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**Implementing the Economic Analysis
Network**

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Agriculture Policy Analysis Project

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Implementing the Economic Analysis Network (EAN)

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CONTENTS

	<u>Page</u>
Summary of Principal Recommendations	1
Implementing the Economic Analysis Network	2
Positive Factors	3
Project Constraints	3
Strategic Redesign	11
Exhibit A: Suggested Roles, Functions and Structure of the San Steering Committee	A-1
Exhibit B: Alternative FSMP Administrative Relationships	B-1

Summary of Principal Recommendations

This report contains some 16 recommendations which can be briefly summarized in seven principal recommendations:

1. USAID should avoid the appearance of seeking to exploit the EAN for policy leverage and place maximum feasible reliance on Pakistani participants to exercise their initiative to activate the network, set its operating rules and style, and generate studies directly relevant to GOP policy-makers' interests and priorities.
2. Every effort should be made to assure continuity in the USAID/ARD project director leadership, and to encourage the development of strong interpersonal linkages to key high-level GOP officials based on mutual trust and confidence.
3. Once the GOP has approved the Project Agreement, differences of opinion and conflicts within USAID over the role and implementation of the EAN should not be permitted to obstruct or delay USAID project execution. The Mission Director should decide who is to be held responsible for project success, and must make it clear to all that cooperation is necessary and expected.
4. The EAN Steering Committee should be modified to strengthen its ability to perform its principal function--giving authoritative expression to the demand for policy analysis--by adding a representative from the Ministry of Finance and deleting representatives from organizations supplying studies.
5. The organizational structure and location of the USAID-financed technical support staff should be modified. Instead of three separate FSMP components, with the EAN staff under the Economic Consultants' Planning Unit, the three should be combined under a single Director reporting to the MOFAC Minister of State.
6. USAID should not insist that the GOP and participating institutions assume a significant share of the EAN costs during the first five years.

7. If the GOP rejects the proposed EAN project design, but still wants help to improve of decision-relevant policy analysis, USAID should try a more participative approach and jointly develop with GOP staff a process-oriented network design--preferably with a different GOP lead agency (such as the Ministry of Planning, or the Ministry of Finance).

Implementing the Economic Analysis Network

The Economic Analysis Network (EAN) concept and design are innovative, experimental and politically sensitive. EAN represents a radical departure from the conventional operating methods and style of the GOP bureaucracy. Constraints on short-term effectiveness are many, and implementation problems will be formidable.

There are several positive factors that should enhance chances for success, as well as many unfavorable conditions that will hamper implementation. These are discussed below.

However, the most important single factor that will influence project implementation (and, perhaps, project approval by the GOP) is the perception of key GOP officials of USAID motives for promoting the project. Policy analysis is inherently politically sensitive, and GOP officials are particularly careful to preserve their hard-won independence of thought and action. Some anxiety may exist about the opportunities created by the EAN project for unwelcome USAID interference and manipulation of the GOP policy-making process. Even if not based on an accurate assessment of the EAN situation, such perceptions could easily be reinforced by USAID's insistent pressures to promptly activate all projects, coupled with USAID's acknowledged commitment to exercising policy leverage under other projects. If the EAN is to succeed, special care must be taken to insulate it from these two forces, at least in the early formative stages. Patience and a gentle touch will be needed.

Positive Factors

Factors that should contribute to implementation success:

- The project design is carefully tailored to the structural realities of the relevant GOP organizational components; it is logical.
- It reflects an accurate perception of the current state of the demand for agricultural policy analysis, and the current supply capacity in Pakistan.
- It is generously funded at a level that should permit full exploitation of process opportunities as they occur.
- The sponsoring project director is fully committed to the project, aware of its strengths and limitations, and prepared to be flexible in adjusting design in response to the inevitable learning experience.
- The project comes on-stream during the inauguration of the Agricultural Policy Analysis Project (APAP) and is linked to the emerging worldwide network; it can directly draw upon relevant experiences in other LDC's.

The most important of the above factors for the future success of the project is the personal commitment and involvement of the USAID project director. Because the project is innovative, experimental, and politically sensitive it will require close and sustained USAID attention during the initial years. There will be a continuing need to build and maintain an extensive web of good interpersonal relationships with influential actors in the GOP and participating private sector agencies. Continuity of USAID staff directly involved with the project thus assumes even greater importance than usual. The frequent turnover in professional Mission staff, so characteristic of the USAID operating style, is inherently inimical to projects heavily dependent on the cultivation of relationships with host country nationals that are based on mutual confidence and trust.

Project Constraints

Factors that will contribute to the difficulty of successful implementation can be grouped under three general headings: the

project environment, the project design and the project approval/implementation process.

The project environment includes two principal dimensions: the GOP political-bureaucratic environment and the USAID itself.

The principal features of the internal GOP environment that will present difficulties in project implementation include:

- The traditional style of a conservative bureaucracy (highly formalistic, excessively rank/status conscious, rigid and inflexible procedural requirements, strong inhibitions against cross-agency lateral communications, etc.) coupled with the dispersion of agricultural policy-making among many independent units.
- The heavy administrative burden on high-level GOP officials, and time-consuming inter-agency coordination demands which leave little space on over-busy schedules for additional coordination/consultative meetings (of the type envisioned in the EAN).
- The administrative complexity involved in engaging the effective participation/coordination of central government and autonomous provincial agencies, coupled with provincial government suspicion and fear of central ministry control (reinforced by the strong ethnic/linguistic divisions congruent with provincial boundaries).
- The uncertainty of the extent and strength of effective demand for objective data and analysis at the highest GOP policy levels.
- The sensitivity of GOP officials to the perceived threat of excessive visible pressure from foreigners on sensitive GOP policy issues and processes.

There is little or nothing USAID can do to change these features of the GOP environment. To a limited extent, project design can be adapted to compensate for them. To a somewhat greater extent, USAID's operational style might be modified in recognition of these realities.

To ease somewhat GOP concerns that the EAN process might be manipulated to exert pressure on policy-decisions, it would be

helpful to clarify the role of the EAN. A clear distinction should be made between policy analysis and economic research on the one hand, and policy advocacy on the other.

"Economic Research" can be described as scientific studies designed to produce new knowledge about the nature, structure, and functioning of the country's economic system or elements thereof. "Policy Analysis" can be characterized as decision-oriented systematic quantitative studies describing policy alternatives and estimating the future costs and consequences of the alternatives. "Policy Advocacy" is the selection, presentation and justification of a preferred policy alternative with the intent to influence policy decisions. It should be made clear, and continuously emphasized, that the EANG and the individual studies will, as a matter of course, concentrate on economic research and policy analysis, and will not normally engage in policy advocacy. This would not preclude individual members of the EAN from policy advocacy in their private or host-institutional roles. Nor would it preclude the Steering Committee from requesting that the EANG (or individual researcher/analysts) indicate a policy preference. But it should be understood that this would be strictly a matter for the Steering Committee to determine. This operating style would also help reduce any anxiety researcher/analysts might feel about the potential personal risks involved in conducting government-financed studies on politically sensitive subjects.

Several features of the internal USAID environment impact adversely on the EAN project, and could present serious constraints to its successful implementation.

- Lack of consensus within USAID/Pakistan on project implementation strategy, and the extent to which the EAN should be exploited for early policy leverage.
- USAID's management style of limiting direct and frequent contact by technical USAID staff with higher-level policy officials in the GOP.
- USAID's institutional imperative to quickly activate projects under the 1981 bilateral \$3.2 billion agreement and to accelerate cash flow (always present in USAID missions but intensely exaggerated in Pakistan for pressing political/strategic reasons).
- AID's current emphasis on "policy dialogue" and "policy leverage" where congruence of economic philosophy and policy strategy has not fully evolved and where host country sensitivities to policy manipulation are still

tender from the "post-colonial" syndrome.

- Unrealistic, formal expectations built into the Project Paper (which presumably will represent the criteria for the formal evaluations) for quick analytical results and early assumption by the GOP of recurrent costs (before the end of the five-year project period). These assumptions are not compatible with the current GOP situation nor the philosophy underlying the Institution Building Policy of AID.

Some of the above environmental factors are immutable in the short run, and must be accepted as "given" by project leadership. There is not much that can be done now to remove USAID/Pakistan's institutional imperatives to spend money in a hurry. Some of these factors, however, are susceptible to melioration if appropriate policy direction is forthcoming.

The lack of consensus within USAID/Pakistan on EAN strategy and tactics, while appropriate in the project design stage, should not be permitted to hamper project implementation--and a solution is readily at hand. The Mission Director must decide who is to be held responsible for project success, and must make it clear to all that cooperation in project implementation is necessary and expected.

USAID's impulse to use any and all means to facilitate policy dialogue and achieve policy leverage should be moderated in the EAN, at least in the crucial first two years. Any suspicion of key GOP officials that EAN may be exploited by USAID for policy manipulation must be assuaged, or risk failure in implementation.

Finally, the perceived inhibition on technical staff establishing intimate professional relationships with high GOP policy officials to create climate of mutual trust and confidence should be moderated. The sensitive nature of policy analysis, the large number of GOP and private sector actors that must be enticed to cooperate, and the traditional operating style of the GOP bureaucracy place a premium on the ability of the U.S. nationals directly involved to establish (and maintain over the years) a sound working relationship firmly based on such trust and confidence.

The project design features that may cause implementation problems include:

- Location of the organizational components (the Steering Committee and the EAN group) within the Ministry of

Agriculture, supported by the Economic Consultant to the Secretary for Food and Agriculture. Given the relative status of the Ministry of Agriculture vis-a-vis other Ministries (Finance, Planning, etc.) and the Economic Consultants' lack of enthusiasm for the EAN concept, the EAN may find it very difficult to attract the sustained, high-level support and attention it needs to be effective.

- The size and composition of the Steering Committee and the diversity of roles envisioned for the members. The central role of the Committee is to represent the policy demand function for policy analysis, the most essential ingredient required for success. But its size and diversity of membership mitigates against this role. Some proposed members do not represent the policy-making function and are there to represent "institutional" interests on the supply side. One of the most promising sources of demand for analysis--the Ministry of Finance--is not represented.

- The implications in the Project Paper that the participating institutions are expected to provide part of the financing for each study (p. 32). The existing budget constraints on GOP funds for participating institutions are such that a requirement to absorb any part of the incremental costs of studies is likely to considerably dampen enthusiasm for participation in the study program.

- USAID's intention that the GOP assume the budget costs of the USAID-financed additional professional and administrative personnel assigned to the Min/Ag Planning Unit at the end of the first two years (Pro/Ag, Annex 1, page 4, item "g"). Faced with the prospects for decreases in GOP funding of ordinary recurrent costs, the MOFAC resource-allocation process may not find it possible to assume such costs so early in the project period. Without assurance of USAID funding past the second year, USAID may find it difficult to recruit qualified expatriates for the initial professional positions.

- The implication in the draft Project Agreement (Pro/Ag) that USAID intends to exercise a veto over individual study designs and results as a condition for payment of study expenses. (Annex 1, page 4.) This could prove to be troublesome if exercised by USAID, or interpreted by the GOP, as a device for manipulating the analytical agenda to exert U.S. preferences for policy outcomes.

The principal strength of the EAN concept is the explicit recognition that merely increasing the supply of policy analysis is not sufficient. Overemphasis on the supply of analysis, to the neglect of the demand side, has been a crucial weakness of previous failures in agricultural policy analysis projects. The EAN seeks to give expression to the demand for policy analysis in a form that will provide useful guidelines for shaping a prioritized study agenda through the Steering Committee. GOP staff have warned of the difficulties in convening committees such as this, and in eliciting active participation in committee business. Ways must be found to structure the committee to encourage, rather than hamper, its ability to perform its most crucial role--policy demand expression. Since the Pro/Ag does not specify the membership of the Committee, some flexibility will remain after Pro/Ag approval. This might be done by:

- adding a representative from the Ministry of Finance (a principal user of analytical information);
- deletion of representatives from organizations supplying analysis (PARC, Agriculture University Vice Chancellors); and
- deletion of provincial representatives (because it will be difficult to achieve their attendance, could introduce provincial/central government policy disputes that would be disruptive in the early stages of the EAN).

While the deletions may lose some of the advantage of wider participation, they have the advantage of facilitating committee deliberations and focussing them more sharply on defining authoritatively the highest priority policy concerns of the top national decision makers in the GOP. The initial study agenda responsive to this somewhat narrower policy need will nevertheless be as much as the EAN can service in the early years. (See Exhibit A for suggested structure, role and functions of the Steering Committee.)

Locating the EAN as a separate FSMP component in the MOFAC, under the technical support of the Economic Consultant, risks isolating it from both direct links to policy-makers and the ADC Component of FSMP (especially since the GOP may decide to transfer the data collection responsibility outside MOFAC to the Federal Bureau of Statistics). The lack of enthusiasm of the Economic Consultant for the EAN concept, and her unwillingness to exercise leadership initiative is particularly ominous. To avoid these problems the following alternative should be considered:

- combining the technical staff for the three FSMP components into a single unit, reporting to a policy-level position in the MOFAC (preferably the Minister of State, or alternatively the Secretary for Food and Agriculture); and
- assigning a designated staff professional for each of the components for liaison with the appropriate GOP official (see Exhibit B).

This arrangement would assure higher level attention and support, and provide for closer technical cooperation between the three FSMP components--especially the ADC and EAN.

Since the EPA component clearly aims at institution building, USAID should not insist on participating agency financial contributions prematurely. Under current A.I.D policy institution-building projects are entitled to a larger time horizon. While it should not require ten years to establish the EAN, the short-run constraints on producing policy-relevant and confidence-inspiring analytical studies (especially the serious lack of competent economists available to participate in agricultural policy studies) suggest that useful output during the first two or three years can be expected to be modest. Even if policy-makers are gratified with the short-run results, other GOP and agency budgetary constraints and rigidities may make it unlikely that significant GOP financial resources can be made available.

- The draft Pro/Ag should be amended to change the USAID commitment for financing additional technical staff from two years to four or five years.
- USAID should not insist on significant sharing of out-of-pocket study costs by performing agencies during the first few years. As USAID grant funds for studies are used, there will become a clearer need and occasion for urging cost-sharing to stretch dwindling funds over a larger agenda

To enhance the institution building focus of the EPA (and soothe anxieties over the potential for unwelcome USAID intervention in the GOP policy-making process), USAID should adopt an operational philosophy of "maximum feasible reliance" on Pakistani initiative and management of the EAN. Subject to conformance to minimum conditions to assure legality and relevance in the use of funds, and adequate documentation to provide an acceptable audit trail USAID should

- not insist on advance approval of the design of individual studies; concurrence in the annual study agenda should be sufficient; and
- not insist on approval of study "results" as a condition for final payment under individual study grants. The EANG should have sufficient technical competence to determine technical sufficiency and no one should appear to exercise a veto over "results" on policy or political grounds.

With careful monitoring of EANG performance, USAID should be able to satisfy its need for assurance of acceptable performance. If the operating discretion is abused, USAID retains the right to revoke the delegated authority.

The project approval/implementation process refers more to the matter of style in dealing with the procedural and interpersonal aspects than with the substantive aspects of the project.

Unfortunately, in designing and advocating the EPA component, USAID operating conditions have not been the most favorable for assuring success. At the time of writing, the Project Agreement has not yet been approved by the GOP. Time is rapidly running out for GOP approval in time for implementation in the upcoming budget cycle.

Under the pressure of its own bureaucratic and political imperatives, USAID worked hard to design and inject the EPA component into the traditional GOP bureaucratic system. Despite the numerous meetings and discussions held there was an obvious lack of attention on the part of the GOP. Observations indicated the project paper was not studied in detail until after the GOP officially requested the project. Unfortunately, this request was based on the Mission's finalized project paper. The GOP further aggravated this communication problem by issuing the request without carefully reviewing the details and full implications of the project paper.

Upon receipt of the official request for the project, the PP was immediately submitted for AID/W approval while many of the key counterparts were just starting to give the document (114 single-spaced pages, plus 14 annexes) its first "hard look." Indeed, after the project was authorized the Mission sought to accelerate the GOP review and approval process of the draft Project Agreement and the government's internal authorizing documents (PC-1s) in time to meet the June deadline for the Annual Development Program.

In view of the novelty of the EAN concept, the large number of GOP participants who are involved, their traditional outlook and overburdened agendas (several State visits occupied large blocks of time of top GOP officials during May), GOP delays in reviewing and approving the project documents are not surprising.

USAID's desire to accelerate the implementation of projects under the 1981 agreement for a six-year package of economic and military assistance is understandable. However, the \$10 million EPA is a very small piece of the \$3.2 billion package--small enough to tolerate an approach more accommodating to GOP bureaucratic needs without seriously impairing USAID's overall performance goals.

Especially in view of the politically-sensitive nature of policy analysis, the reluctance of GOP officials to encourage direct interventions in policy matters by foreign agencies, and the acknowledged USAID urge to exercise policy leverage on a wide range of activities, USAID should approach the EPA network component of the FSMP with a more delicate touch and a more tolerant attitude than might be appropriate for other projects.

Strategic Redesign

At the time of this report, a final decision had not been announced by the GOP as to acceptance or rejection of the EAN concept or design. The Project Agreement was still "under review" and little apparent movement was occurring.

In the event that the GOP declines to activate the current EAN design, but continues to evidence interest in obtaining policy-relevant objective economic analysis on food and agricultural issues, USAID should regroup and reconsider both the design and the process.

Instead of abandoning efforts in the policy analysis area altogether, USAID should seek ways to more effectively engage responsible GOP participation in a joint review and assessment of the alternative approaches to linking policy demand with responsive supply.

It would probably be more effective at that stage to shift focus from the Ministry of Agriculture to the Ministry of Planning (or the Ministry of Finance) as the lead agency. The Food and Agriculture Section of the Ministry's Planning and Development Division might have more interest and enthusiasm for a project of this type.

The essence of the "network" concept could be retained (i.e., the emphasis on activating and institutionalizing a continuing process for building analytical capacity in a variety of institutions, and systematic drawing on that capacity through study grants and/or contracts), but the organizational arrangements and operating policies and procedures should be changed to accommodate the GOP participant's perceived problems and concerns.

Instead of USAID convening an exclusively expatriate project design team to develop an alternative design for GOP review, the responsible GOP lead agency could be invited to nominate a small group (two or three) from the GOP to work with a USAID-designated group (one or two) to jointly re-examine the problem and assess alternative solutions. The joint effort should stress that the initiative for assessing GOP concerns about the original design, and assessing alternative solutions in terms of feasibility rests with the GOP participants, and that their active engagement in the exercise is a condition for success.

This is not to suggest that an acceptable design should ignore USAID needs and preferences--clearly it must be acceptable to USAID. But it must also be feasible and must therefore have a strong GOP commitment to succeed.

**SUGGESTED ROLES, FUNCTIONS AND STRUCTURE
OF THE EAN STEERING COMMITTEE**

Membership

Minister, Ministry of Food, Agriculture and Cooperatives
(Chairman)
Secretary, Ministry of Finance
Secretary, Ministry of Planning and Development
Chairman, Agriculture Prices Commission
Secretary, Food and Agriculture (MOFAC)

Role

To represent the principle, national policy-level consumers of food and agricultural data and policy analysis, and to assure responsiveness of the EAN study agenda to policy-makers' needs and priorities.

Functions

1. Express national policy-makers' needs for food and agricultural information.
2. Establish priorities to govern EAN study agenda.
3. Review and approve annual EAN study agenda from the point of view of responsiveness to Steering Committee priorities.
4. Establish general operating policies for EAN (membership of EANG grant procedures and review procedures, remuneration policies, publication policies, etc.).
5. Assure cooperation from their parent organizations in EAN activities .
6. Monitor overall performance of EAN.

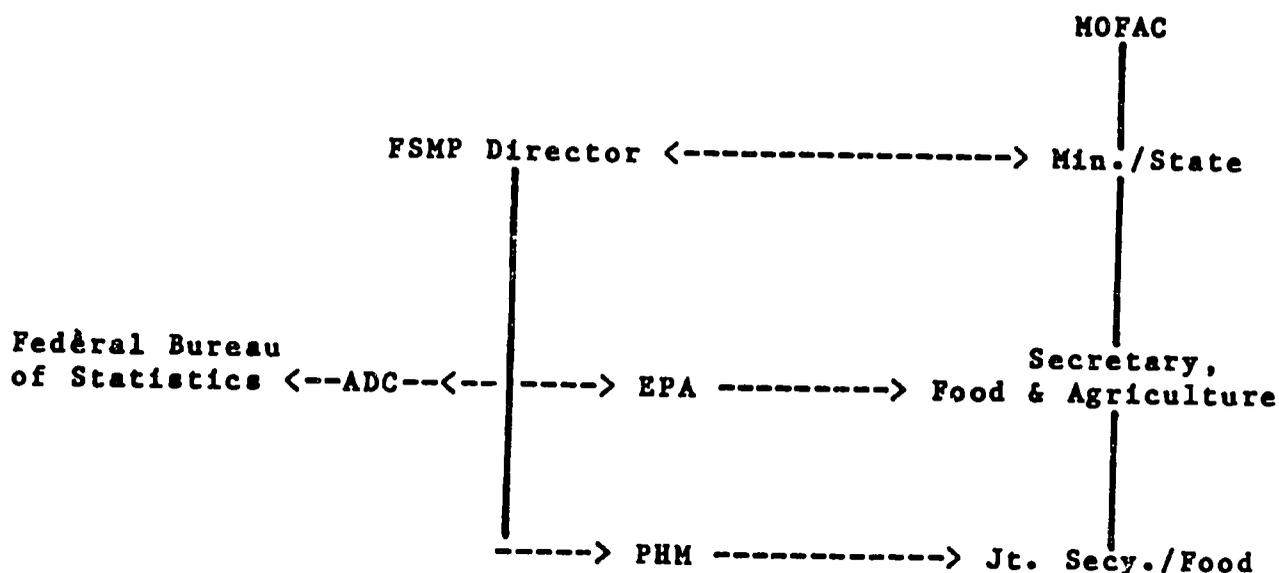
Staff Support

Professional and administrative staff support to the Steering Committee would be provided by the EPA project officer (in the

FSMP office), who will simultaneously serve as staff director for the EARG and as EPA's official liaison with the responsible GOP official (the Secretary for Food and Agriculture, MOFAC). Staff support will include preparing background papers for agenda items, making recommendations on study agendas and priorities, and preparing draft action documents for Steering Committee review and approval, as well as providing administrative clerical and logistical support.

ALTERNATIVE FSMP ADMINISTRATIVE RELATIONSHIPS

In lieu of separate management elements for the three FSMP components--Economic and Policy Analysis (EPA), Agricultural Data Collection (ADC) and Post Harvest Management (PHM)--it is suggested that the three be combined under a unified FSMP project office with direct responsibility to the MOFAC Minister of State. Each component would have a project officer responsible to the FSMP Director, with liaison and functional relationships with the cognizant GOP officials as follows:



At the specific request of the Secretary of Food and Agriculture, an attempt would be made to recruit an expatriate Pakistani for the EPA project officer.

The MOFAC Planning Unit, under the Economic Consultant, would be expected to actively participate in the Economic Analysis Network Group (under the EPA) but would not exercise overall project management responsibilities.

The USAID Project Coordination Unit (PCU) would administer AID project monitoring, reporting and fiscal requirements in close cooperation with the FSMP Director.