevailed in the past decade. Short of such major economic and political commitments, Zaire faces an impending "food crisis" of major proportions with consequent implications for economic and political stability.

USAID seeks to assist in addressing these formidable problems through several programs ranging from capital investment in agricultural infrastructure to technical assistance, training of Zairian nationals, and PL 480 assistance. This report addresses means by which USAID might pursue one of its stated objectives: encouraging the development of appropriate public policies for Zairian agriculture and enhancing the capacity of the GOZ to formulate and execute such policies. Part II of the report draws some conclusions about the development policies of the past decade, recently announced policies, and the current policy climate. Part III discusses the GOZ institutional framework for policy formulation and execution and possible means of strengthening the policy process. Part IV contains a series of recommendations for future development of USAID activities to enhance the GOZ capacity to formulate and execute agricultural policies.

The observations, conclusions, and recommendations are solely those of the author. They are based upon a review of numerous reports provided by USAID, including those of USAID itself, the International Monetary Fund, the World Bank, and the GOZ. The reports were supplemented by personal discussion during a two week period in June 1984 with members of USAID, the GOZ, and individuals in the private sector in Kinshasa related to agriculture.

To the extent consistent with making my points clear, I have resisted the temptation to which many economic consultants yield: enshrouding the report with data of questionable quality. Instead, I have attempted to assimilate and assess information in an analytical but admittedly judgmental manner. The virtue of such an approach is in the resulting relative brevity of the report: the danger is that I may be wrong or at least not fully correct in my assessments. Thus, the report can best be regarded as offering preliminary judgments subject to further investigation and analysis. The recommendations to USAID are intended to constitute in part a plan of future work by USAID and/or its contractors in the subject of agricultural policy.

II. POLICIES: PAST, PRESENT AND FUTURE

1. The Past

(a) Zairian development policies have discriminated against the food and agricultural sector.

In the past decade, Zairian economic policies have favored importation of consumer goods at the expense of capital investment. Zairian currency has been held at artificially high exchange rates thus simultaneously favoring imported goods and weakening the competitive position of Zairian products in international markets. The result has been the use of increasingly scarce foreign exchange for importation of a wide array of consumer goods including food, a declining, recently negative, balance of trade and payments, and general underinvestment in the domestic economy.

Beyond the macroeconomic policies biased against domestic investment, Zairian development strategies have strongly favored the capital-intensive extractive industries at the expense of agriculture. Although government commitments to agriculture increased to 9-10 percent of the total investment budget in 1982-83, the commitments were in the order of only 3-4 percent throughout most of the past decade. It is difficult to draw precise statistical comparisons of investment patterns among countries because of differing definitions and accounting procedures. However, Zairian investments in agriculture appear to be low even by African standards where investments have ranged between 5 and 20 percent in countries with relatively prosperous agricultural sectors. Clearly, Zairian agricultural investments have been well below the level of 20-30 percent which some development experts believe appropriate for sustained development in the early stages of economic growth.

Within the agricultural sector, development policies have traditionally favored the larger-scale, export-oriented commodity subsectors such as coffee, rubber, and cotton at the expense of small-scale traditional agricultural enterprises upon which the nation is dependent for its basic food supply. These policies have left Zairian agriculture vulnerable to the instability and generally declining terms of trade in international markets for tropical commodities and in a weak position to meet the food needs of a burgeoning population.

The lesson seems clear. In an economy in the early stage of development as is Zaire, agricultural development is essential to balanced, more general economic development. With prospective high rates of growth in population and the likelihood of continued migration of the population to urban centers, increased investment in the agricultural sector, the provision of appropriate economic incentives to producers of food, and modernization of food marketing systems are essential for future economic growth and political stability.

(b) The unstable political and economic climate coupled with ambivalent and generally ineffectual agricultural policies have destabilized the agricultural sector and discouraged needed investment from both domestic and foreign sources.

The succession of government agricultural plans since 1970, the "zairianization" of all foreign-owned agricultural, commercial, and transport

enterprises in 1973, nationalization of the majority of larger enterprises in 1974, and "demonitization" in 1979 which wiped out substantial savings of farmers and agricultural organizations have exacted a heavy toll in Zairian agriculture. Transportation infrastructure critical to the development of agriculture has deteriorated badly. The quality of the physical plant and facilities has declined and private investment, both domestic and foreign, has declined precipitously. The agricultural research and extension systems are in disarray. Agricultural production stagnated generally into the latter half of the 1970s. Cotton production declined from 180,000 tons in 1959 to 16,000 tons in 1978. Oil palm production in 1979 was barely adequate to meet domestic needs whereas 150,000 tons were exported in 1959, the second largest export volume in world trade.

Several policy lessons instructive for the future can be drawn from the experiences of the past decade. First and most fundamental is that centralized government policies and programs in a diverse, decentralized sector such as agriculture leads in time to serious distortions in resource use even under the best of circumstances. Zaire is by no means the only country to have experienced this bitter truth.

Second, it is clear that "good" agricultural policy cannot be formulated and executed in the absence of "good" macroeconomic policy. External events beyond the control of Zaire - sharp increases in energy prices, global recession, and sharply declining world prices for primary products - contributed in no small way to the Zairian economic crises of the late 1970s and early 1980s. These events made painfully clear the vulnerability of the Zairian economy to global economic conditions. They also made clear the importance of domestic macroeconomic policies to "cushion" but not isolate the domestic economy from the effects of such external shocks. Poorly formulated macroeconomic policies limit the effectiveness of even good agricultural policies.

Third, effective agricultural policies must be formulated within a comprehensive framework which makes it possible to visualize the relationships of policies and projects to each other and to larger sectoral policies. During the past decades numerous projects and specialized sectoral policies (e.g. credit) have been initiated with great fanfare and promise. A comprehensive policy framework appears to have been lacking - a framework in which goals are set forth in an operationally meaningful way, priorities are made explicit, policy instruments are clearly defined and understood, and evaluation of policy and project effectiveness takes place. Instead, policies and programs have been formulated and executed on an ad hoc basis sometimes leading to policy inconsistencies and to uncertainty among agricultural producers. An example is that of projects designed to enhance market production without reference to the adequacy of transportation and other marketing services to move products from producer to consumer.

2. The Present

The recurring and deepening crises of the past decade culminated in major realignments in both macroeconomic and agricultural policies in 1982 and 1983. Desperately in need of foreign exchange for development, faced with growing domestic budget deficits, soaring domestic inflation, a lack of confidence on the part of both private and public foreign investors, and

under heavy pressure from the IMF, the World Bank, and other international lenders, the GOZ has put in place a series of stringent macroeconomic policies. The zaire was devalued in 1983 by nearly 80 percent; strong measures are being taken to reduce the budget deficit; government control of the economy is being relaxed; accounting procedures and statistical services are under reform to afford better monitoring and reporting of economic activity thereby improving the government's capacity to forecast and plan its programs. In return, Zaire's external debt is being rescheduled and the flow of development assistance will be renewed gradually as the GOZ demonstrates its capacity to carry out the new economic policies.

In 1982, the GOZ announced still another agricultural plan - the 1982-84 Agricultural Recovery Plan - with the objective of achieving food self-sufficiency. The plan contains ambitious goals for production of six basic foodstuffs and numerous projects to enhance productivity, improve transportation services, rehabilitate the agricultural research system, and encourage mechanization of production. In a related move, a new agricultural credit bank was created in late 1982 to provide specialized credit on a commercial basis for small commercial producers and related private input and marketing enterprises.

In a major reversal of past development planning approaches, virtually all agricultural and retail food prices have been decontrolled as part of the newly-adopted macroeconomic policies. In a further repudiation of past government-managed development strategies, management of future development projects will be "privatized". Special legislation is to be prepared in 1984 to support development and operation of agricultural cooperatives. A five-year agricultural development plan (1986-90) is being prepared by the Department of Agriculture in collaboration with the Department of Planning.

3. The Future

Clearly agricultural policy has taken new directions. But, will there be follow-up to the very broad policy courses which have been set? Will it work? Or rather, what will be required to make it work? It is quite clear that the problems of the sector are deeply rooted and that solutions can only be achieved incrementally over a long period of time. The fact that management and development of the sector will depend much more heavily on market forces than government administration would seem to be a change in the right direction, given outcomes of the past decade. However, to bring about needed investment and change will require a constancy of policy over many years to come.

Based upon my review of numerous documents including the Agricultural Recovery Plan and its initial evaluation by the GOZ, and on discussions in Kinshasa, there appears to be general agreement on major policy components needed to enhance long term agricultural productivity and output. I group these components under four major headings:

(a) Increased availability and access to production inputs ranging from fertilizers to pesticides, mechanical devices, petroleum, improved seeds, and credit. Although land is not a physically limiting factor, its use is being complicated by cultural values and custom. More intensive use of land in the tropical climate of Zaire may engender substantial management problems. Much of the labor in the traditional sector of agriculture is performed by women. With appropriate economic incentives for production, male participation in the labor force likely will increase.

(b) Improvement and modernization of transportation and communication networks. Massive investments will be needed to improve this infrastructure - improvements absolutely critical to the development of markets and successful "privatization" of the sector. Apart from the availability of capital, improvements in the system also are likely to be impeded by administrative responsibilities diffused among various agencies of the national government and between the national, regional and local governments.

(c) Development of the agricultural research and extension systems. This is of fundamental importance to long term development of Zairian agriculture. The past two decades have shown conclusively that agricultural development is closely linked to the quantity and quality of agricultural research investments. Developing countries in Asia, Latin America, and other parts of Africa that have achieved the highest rates of economic and agricultural development have been those which have invested the most heavily in research and education. In Zaire, nothing less than a complete restructuring and rebuilding of the research and extension systems will be required: facilities, equipment, training of personnel, financial incentives to scientists, and careful selection of research priorities to accord with the most pressing needs of the country.

(d) Improvement of marketing services. The decontrol of prices, abolition of many parastatal marketing organizations, and privatization of GOZ development projects must be accompanied by improved marketing services if the new agricultural policies are to succeed. With improvement of the transportation infrastructure and with private profit incentives, some of the necessary marketing services (collection and assembly of products, storage facilities, packing and processing, credit, etc.) can be expected to evolve from private investments. However, more is required if markets are to function efficiently and equitably: reliable market information, objectively administered quality grades and standards, enforcement of contracts, protection of small producers against predatory business practices, for example. It may well be desirable policy to stimulate private development of marketing services through selective subsidies, tax concessions, and other types of incentives. But there are some services of the type indicated above that are likely to be provided only by government. Producer cooperatives, not as extensions of government power and control, but as locally managed means of providing access to markets

and giving producers a degree of collective market power which they cannot possess as individuals, should be encouraged and supported by government. While the operation of markets will provide powerful incentives for change and development in the Zairian food and agricultural system, the benefits of market systems will be broadly shared only if competition is maintained and market power is prevented from being excessively concentrated in the hands of few.

4. Impressions and Preliminary Recommendations on Policy Strategies

Two weeks in a country as diverse and economically troubled as Zaire is an inadequate basis for drawing firm conclusions and recommendations on agricultural policy. Thus, that which follows should be regarded as tentative, preliminary, and for the purpose of enhancing a dialogue within the USAID and perhaps ultimately with the GOZ.

If we take as a starting point that the GOZ does seriously intend to pursue the "market-oriented" policies recently announced and partially put in place, nothing less than a fundamental rethinking of policy strategies and the appropriate roles of government in the food and agricultural sector is required. That will not be easy. The "command and control" approach to policy is deep-seated in the established bureaucracy. Prestige, employment, and political power are at stake and will yield only slowly to change, irrespective of rhetoric. Before offering recommendations, a few reminders:

- . Don't expect too much too soon.
- . Don't expect privatization and other market-oriented policy measures to be a panacea for development. The problems are too fundamental to yield to simple solutions.
- . Don't disregard the potential costs of privatization and reliance upon markets: concentration of economic power, "profiteering", inequality of access to markets, inequality in the distribution of gains from development, instability of food and agricultural prices.
- . Don't encourage and protect inefficient enterprises in the interest of national food self sufficiency goals. Build upon commodities and enterprises for which Zaire has comparative economic advantage.

If I were counseling the GOZ, I would include the following recommendations:

(a) Begin immediately a dialogue at the highest levels of government to define a broad strategy to be pursued with respect to food and agriculture over the next five years. What are the strengths of the current system upon which to build? What are its weaknesses? What parts of the food needs of the country can best be met from imports rather than encouragement of inefficient, high cost, non-competitive production and marketing activities? I seriously question whether self-sufficiency in food production is either a desirable or attainable goal. Increased production per capita, yes; but trade (imports as well as exports) is a necessary component of a national food and agricultural policy and should be incorporated in policy strategies.

To what extent can production reasonably be increased in the next five years? Production goals in the Agricultural Recovery Act strike me as being unrealistically high.

Current language of the GOZ with respect to agriculture seems to reflect a confusion between policy goals and policies to attain goals. Privatization and liberalization are goals - long term strategic goals. What are the policies by which such goals are to be attained? These would seem to include such policies as provision of more operating and investment credit, modernization of the transportation infrastructure for agricultural markets, etc. In any case there needs to be a rethinking and restatement of goals, policies and policy instruments (means) for food and agriculture. Current statements are vague, confusing, possibly contradictory, and not operationally meaningful.

(a) As an extension of the above dialogue there should follow some "hard-nosed" but realistic setting of priorities. This process necessarily will involve economic, budgetary, and political criteria. Constraints should be set on each of these parameters to guide the priority-setting process. The process should be implemented at various levels of policy planning and execution, from the top level of government down to the DOA and its various branches. Resources available to government will be limited. Some policies and programs will yield larger social returns than others. Political realities must be reckoned with. Tradeoffs must be made. Until definitive priorities are established, broad strategies mean little. A government cannot be all things to all people, all of the time.

As a result of the foregoing "soul-searching" I expect I would make the following more specific recommendations:

(a) As priorities are established in the process outlined above, plan to gradually increase commitment of development funds to agriculture to perhaps 15-20 percent of domestic spending by 1990. With emphasis on market-oriented development, the investment emphasis in agriculture should shift to building infrastructure, developing human resources, improving and expanding agricultural research and education services, and otherwise facilitating the development of efficient markets.

(b) Develop promptly a system for monitoring, reporting, and evaluating performance of the food and agricultural system, now that prices have been decontrolled and parastatals and government projects are being privatized. Use this system as a means of identifying market bottlenecks and inefficiencies. As markets develop, I would expect certain excesses and bottlenecks to occur, e.g., there is some evidence that marketing margins for agricultural commodities are widening (100-300 percent). Government must have some means of monitoring such developments other than anecdotal evidence if it is to take appropriate corrective actions. I would select key regional markets and gradually build a system in cooperation with regional government offices, using such indicators as farm and retail prices for key commodities, availability and prices of key production inputs (fertilizer, chemicals, credit), and indicators of transportation bottlenecks.

(c) Accelerate planning and gradually expand funding commitments to rebuilding the agricultural research and extension systems. Although I have not examined in detail current plans for agricultural research, it is obvious that research investments must receive high priority over the next decades. Clearly, the research system will need to be regionally decentralized to address the diverse needs of the agricultural sector. However, it should be developed and managed as a national system to meet national needs, and not merely be a collection of independent regional establishments. Specialization among the regional centers and between the regional centers and the private sector should be examined closely to avoid duplication of effort and misuse of scarce resources.

The development of appropriate agricultural advisory (extension) services is another seemingly intractable problem to be confronted. Virtually everyone with whom I discussed the issue is in agreement that the current system is ineffectual. It is very obvious that, saddled as it is with regulatory, taxation, and other functions, the current system cannot be a credible education and technical assistance organization as well. Some indication of a strategy to privatize advisory services was noted in GOZ reports which I reviewed. If this means encouragement of private firms to extend technical information to farmers, I am in agreement. Experience in other developing countries indicates that private development of integrated production systems can be indeed an important way of raising farmers technical production skills. However, I would have major reservations about relinquishing the extension function in its totality to such enterprises. If there is a public role in conducting research, there also is a public role in providing advisory services to disseminate results of that research and in providing other types of unbiased management and educational assistance to farmers.

At a minimum the new agricultural research system should have a "demonstration" or extension dimension to its work. Whether the extension function is carried out by personnel who are formal members of an extension service is less important than the fact that it occurs. It would be a mistake, however, to saddle researchers with the extension function. Researchers should concentrate on doing research, but not in the absence of relevance and application.

Based upon very imperfect knowledge of the current circumstances, my inclination is to recommend stripping away all non-educational functions from the current extension service - perhaps assigning those functions to augmented regional government agencies - and reconstituting the service as new public agency. In doing that, I would tie it closely to the regional research structure but would insist that while research and extension services are administered independently, their planning and execution of programs are to be closely coordinated.

(d) Reiterate the objective and develop policies to encourage private domestic and foreign investment in the food and agricultural sector, with possible additional tax incentives and loan guarantees to those who invest in selected high priority enterprises designated by government (relatively labor intensive, complementary training and management, etc). Reexamine the current "Code des Investissements" to ensure that it does not impose

unnecessary impediments to investment (e.g. there appears to be a great deal of paperwork and "red-tape" in the current Code). As I understand the current code, repatriation of profits is permitted under joint ventures by Zairian and foreign entities. However, in practice, repatriation has not been permitted. Given the tenuous nature of the Zairian economy, the need for additional development capital, and concern with foreign control, official sensitivity to the repatriation issue is understandable. At some point however, a choice must be made between having or not having an increased flow of foreign private investment capital. Some de facto evidence of the government's willingness to accept at least conditional repatriation of profits may be necessary if additional capital is to be attracted.

(e) Enunciate a clear statement of objectives, procedures, and performance standards for privatization of parastatals and government financed development projects. The statements which I have seen are vague, confusing, and without evidence of how the public interest (government) is to be protected.

(f) Harmonize the current credit and financial system which provides operating and investment capital for the food and agricultural system. The "Fonds de Relance" is a source of capital for both SOFIDE and the newly created "Banque de Credit Agricole", each of which provides credit to agriculture or related marketing and development enterprises. In addition, there is a private banking system regulated by the National Bank of Zaire that makes credit available to agriculturally related enterprises.

The "Banque de Credit Agricole" intends to specialize in direct loans to small commercial farmers and agriculturally related enterprises. It intends to operate as a commercial bank with a profit motive and without use of subsidized terms of credit. That would seem to bring the Banque into competition with the private banking system. SOFIDE provides subsidized credit to larger enterprises, including parastatals, related to agriculture. Yet there appears to be no prohibition against SOFIDE credit to such enterprises as the Banque de Credit Agricole intends to serve.

There is need to clarify the roles of these institutions. In particular, the decision to create the Banque de Credit Agricole should be reexamined in light of its consistency with subsequent decisions to privatize the economy and rely more heavily on markets. I have no knowledge of adequacy of the private banking system to serve agriculture, particularly small farmers. I suspect it is very limited. However, an alternative to a government sponsored, specialized, commercial bank for agriculture would be a system of government guarantees or subsidized credit for agriculture, administered through the existing private banking system.

(g) Proceed with legislation to support the development and operation of agricultural producer cooperatives for the purposes of supplying inputs to agriculture and marketing agricultural commodities. In keeping with the initiatives to privatize the agricultural sector, I strongly recommend that cooperatives not be designed as the instruments for enforcing government regulations or carrying out government programs at the local level. They

should be designed as locally managed and controlled commercial enterprises. It is not clear as to what is meant in the terms of reference for the US Presidential agricultural task force by the statement that the GOZ seeks advice on how "peasants organize themselves in associations that are larger than simple cooperatives". Although cooperatives can and do serve social purposes other than economic, it has been my observation of cooperatives in other developing countries that they can best serve development purposes when they are left free to function as business enterprises and not hamstrung by the role of an extension of government itself.

III. Policy Institutions and Process

The focal point of the USAID/ARD project to build capacity in the GOZ for agricultural policy analysis and formulation has been the Service d'Etudes et Planification (SEP). This agency, created during the most recent reorganization of the DOA, reports to the Commissaire d'Etat through the State Secretary and Secretary General. As the staff agency responsible for economic analysis, statistics, and planning, the SEP occupies a strategic role in providing information and analysis for policymaking in the Department.

Despite considerable difficulties in maintaining a competent staff and implementing effective programs, the SEP has made significant progress. Staff has expanded to approximately 150 employees. Several projects are underway or planned, including analysis of regional agricultural prospects to the year 1990 and improvements in statistical programs (see Riordan report of May 1984). A series of attractive, informative commodity reports has been issued. A computer information system is under development to permit more rapid retrieval of key data for policy analysis and evaluation. The Director of SEP is called upon frequently within the DOA and by other government agencies to provide information and recommendations on policy issues.

ARD can justifiably claim considerable success in assisting the GOZ in building capacity for agricultural policy analysis and formulation. The embryo of a much-needed analytical institution has been formed. Yet, as all agree, much remains to be done.

Although the enhanced capacity of SEP is a positive accomplishment toward improved policy formulation and analysis, the framework for policymaking in the DOA remains unclear. The Agricultural Recovery Plan provided for establishment of eight regional planning offices and emphasized decentralization of policy formulation and execution. Implementation of the regional centers is underway. In addition, a planning unit (Cellule de Conception) responsible for overall elaboration of agricultural policy in the DOA was to be established. As a result of recent reorganization and appointment of a new Minister of Agriculture this provision has not been implemented.

In some respects, the plans to decentralize and streamline the policy decisionmaking process in the DOA appear to have been overtaken by larger events. The Interim Economic Recovery Plan announced as a result of the accord with the IMF may very well elevate agricultural policy issues to

higher levels of government. It is clear that the Executive Council intends to assume major responsibility for implementation of the new economic recovery programs. It can be assumed that the Council's purview through its Comite de Conjuncture (Economic Subcommittee) will play a more active role in the formulation of agricultural policy. Even more broadly, the GOZ has agreed to reactivate the External Resources Coordination Committee, composed of international donors of economic assistance, thereby bringing macro-economic and sectoral policies under further scrutiny. Although the precise roles to be played by various departments and staff offices of the Presidency are not clear, it seems evident that agricultural policy will not be left to the agriculturists.

Policies related to agriculture, of course, have never been the sole province of the DOA. Prices for food crops were largely set and administered in the regions, and those of industrial, export-oriented crops were the province of the parastatals. Transportation, including those services related to agriculture, was the responsibility of ONATRA, the Office des Routes, and local authorities as now. The Departments of Planning and Finance also shaped agricultural planning and policy. And, of course, ultimate policy decisions rested at the highest levels of government in the offices of the Presidency. Nevertheless, the strong measures to be implemented in the economic recovery program add new urgency and the possibility of new, more centralized, and disciplined decisionmaking authority for agricultural policy.

The implications of such changes in the policy setting should be apparent for the DOA.

(1) The need for a coherent, integrated policy framework for the agricultural sector will be increasingly important if effective national policies are to emerge.

(2) The need for effective planning, policy analysis, and policy formulation in the DOA will heighten if the Minister of Agriculture is to "weigh-in" effectively in the interdepartmental decisionmaking forums. In brief, the DOA will need to "get its act together" if it is to adequately represent the agricultural sector in policymaking. That means more information and more reliable information about the sector, effective analysis rather than purely descriptive exercises, and much improved analysis of policy options and their consequences for the sector.

As an outgrowth of these developments, USAID may wish to consider diversification of its support to build capacity for agricultural policy analysis in the GOZ. This is not to suggest withdrawing support of the SEP. That agency appears to be the only immediate hope of building policy analytic capacity in the DOA. It may however, be desirable strategy to strengthen working relations with other departments and offices likely to be influential in policymaking, the Department of Planning in particular. It is obvious that any effective policy dialogue on agriculture will need to reach well beyond the DOA to other decision nodes in government.

The current economic crises and the administrative reforms which may accompany it as the GOZ strives to meet IMF conditions may well preclude for

the next several years any serious effort to decentralize decisionmaking or to develop workable administrative structures involving the regional and central governments. Ultimately, however, the issue must be confronted. Zaire is simply too diverse, too socially and economically disparate for highly centralized policies, particularly agricultural policies, to be either acceptable or effective. By the same token, simply relegating policy formulation and execution to the regional governments is unlikely to produce coherent national policies. It is important to the long run development of Zaire that policies be forged which encourage and abet the gradual emergence of nationally linked regional economies.

As development occurs, indeed as a condition for development, specialization and diversification of economic activity will evolve within and among regions of the country. The development of nationally linked market systems is essential to that process. Whatever structures evolve to merge regional and national interests will necessitate substantial investment to build administrative capacity in both levels of government. In this connection the approaches to regional planning and development outlined in Robert Navin's memo of 10/17/80 warrant reconsideration.

IV. Recommendations for Future USAID Activities

In conducting this brief review of agricultural policy it has not been possible to explore many important or potentially important policy issues. Examples include: the impacts of technical change on agricultural productivity and rural labor markets; the impacts of increased commercialization of traditional subsistence agriculture on the composition and supply of agricultural labor; the effects of economic development on the social and economic structure of rural communities. Nor have I focused attention on the parastatals or the newly privatized organizations which deal with non-food or export-oriented commodities. By design and within the constraints of available time, the review has concentrated primarily on policy issues related to commercial food production and marketing in the domestic market.

It also has been necessary to gloss over many important projects in USAID some of which may have important long run policy consequences. Examples are the North Shaba project designed to improve corn production, the seed improvement project, and the agricultural marketing development loan projects designed to improve the transportation infrastructure in rural areas. The area nutrition project designed to improve nutrition and national nutrition policy may have important implications for agricultural production and marketing policies.

The recommendations which follow are based on the assumption that USAID will continue to encourage the development of effective agricultural policies in Zaire and enhance the capacity of the GOZ to bring about such policies. In general the recommendations emerge from and parallel major conclusions and policy recommendations in preceding sections of the report.

1. Policy Analysis in SEP

SEP is the logical, indeed currently the only unit in DOA for development of capacity for policy analysis and related statistical and economic research

services. It faces the typical problems of any such group -- building an adequate base of information to support policy analysis while being prepared to serve the needs of policymakers for quick assessment of urgent policy issues. Each activity is essential to the other. Good policy analysis requires timely, reliable data and knowledge of important economic relationships: the nature of policy issues gives purpose to data collection and economic research. A competent, well motivated staff which senses the need and opportunity for policy analysis is essential.

SEP faces formidable problems in fulfilling these conditions given low salaries, traditional lack of motivation and sense of "public interest" among government employees, and the politicization of government service. The recommendations which follow assume that efforts will be made to correct these deficiencies and that such efforts will gradually improve the capabilities of SEP staff.

(a) Continue to support the building of staff capacity in SEP. USAID assistance in training of Zairian nationals will pay dividends in time. Continue to support the placement in SEP of competent expatriates to assist in staff and program development. Encourage other donors (IBRD, FAO, etc.) to do the same.

(b) Proceed sequentially with implementation of Riordan's recommendations on agricultural statistics. This is a long term project essential to improvement of SEP and GOZ services. Priorities need to be explored in SEP, technical specifications further defined, and cost estimates developed. Explore Riordan's recommendations on technical assistance to the project (p. 19).

(c) Establish and disseminate a quarterly report on the economic situation and outlook in food and agriculture. While the data base is being developed, SEP should try to do better with what it has. Include in the proposed report a set of key economic indicators to be developed monthly (so far as possible) and reported in each quarterly report. Those indicators should include as a minimum key macroeconomic data (income, employment, trade, etc.); agricultural and food price data by region or key market areas; an update on agricultural conditions (production prospects, input and transportation situation, etc.) prepared in collaboration with regional governments; newsworthy information on perhaps one project per report; a column on current policy issues. The report should be brief, simple, readable, attractive in appearance and promoted within government, organizations in the private sector, and the media. Additional staff may be required to implement this proposal.

With the proposed quarterly report as a model, SEP should consider a brief monthly update for use by the Minister of Agriculture and other key officials up the line from SEP. The DMPCC might be invited to collaborate with SEP in preparation of these reports.

(d) Prepare a compilation of food and agricultural policy statutes. As noted previously, there is a great lack of clarity as to the nature of current food and agricultural policy; confusion among policy goals and policy instruments; a tendency to view policy in a piecemeal, ad hoc manner. A systematic codification and referencing of food and agricultural policy

statutes could help to (1) reduce confusion in and outside government, (2) induce transformation of implicit policies to explicit form, (3) encourage policymakers and others to begin to think about integrated policies, policy instruments, and options, and the effects of policies on farmers, rural communities, consumers, and the national economy.

I suggest a classification system built around major stages or functions of the food and fiber sector - inputs, farm production, marketing, consumption, foreign trade with perhaps special classification of credit and cooperatives. For each of these categories include a brief statement of policy goals, principal features of prevailing policies, instruments in place to carry out policies, and location of administrative responsibility. This activity might be supervised by the incoming USAID agricultural economist with drafting in the SEP. The inventory also would be useful as a reference document for the forthcoming agricultural task force. To accompany the inventory, a brief listing of major government agencies involved in planning and administering agricultural policies with their principal responsibilities also would be useful, e.g., SOFIDE, ONATRA, SEP, etc. The Mission might wish to consider a TDY to assist in the preparation of the inventory or, as a minimum, request Riordan to supply the scope of work for an agricultural policy inventory mentioned in his report (p. 27).

(e) Create a project in SEP or jointly with SEP and DMPCC to monitor and evaluate the effects of agricultural price liberalization and privatization. These policies are likely to induce significant changes in production and marketing and create new bottlenecks. The DOA should devise a system of monitoring key variables likely to be affected and undertake a systematic analysis of those effects on farmers, consumers, marketing margins, demand for transportation services, etc. Studies might be designed with market, regional, and/or commodity specificity. Regional government offices might be included as a mean of obtaining regionally specific data and providing an opportunity for on-the-job training. Here too the Mission might consider TDY assistance in the design phase of the activity.

(f) Initiate diagnostic research on food marketing. The development of efficient marketing systems is critical to success of GOZ market-oriented agricultural policies. A specialized study focused on means of enhancing development of efficient systems seems appropriate and consistent with objectives of the Agricultural Sectors Studies project of the Mission. Such research should be carefully designed to avoid a purely descriptive report on marketing channels. The emphasis should be on identification and diagnosis of sources of inefficiency (physical and economic) and approaches to remedying such problems. It might be desirable to structure the project to include a large urban center such as Kinshasa and a smaller regional market area. Rather than a "stand-alone" activity, a component of the research might be incorporated in a larger project e.g., Bandundu. TDY assistance would be desirable in the design phase of the project.

(g) Enhance the quality of the forthcoming five year plan. Planning exercises are a hallmark of GOZ and DOA. On balance, they have been largely descriptive and a repository for a long litany of well known problems and

"wish-list" solutions. They appear to have had little effect in directing resource allocations to agriculture by the GOZ or in spurring the private sector to make needed investments.

Development of the 1986-90 plan is now at a critical stage. It is apparent that the Department of Planning will exercise considerable influence on both the content and presentation of the plan in GOZ. Although the SEP and other units and individuals in DOA will provide the initial draft to PLAN, the changing policy environment suggests that the critical final decisions on the plan will occur up the line in the GOZ. It is important, therefore, that the plan be an analytical document disciplined by the realities of a constrained national budget and macroeconomic policy.

Among other characteristics, it should set forth options and consequences under alternative assumptions of budget availability and macroeconomic conditions.

I am uncertain as to how influential USAID might be in shaping the analytical design of the plan given its stage of development. However, I recommend that some discussion take place with officials in the Department of Planning in that regard. If they are receptive to such overtures, I would recommend a TDY of a highly experienced program planning and evaluation type to be assigned jointly to Department of Planning and Agriculture to assist in design and methodologies of the plan. In addition, the placing of a highly competent expatriate analyst in the office of the Director of PLAN should be considered.

The recent regional reports of SEP, when fully completed, will provide useful input for the new five year plan. The challenge is to get beyond those reports to an integrated, analytical national plan which provides a basis for setting priorities and execution of policy in 1986-90.

(h) Encourage a more positive, service-oriented posture in SEP. I endorse the KISS principle and Riordan's suggestions on marketing of SEP products. As happens in so many government bureaucracies, agencies take on an introverted, "public-be-damned" attitude. A strategy to reach out with simple, direct, relevant communication devices could help significantly in assuring resources for SEP and improving staff morale. A few success stories are needed to start the process, e.g. communication through radio and television, attractive timely reports.

2. Working with Agencies other than SEP.

It is evident from my personal visits in Kinshasa that USAID has effective relations with numerous organizations in government and the private sector. I can only urge that those relations be maintained or expanded. The principle is simple with respect to shaping public policy: influence can be exerted directly through government and indirectly from outside government through the organizations that participate in the policy process.

(a) Cultivate agencies other than SEP. For reasons already indicated cultivate agencies such as PLAN, ONATRA, SOFIDE, Banque de Credit Agricole. There may be others which play a role in agricultural policy. The same applies to private sector organizations which often are able to add useful perspective to policy issues and may be critical to bringing about policy change. In addition some thought might be given to building capacity for policy analysis outside of government through contract work with private Zairian research and policy groups such as IRES and CEPAS.

3. Integrating Agricultural Policy Analysis in USAID Projects.

Several of the foregoing recommendations visualize specialized agricultural policy studies. In addition, there are opportunities to incorporate agricultural policy dimensions in other projects of the ARD and other divisions of the Mission.

(a) Incorporate agricultural policy dimensions in the Bandundu project. The small farmer survey conducted as a part of this project will provide useful insights into crop production patterns, commercial marketing of commodities, sources and use of credit, and indications of small farmer behavioral response to changes in their economic environment. These data should be analyzed with respect to their implications for current agricultural policies and evidence that would be useful in design of future policies. Other more direct policy issues may arise in the course of the project. For example, to what extent are chronic fuel shortages in the project area the result of fuel allocation policies and government administrative procedures? What are the economic consequences in agriculture of improvements in the transportation infrastructure resulting from the project? Optimally, policy dimensions should be incorporated in such projects in the design phase.

(b) Continue linkages between USAID agricultural and nutrition projects. The linkage of food production policies, resultant food availability and composition, and the nutritional status of the population is obvious. What is less obvious are the effects which commercialization of traditional subsistence agriculture may have on food consumption and nutrition. Agricultural policies could and probably should be designed with more explicit nutritional objectives. Programs to improve the nutritional status of the population may be thwarted if agricultural policies provide incentives to farmers inconsistent with nutrition objectives. Once again, the Bandundu project may provide a useful setting in which to explore such linkages. Formulation and implementation of national nutritional policy, an objective of the Area Nutrition Improvement Project, represents another opportunity for integration of policy issues.

4. Facilitating Dialogue on Agricultural Policy.

The Mission's objective of facilitating dialogue on agricultural policy can be accomplished in three principal ways: (1) by continuing to build capacity in policy analysis within and outside government, (2) through informal discussions with government policymakers and leaders in the private sector, (3) through more formal policy seminars, workshops and conferences.

The first already has been discussed: I leave to the better judgment of the Mission the feasibility and protocols of the second method.

(a) Consider organizing seminars and conferences in collaboration with the GOZ and international organizations on selected issues with important policy implications. There is no shortage of potential topics - from seed production to marketing, foreign trade, credit, computer information systems, the role of research in development, or discussion of major development projects. Optimally such meetings should be scheduled around completion of a major report in GOZ or elsewhere. To avoid such meetings being viewed as a threat to policymakers, select more technical topics but incorporate policy dimensions of the topic. If the meetings are to be credible, the GOZ or other government agencies should be an active co-sponsor and participant. Involving international agencies such as the IBRD and FAO would further allay fears of U.S. domination of the meetings. Any such effort should begin slowly, perhaps one conference per year, until its legitimacy is established. Participation of senior and middle level policy officials should be encouraged strongly. Speakers from other African countries and the U.S. should be considered on a TDY or personal contract basis.

5. Role of the Agricultural Economist in the Mission.

At the risk of appearing self-serving, I believe that at least one agricultural economist is essential to the food, agricultural, and nutrition programs of the Mission. An economist is the natural leader of many specialized policy projects in the Mission of the types recommended above. The time of one economist could be devoted solely to furthering policy analysis in the SEP and other GOZ agencies. In addition, an economist is needed to bring economic dimensions to programs originating in other disciplines in the Mission and for guidance in program design and evaluation. Immediate assignments might include the compilation of food and agricultural policies, preparation of material for the agricultural task force, and summarization of the SEP regional reports.

6. The Agricultural Task Force.

From my personal experience with the Egyptian task force, I can attest to the importance of in-country background preparations. The task force will require upon arrival a thorough briefing from U.S. officials on current macroeconomic conditions and policies. The same will be necessary on economic, social, political systems, and on agriculture. The background papers under preparation by Navin and Nkiere will be helpful in placing agriculture and agricultural policies in perspective. Similar types of briefing undoubtedly will be provided by the GOZ.

It is unrealistic to expect the task force to read voluminous technical materials in advance of their visit. However, succinct briefing papers in advance to focus their attention on major problems and policy issues would be highly desirable.

It is imperative that the task force see firsthand a cross section of agriculture. I also urge strongly that they have opportunity to meet with leaders from the private sector with interests in food and agriculture.

V. Acknowledgements.

I am indebted to Ross Wherry for the large amount of time and unflinching support he gave to my activities leading to this report. Some of his assistance, including meeting me at a midnight flight, were clearly beyond the call of duty. However, errors or omission or commission in this report are solely my responsibility.

I am indebted also to Citoyen Nkiere for his excellent assistance in arranging numerous meetings and to the secretarial staff of ARD for persevering with my handwriting. Others throughout the Mission made my visit pleasurable and challenging.

Annex A

Visitations in Kinshasa (6/21 - 6/27)

Government or Government-Related.

- (1) SOFIDE (Citoyen THIUNZA, head of agricultural office): government created economic development agency; 942 million zaires in credit in 1983 of which 9 percent was used in agriculture (crops), 4 percent in livestock, 18 percent in agro-industry, and 10 percent in forestry.
- (2) Banque de Credit Agricole (Citoyen MAMBU, President Directeur General): created in late 1982 with initial capitalization of Z 5 million, and apparent commitment of an additional Z 50 million from the Executive Council, the bank will function as a commercial bank specializing in credit to small operators and local enterprises associated with agriculture, fisheries, and livestock production.
- (3) Service d'Etudes et Planification (Citoyen MUBENGA, Director): the economic research, statistics, and planning agency of the GOZ Department of Agriculture and Rural Development.
- (4) OZACAF (Citoyen BISUTA BIETO, Chief Agronomist): parastatal in charge of coffee marketing (domestic and export); in process of reorganization and privatization.
- (5) Department of Planning (Citoyen BOMBITO, Directeur du Setteur Productif), central planning unit of the GOZ conducts cross-sectoral planning (industry, agriculture, manufacturing and service sectors); leads in development of five-year plan (1986-90) for agriculture targeted for completion in 1985.
- (6) ONATRA (Citoyen KINZAMBA EMPEN, Chief of River Traffic): responsible for management and development of waterways and railroad from Kinshasa to Matadi.
- (7) Direction de Marches, Prix et Credit Campagne (Citoyen MANSINSA, Director): responsible for collection, analysis, and dissemination of current market prices for agricultural commodities. Weekly price data at selected markets in Kinshasa are collected and reported monthly.
- (8) Citoyen KAMBOLA, Counselor to the Prime Minister.
- (9) Citoyenne DIERE MPUTU, Counselor to the Minister of Agriculture.
- (10) Citoyen AFATA LITITIYO, Counselor to the Minister of Agriculture.

Private Organizations.

- (1) TISSAKIN (M. IDRIS HUSAIN): engaged in manufacture and distribution of jute and, recently, polypropolene bags for grain and industrial products (cement).
- (2) SOLBENA (Citoyen NUDIAY): engaged in textile manufacturing, coffee production and marketing, procurement and processing of corn - plants in Lubumbashi and Kinshasa.

- (3) Plantations Lever au Zaire (M. MATTEL, Director): engaged in palm oil production, domestic and export marketing.

International Organizations.

- (1) IBRD-DOA (M. BADJEK): one of three World Bank employees currently assigned to GOZ/DOA.
- (2) FAO-DOA/DMPCC (Pierre CESBRON): located in DMPCC at technical levels working on development and analysis of agricultural price and market data.