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الوكالة الأمريكية للتنمية الدولية
مشروع إصلاح السياسات الزراعية
وحدة تصميم وتنفيذ السياسات

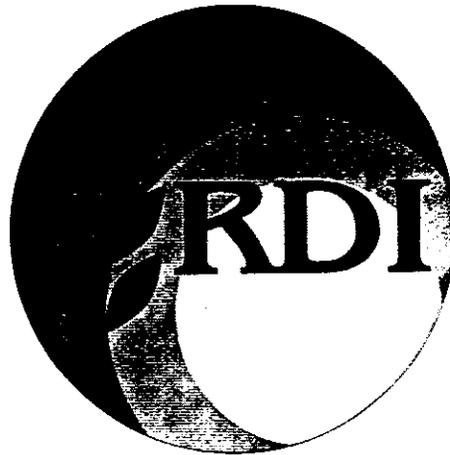
Ministry of Agriculture and Land Reclamation

AGRICULTURE POLICY REFORM PROGRAM

Reform Design and Implementation Unit (RDI)

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Reform Design and Implementation Unit

*Development Alternatives Inc. Group: Office for Studies & Finance, National Consulting
Firm Development Associates, Cargill Technical Services, The Services Group, Training
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RDI REPORTS

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*Suggestions for the
Agricultural Policy
Reform Project in Egypt*

*by:
Dr. Wallace E. Tyner*

April 1999

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RDI Acronyms List

<i>ACRONYM</i>	<i>DESCRIPTION</i>
AC	Agricultural Census
ACDI	Agricultural Cooperative Development Institute
AERI	Agriculture Engineering Research Institute
AHD	Aswan High Dam
AIC	Agricultural and Irrigation Committee of the People's Assembly
ALCOTEXA	Alexandria Cotton Exporters Association
APRP	Agricultural Policy Reform Program
ARC	Agriculture Research Center
ATUT	Agricultural Technology Utilization & Transfer Program
AY	Agricultural Year Locator (October 1 st to September 30 th of the following year)
BOD	Board of Directors
CAGA	Central Administration for Governorates Affairs
CAPMAS	Central Agency for Public Mobilization & Statistics
CAPQ	Central Administration for Plant Quarantine, MALR
CASC	Central Administration for Seed Certification
CASP	Central Administration for Seed Production
CAWD	Central Administration for Water Distribution
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
CIF	Cost, Freight and Insurance
CIPE	Center for International Private Enterprise
CMA	Capital Market Authority
Co.	Company
CODEX	Code of Food Standards developed by an international commission in 1962
COP	Chief of Party
CSPP	Egyptian-German Cotton Sector Promotion Program
CTS	Cargill Technical Services
DA	Development Associates, Inc.
DAI/B	Development Alternatives, Inc./Bethesda
DEPRA	Development Economic Policy Reform Analysis
EAO	Egyptian Agriculture Organization

<i>ACRONYM</i>	<i>DESCRIPTION</i>
EEA	Egyptian Exporters Association/ExpoLink
EEPC	Egyptian Export Promotion Center
ELS	Extra Long Staple Cotton
EMIPAC	Egyptian Marketing Agricultural Company
ERSAP	Economic Reform and Structural Adjustment Program
ESAS	Egyptian Seed Association
ESAs	Employee Shareholder's Association
ESOPs	Employees Stock Ownership Program
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
FDIs	Foreign Direct Investments
Fed.	Feddan = 4200 square meter
FIHC	Food Industries Holding company
FOB	Free on Board
FSR	Food Security Research Unit
FY	Fiscal Year
GA	General Assembly
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GOE	Government of Egypt
GTZ	German Technical Assistance Agency
HC	Holding Company
HEIA	Horticultural Export Improvement Association
IDA	International Development Association
IFC	International Financial Cooperation
IPPC	International Plant Protection Convention
IPO	Initial Public Offering
IIMI	International Irrigation Management Institute
IR	Intermediate Results
ITC	International Trade Center
JETRO	Japan Export Trade Organization
Kg.	Kilogram
Kt.	Kentar
Libra	Pound of 0.45359 kilogram, also abbreviated as lb.

<i>ACRONYM</i>	<i>DESCRIPTION</i>
LE	Egyptian Pound
LK	Lint Kentar of cotton, 50 kgs.
LOE	Level of Effort
LS	Long Staple cotton
MALR	Ministry of Agriculture & Land Reclamation
MENA	Middle East North Africa
MEIC	Ministry of Economy & International Cooperation
MIMW	Ministry of Industry & Mineral Wealth
MT	Metric Ton
MOF	Ministry of Finance
MoTS	Ministry of Trade & Supply
MPE	Ministry of Public Enterprises
MPWWR	Ministry of Public Works & Water Resources
MLS	Medium-Long Staple cotton
MVE	Monitoring, Verification & Evaluation Unit
NARS	National Agriculture Research Center
NBE	National Bank of Egypt
NCF	National Consulting Firm
NFPA	National Food Processor Association
NGO	Non-Governmental Organization
O & M	Operation & Maintenance
OSAF	Office for Studies And Finance
OVR	Office of Variety Testing & Registration
PA	People's Assembly
PBDAC	Principal Bank for Development and Agricultural Credit
PEO	Public Enterprise Office
P&L	Privatization & Liberalization
PIDP	Partnership In Development Project
PMU	Project Management Unit
PPC	Program Planning Committee
PRA	Participatory Rapid Appraisal
PU	Purdue University
PVP	Plant Variety Protection
RETD	Real Estate Tax Department

<i>ACRONYM</i>	<i>DESCRIPTION</i>
RDI	Reform, Design & Implementation Unit
ROW	Rest of the World
SCC	Sugar Crops Council
SCRI	Sugar Crops Research Institute
SIIC	Sugar and Integrated Industries Company
SK	Seed Kentar of cotton (157.5 kgs.)
SPC	Seed Privatization Committee
SS	Short Staple cotton
STTA	Short Term Technical Assistance
SWG	Sugarcane Working Group
TA	Technical Assistance
TAMIS	Technical & Administrative Management Information System
TAT	Technical Assistance Team
TF	Task Forces
TO	Training Officer
TOR	Terms of Reference
TNA	Training Needs Assessment
TRG	Training Resources Group
TSG	The Services Group
UIT	Unified Income Tax
UMD	University of Maryland
USAID	United States Agency for International Development
US\$	United States Dollar
USPMA	U.S. Produce Marketing Association
USDA	U.S. Department of Agriculture
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organization
WUA	Water User Association

SUGGESTIONS FOR THE AGRICULTURAL POLICY REFORM PROJECT IN EGYPT

Wallace E. Tyner

Agriculture and related agribusiness are very important in the economic development of Egypt, accounting for more than half the employment and more than one-third of the GDP.¹ Dr. John Mellor, the leading American agricultural economist and the former Director General of IFýPRI and former Chief economist of USAID, has consistently and effectively argued that agricultural growth is critical to overall economic growth. Recent empirical evidence strongly supports his views. Over the past two decades, substantial progress has been made in reforming agricultural policy, privatizing public enterprises, and modernizing agricultural technology in Egypt. Yet much remains to be done. Two decades ago, Egyptian agriculture and, indeed, the Egyptian economy in general was centrally planned and controlled, with much of the economic activity channeled through publicly owned and operated entities. While substantial change has been completed, the reform process is currently at a critical juncture. Many important reforms that have huge potential positive impacts are at the discussion, negotiation, or early implementation stages.

Egyptian economic performance has been both a source of pride and frustration. A recent World Bank report indicated that Egypt achieved unprecedented growth between 1975 and 1985, but that problems emerged after that period. Egypt adopted successful stabilization policies that led to growth averaging 4 percent between 1993 and 1996, but significant challenges lie ahead.² However, the Egyptian economy recently has been growing reasonably well and is predicted to be the 15th fastest-growing economy in the world in 1999.³

Foreign aid involvement in Egypt over the past two decades also evokes a range of emotions and assessments. The above-mentioned World Bank report implies that, with reasonable policy reforms and privatization, the Egyptian economy could be on a sustainable growth path. However, in a recent analysis of Egyptian development, Weiss and Wurzel argue that Egypt's strategic position in Middle Eastern politics enabled aid flows and other special considerations which created an illusion of economic well-being that mitigated the

¹The fractions are much higher (more like 70% and 50%) if one includes the agricultural demand-driven components (John Mellor).

²World Bank Report NO. 16207-EGT, *Arab Republic of Egypt Country Economic Memorandum, Egypt: Issues in Sustaining Economic Growth, Summary Report*, March 1997, p.1.

³This is the forecast of the Economist Intelligence Unit, a sister company of *The Economist* magazine, reported in the Emerging Market Indicators section, p. 116, January 16-22, 1999, issue.

need and pressure for fundamental economic reform.⁴ In general, the authors condemn the entire history of international organization (World Bank, IMF) and bilateral donor aid as counterproductive.

Interestingly, the authors were relatively positive on the USAID Agricultural Policy Reform Project (APRP):⁵

The US Agricultural Reform Policy Program is an example of effective aid linked to a strict conditionality.

... the USAID Agricultural Policy Reform Program is a comprehensive attempt to enforce a strict market approach to Egypt's agricultural sector. Significant changes have been achieved.

The very important changes that have been achieved in the APRP project have been carefully documented elsewhere and do not need to be reiterated here.⁶ The major point is that even some who are quite negative on Egyptian progress in general see very positive results from this project.

Today the project is at a critical juncture. While it has been successful, much work remains. What should be the focus and major priorities for the future of the project? How should the activities be structured? How can the project do a better job of linking its activities and results to the major objectives and intermediate results pursued by USAID? Beginning to develop answers to these questions is the purpose of this paper. While complete answers to these critical questions clearly go beyond the scope and resources allocated for this task, the ideas launched here should be useful in the ensuing process.

The remainder of the paper is organized into four major parts. The first part describes the current policy matrix, vision, and work activities of the project; proposes criteria for establishing priorities; and discusses improving links to USAID objectives and intermediate results. The next section presents some recent work on microeconomic foundations of economic development that is relevant to the current status of this project and Egyptian agricultural development. The third section proposes a new way to structure the policy analysis matrix and view the activities undertaken by the project. The last section summarizes the important conclusions of the paper and suggests future directions.

⁴Dieter Weiss and Ulrich Wurzel, *The Economics and Politics of Transition to an Open Market Economy: Egypt*, OECD, 1998.

⁵Weiss and Wurzel, p.198 and p. 164.

⁶The APRP project publishes a series of notes entitled "Agricultural Policy Reform Project, Reform and Implementation Unit, Success Story." In addition, the project publishes the quarterly *RDI Newsletter*, which summarizes many important activities and policy reform successes.

Current Project Context

The project currently operates on a policy analysis matrix that was created in the formative stages of the project.⁷ A copy of that matrix appears as Annex A. It consists of four parts:

- 1) Policy areas - a broad categorization of the APRP project work areas
- 2) Policy goals - statements of goals (or subareas) related to the policy areas
- 3) APRP objectives - the specific objectives for each policy goal
- 4) Progress indicators - measures of the extent to which the objectives are being achieved.

When the policy matrix is used in the MOU with the Egyptian government, areas and goals (parts 1 and 2) are combined into one column, and benchmarks are placed in the last column.

The benchmarks have been discussed and negotiated among the project staff, USAID staff, GOE officials, and private sector representatives from agriculture and agribusiness. The benchmarks in the MOU, of course, are much more specific than the progress indicators in the policy matrix. In recent months the project teams have been going through a visioning exercise designed to clarify the desired future state of the Egyptian agricultural economy, the objectives that need to be accomplished in each area to reach that state, and needed policy reforms and implementation activities. It has been a very useful exercise to get everyone thinking about where the agricultural economy needs to head and what it will take to get there. It is clear that the project teams have a very good understanding of Egypt's major issues and the steps needed to solve those problems.⁸ It is to their credit that they have gained such a comprehensive understanding of the very complex agricultural development issues in Egypt.

The teams identified hundreds of issues and reforms needed to achieve their collective vision of the Egyptian agricultural economy of the future. The next step is to establish priorities; there simply are not enough project resources nor absorptive capacity in the Egyptian ministries to accomplish all the objectives.

Prioritization and focus also maximize the gain from project resources. Economists and economic geographers have long recognized the importance of linkages among firms and industries in economic development (Hirschman, Isard, and others). Michael Porter moves

⁷The policy analysis matrix is also sometimes called the policy analysis framework or other similar terms. In this paper, we will use the term policy analysis matrix for sake of consistency.

⁸See especially APRP, *Agriculture and Water: Vision for 2003*, January 1999.

beyond backward and forward linkages (Hirschman) and locational theory (Isard) to the competitive importance of clusters, arguing that clusters play a very important role in economic development. He focuses on “. . . encouraging the development of those fields with the strongest linkages to or spillovers within each cluster.”⁹ In other words, to the extent the project can focus its resources on particular clusters, the greater the potential payoff.

⁹M. Porter, “Clusters and Competition: New Agendas for Companies, Governments, and Institutions,” in M. Porter *On Competition*, Harvard Business Review Book, 1998, p.207.

How can one go about establishing priorities?¹⁰ We suggest five criteria that might be useful in establishing priorities:

- 1) Importance and potential impact of the objective and reform area. If implemented, how will the reform impact vital objectives targeted by the project (e.g., employment, economic growth)? Does this objective or benchmark relate to others? Does it contribute to project focus?
- 2) Likelihood of implementing the reform. Don't establish as high priorities reforms that have little or no likelihood of being implemented. It does not matter how important the reform may be, if the government has made a decision that the area is off limits, we need to respect that decision as least for the present.
- 3) Go for low-hanging fruit. It may be possible to develop consensus fairly quickly for making some reforms, given solid economic analysis. Including a few reforms in this category builds momentum for the entire program. The benefits may not be high, but if the costs are low, the benefit/cost ratio could be quite advantageous.
- 4) Comparative advantage of the project teams. Do the project teams have strengths in a given reform area such that their analysis and communications will be convincing? Or is it an area that would be better left to another donor program or to the Egyptians alone?
- 5) Is our help essential to accomplish the reform? In some areas enough progress has been made that we should turn over future reforms to the GOE. While development is a long-term process, we cannot continue to work in the same areas forever.

We suggest that the project teams apply these criteria to their multitude of objectives and activities. It may be convenient to use a numerical scale (say 1-5) as a starting point for making the priority decisions. A sample score sheet is included as Annex B. One could use an equal weighting sum to establish a score. However, a numerical ranking alone must not be used to make the final priority selections. Other criteria also could be established. For example, if the answer to questions 1, 2, 4, or 5 is no (1), then we might want to eliminate that objective and its associated activities. That is, if the area is deemed unimportant, not likely to be accomplished even with the best work, in an area for which the project teams do not have competence, or something the Egyptians should be able to accomplish alone, then perhaps the objective should not be included in the priority set. Most objectives and activities will not be that simple. Armed with judgments on these criteria plus other information, the teams will have to make the hard decisions on what are the highest priorities. Once the initial scoring has been done, it may be useful for team leaders to make a first cut as a starting point to launch discussions.

Priority setting needs to be a dynamic process that is revisited about once each year, probably in the work plan development. One could envision a two-tier set of objectives and activities. The first tier would be the priorities established and their associated objectives, activities, and benchmarks. Beneath that would be a second tier of candidate objectives that

¹⁰Unfortunately, neither the Egyptian 4th Five Year Plan (through 2002) nor the 2017 plan provide much guidance on priorities for policy reform. These plans are more focused on specific production targets by commodity and on means for economizing on water use.

might be included in the future as priority objectives are accomplished or as conditions change.

The Changing Agricultural Development Environment

As indicated above, much has been accomplished in APRP and its predecessor projects. In part, because of the changes that have occurred thus far, the needs and priorities for the future need to be adjusted. In my meetings with both public and private sector parties in Egypt, three themes of importance emerged.

First, there seems to be general agreement that the highest priority for the years ahead needs to be agricultural marketing systems. This term encompasses regulatory reform, market institutions, market information systems, grading and standards, legal issues, both input and output markets, import and export regulations and port operations, and the entire distribution system for agricultural inputs and outputs. This general theme was expressed in one way or another by most of the people I interviewed in both public and private sectors. Many important reforms have been implemented (sometimes referred to as 1st tier reforms), but there is a wide range of accompanying measures or 2nd tier reforms that must be addressed for successful reform.¹¹ The reform process is both sequential and iterative. In a broader sense, it could be cast as laying the microeconomic foundations for success in a market economy.¹²

The second theme that emerged, particularly in meetings with the private sector, was that there has been significant change in the attitudes of public sector policy makers in recent years. Government policy makers are much more open to discussions with private sector players and much more receptive to their input.¹³ In this analyst's experience of 14 years working on agricultural policy in Morocco, it was this opening to private sector input that marked a real watershed in the policy reform process. Once government officials began to seek private sector input (instead of avoiding it altogether) on policy changes, the process began to work much more effectively and reforms occurred with greater speed. Project work with trade associations will help provide a basis for sustainability of this process.

What this means for Egypt is that the likely payoff of continued investments in agricultural policy reform may be even higher than in the past. The emerging private sector,

¹¹Land reform is a good example. Major reform of land ownership and landlord-tenant relations has been accomplished. Additional reforms and implementation measures are needed to permit the major reform to succeed.

¹²The links between market and regulatory reform and microeconomic foundations for development are discussed below.

¹³Several interviewees credited the APRP project with a major role in this opening. Also, no doubt the RDI workshops were an important factor. In 1998 alone, RDI conducted 58 workshops with more than 2,000 participants. These workshops involved both public and private sector parties and were designed to build momentum and consensus in the policy reform process.

project staff, and government officials can make progress together on more issues and at a faster pace than is possible without private sector involvement.

The third issue that was brought up by several in the private sector and one government official was that other USAID export promotion projects (ALEB and ATUT were mentioned) need the support of APRP in the policy arena. Essentially they were saying that part of the success of the other projects depends upon creating the right policy environment.

The Microeconomic Foundations of Development

In the 1970s and 1980s much of the attention of development economists was focused on structural adjustment focusing heavily on the macroeconomic environment. In the 1990s increasing attention has been paid to the microeconomic foundations of economic development. That is not to say that microeconomic policy reform is new. APRP has been working on microeconomic reforms in Egypt since late 1996. This analyst has spent more than twenty years working in that area. But the degree of emphasis and, to some extent, orientation has changed in recent years. Some of that interest has come from the traditional economics and agricultural economics camps (e.g., the increased emphasis in agribusiness in the agricultural economics discipline), but part of it has come from parties outside the economics mainstream. One important voice has been Michael Porter of the Harvard Business School.¹⁴ In 1998, Porter published the results of empirical work based on a survey done by the World Economic Forum.¹⁵ In this survey, government and business leaders in 52 countries (including Egypt) were surveyed on a wide-ranging set of questions related to 1) company operations and strategy and 2) the quality of the national business environment. The survey instrument is included as Annex C. Respondents were asked to indicate where their country stood on a seven-point scale. Porter then did factor analysis relating the survey responses to the 1996 level of GDP per capita for each country (adjusted for purchasing power parity).¹⁶ He found that the microeconomic variables explained 82 percent of the variability in the level of GDP per capita.¹⁷ He then used the factor scores to constitute a

¹⁴Perhaps Porter's best known work in this area is *The Competitive Advantage of Nations: With a New Introduction*, The Free Press, 1998 (originally published in 1990). Another important related Porter contribution is *On Competition*, Harvard Business School Press, 1998. An important work following *The Competitive Advantage of Nations* was M. Fairbanks and S. Lindsay, *Plowing the Sea: Nurturing the Hidden Sources of Growth in the Developing World*, Harvard Business School Press, 1997.

¹⁵Michael Porter, "Measuring the Microeconomic Foundations of Economic Development," part of Harvard Business School Reprint Series entitled *The Microeconomic Foundations of Economic Development, 1998*.

¹⁶He also conducted analysis on the growth of GDP over the preceding five-year period.

¹⁷The questions in Annex C that begin with the number 9 are the special questions added by Porter to the survey and designed to measure the central aspects of the business environment. These questions alone explain most of the variance in the level of GDP among the 52 countries. Obviously, there is high correlation among the survey questions.

microeconomic competitiveness index. Egypt ranked 40th of the 52 countries on the microeconomic competitiveness index and 44th in GDP per capita.¹⁸ The main conclusion reached by Porter is that microeconomic foundations are at least as important as the macroeconomic conditions. He states:

Taken as a whole, the results challenge the notion that microeconomic improvement is automatic, if proper macroeconomic policies are instituted. While institutions such as IMF strongly push macro reforms, my findings suggest that micro reforms are equally if not more important. Without micro reforms, moreover, growth in GDP per capita will be unsustainable.¹⁹

Porter's work is oriented toward business and industry and not agriculture. However, the same principles apply in agriculture and agribusiness as in the sectors studied by Porter (and others). Clearly, if agriculture is to grow, the microeconomic foundations of development must be appropriate. That is the *raison d'être* of APRP. It is also the reason, I believe, why both government officials and private business persons stressed the importance of working on agricultural marketing systems which, said another way, is working on the microeconomic foundations of agricultural development. While I consider Porter's work to be evolutionary, not revolutionary, it does contribute to the merging of business and economics paradigms. It also brings to microeconomic policy reform a slightly different mind set more focused on the farms and firms that generate incomes and jobs and what it takes to make them more competitive.

Restructuring the Policy Matrix and Future Work Program

In examining the current APRP policy matrix (Annex A), the visions for the future of Egyptian agriculture, and many other documents from the APRP project, one can understand why the project teams may find the matrix somewhat less relevant today than in the past. The matrix divides APRP work into five areas:

- Prices, markets, and trade
- Private investment and privatization in agribusiness
- Agricultural land and water resource investments, utilization, and sustainability
- Agricultural sector support services
- Food security and poverty alleviation

At the beginning of the project, no doubt, this classification was quite logical and worked well. What has happened over the past few years, however, is that project personnel have become highly immersed in the areas in which they work, and they think in terms of their commodity work areas. It is no accident that 6 of the 12 vision statements from the recent visioning exercise dealt directly with input or output commodities (cotton, rice, horticulture, seed, fertilizer, and pest management) rather than topical areas such as those listed in the

¹⁸Lower income countries were not especially well represented in the sample.

¹⁹Porter, "Measuring the Microeconomic Foundations . . .," p. 57.

policy matrix. The staff spend months or years developing relationships in the commodity areas, analyzing policy related to specific commodities, and assisting in the implementation of commodity policy reform.

It is equally clear that virtually every policy reform or benchmark that applies to a given commodity fits into a topical area as well. For example, benchmark 4 of Tranche III reads as follows:

4. The GOE will promote market efficiency by reducing the import tariff on rice to a maximum of 10% by June 30, 1999.

That benchmark is (appropriately) in the prices, markets, and trade area of the current policy matrix. It could, however, also be considered a rice benchmark if we took a commodity slice. In fact, a variant is listed under constraints in the rice section of the vision document.

What has evolved, then, is that a significant part of APRP's work is commodity or input oriented whereas USAID's orientation is topical policy analysis oriented. A possible solution to this problem would be a multidimensional matrix whereby indicators and benchmarks would be classified both by topical and commodity orientation.

On paper, this could be handled by having two versions of the matrix—one with a topical slice and one with a commodity slice. Each would contain a complete list of benchmarks or indicators.

Another way to present the matrix would be through a set of WWW pages.²⁰ The hyperlink features of WWW pages are an ideal way to organize and facilitate access to multidimensional information such as the policy matrix. Most benchmarks and indicators would be linked to two or more topical and commodity areas. These linkages are illustrated in Figure 1. *Category* could be either topical or commodity. *Area* in Figure 1 refers to the specific topical classification or to a commodity group. *Objectives* is identical to that column in the current policy matrix except that there would be separate statements of objectives for each topical and commodity area. In the future, it would be possible, even desirable, to add other items to the WWW page or data base relevant to topical and commodity areas. For example, one could envision baseline studies, policy analyses, etc. being included under the various topics and commodities.

Impacts is new. It would be developed by APRP staff as estimates of economic, employment, and social impacts that could be achieved with successful accomplishment of the objectives. The employment impacts should include direct, indirect, and demand-induced employment using the structure proposed by Mellor in his recent publication for the Monitoring, Verification and Evaluation Unit of APRP. He presented this structure in talks to USAID, to the GOE, and to APRP during his most recent consultancy. The recent

²⁰It would not have to be in WWW page format. Any data storage and retrieval system that permits hyperlinks or multidimensional data structures would be fine. Lotus Notes is an example of another acceptable format.

“Agricultural Policy Reform: Anticipated Impacts” document by RDI provides one example of the kind of information that should be included here. It is important that these impacts be related to USAID’s overall objectives and intermediate results.

Finally, benchmarks or indicators would be linked to all the appropriate topical or commodity areas. In addition, from the level one WWW page, one could go in reverse order. That is, one could go directly to a complete list of benchmarks or indicators, see to which topical and commodity areas each is linked, and then follow the links back to the topical and commodity areas.

If such a WWW page were developed, it would not need to actually be placed on the WWW. It could be transmitted by diskette to users in APRP, USAID, and GOE for use on their machines. If that route were taken, it should be updated at least twice a year. Of course, it could be placed on the WWW as well.

Topical Areas

Given the feedback received from individuals in the public and private sectors and USAID, we propose the following four topical areas:

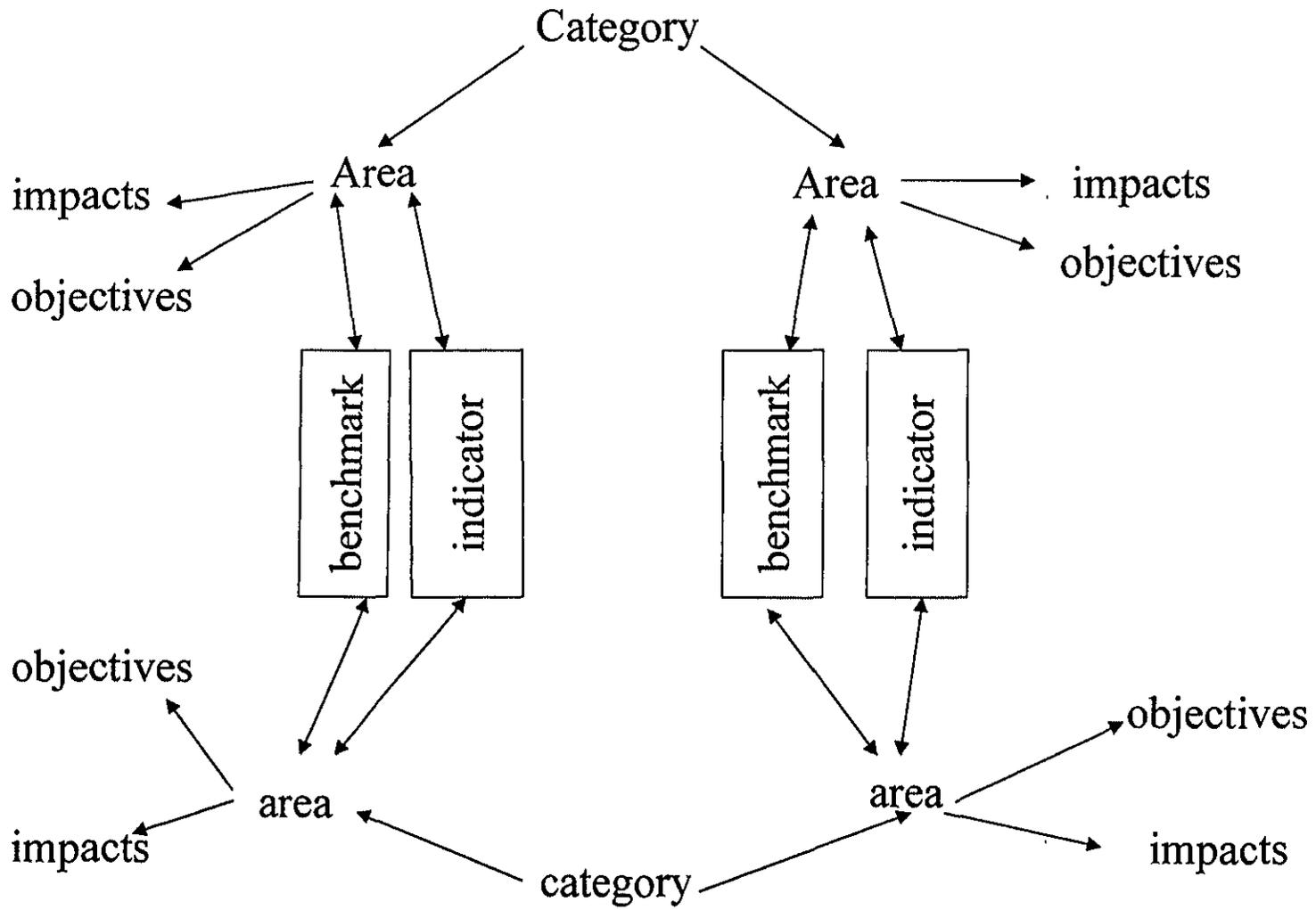
- Agricultural marketing and support systems
- Land and water policy
- Privatization and competitiveness
- Food security and poverty alleviation

Agricultural marketing and support systems encompasses the current prices, markets, and trade and agricultural sector support services areas (including institutions). Land and water policy is essentially unchanged (except the name is simpler). Privatization and competitiveness is similar to the current matrix area except that more emphasis is placed on creating an environment in which business can prosper and creating company competency to be competitive. Food security is essentially unchanged.²¹

²¹Most of the food security objectives do no overlap, so that area is affected little by these recommendations.

Commodities

The commodity areas, at least initially, would be the six in the vision booklet (horticulture, cotton, rice, fertilizer, seeds, and pest management). That could change over time as the project moves into other areas.



**AGRICULTURAL POLICY REFORM PROGRAM (APRP)
POLICY GOALS, PROGRAM OBJECTIVES AND PROGRESS INDICATORS**

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
A. Prices, Markets and Trade	A.1. Farmers freely choose crop and livestock enterprises, management practices and disposition of products.	A.1.1. Remove all government controls on crop areas, livestock numbers or production practices except as justified for varietal maintenance, effective plant protection, efficient water use, soil conservation and environmental protection.	Crop and livestock production variations in response to changes in relative prices and profitability (3) Higher proportion of farmers selling to private buyers at market prices.
	A.2. Liberalized import and export marketing.	<p>A.2.1 Eliminate quotas and other non-tariff barriers on imports of agricultural products and inputs.</p> <p>A.2.2. Harmonize agricultural import tariffs with low and uniform levels established for industrial imports, with the exception of any justified temporary safeguards against dumping of foreign subsidized products or import surges that threaten to damage a domestic industry.</p> <p>A.2.3. Eliminate minimum and fixed export prices.</p> <p>A.2.4. Eliminate unjustified phytosanitary and quality controls on imports and exports.</p> <p>A.2.5. Minimize and simplify licensing and administrative procedures for importing and exporting.</p>	<p>Nominal protection coefficients for agricultural products and inputs established and maintained close to unity.</p> <p>Lower nominal and effective rates of industrial trade protection leading to improved domestic terms of trade for agriculture.</p> <p>Rising volumes and values of agricultural imports and exports.</p>

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
	A.3. Liberalized domestic marketing for agricultural inputs and products.	<p>A.3.1 End remaining government input distribution and product handling in favor of private enterprises, disposing of publicly-owned facilities except as required for remote areas unserved by the private sector.</p> <p>A.3.2. Minimize and simplify licensing and regulatory requirements for private enterprises engaged in handling, transporting, storing and merchandising agricultural products and inputs.</p>	<p>Decreasing public-sector input distribution and product marketing.</p> <p>Sale or liquidation of publicly-owned distribution facilities.</p> <p>Reductions in licensing and regulatory requirements and costs.</p>
	A.4 Improved essential supporting services and institutional policy environment to make markets work better.	<p>A.4.1. Improve system for collecting and disseminating market information and regular preparation and dissemination of market outlook information on important traded products.</p> <p>A.4.2. Improve system of grades and standards utilized to enhance efficiency of handling, storing, distributing and pricing products.</p> <p>A.4.3. Improve legal framework and enforcement capacity for regulating anti-competitive behavior.</p> <p>A.4.4. Limited and low-cost interventions to reduce variability in domestic prices, producers' incomes and consumer expenditures if needed and justified by benefit/cost comparisons.</p>	<p>Regular and credible market information freely disseminated to all market participants.</p> <p>Regular and timely availability of market outlook information.</p> <p>Promulgation and uniform application of product grades and standards.</p> <p>Adequate legal and financial provisions for private handling and warehousing of intermingled commodities based on established grades.</p> <p>Enhanced competition and firm conduct in agricultural industries reflecting the number and disposition of anti-monopoly actions.</p> <p>Improvements in food safety and quality control reflecting number of violations cited.</p> <p>Reduced variability of domestic food and fertilizer prices relative to international price volatility.</p> <p>Growing utilization of forward contracting, futures contracts, options and swaps as public and private risk-management tools.</p>

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
	A.5. Production incentives consistent with market conditions and comparative advantage.	<p>A.5.1 Domestic prices closely linked to international prices.</p> <p>A.5.2. Domestic resource cost coefficients for crops and livestock reflecting existing and acquired comparative advantage.</p>	<p>Domestic resource cost coefficients evaluated in market prices closely comparable to those based on opportunity costs.</p> <p>Real exchange rates maintained at stable or declining levels (4).</p> <p>Changes in real farm-gate prices reflecting international prices, real exchange rates, and stabilization policies (5).</p>
B. Private Investment and Privatization in Agribusiness	B.1. An expanded and more dynamic private sector in agribusiness.	<p>B.1.1. Increase investment in new and expanded private sector companies.</p> <p>B.1.2. Expand and accelerate privatization of state-owned agribusiness companies addressing constraints due to accumulated debt, redundant labor and restructuring costs.</p>	<p>Increase in number and size of agribusiness enterprises.</p> <p>Increase in volume of private agribusiness sales and private sector shares of total sales.</p> <p>Number and value of state companies restructured, privatized or liquidated.</p>
	B.2. Enhanced private sector efficiency, export performance and voice in policy dialogue.	<p>B.2.1. Reductions in costs per unit of product handled, processed and exported.</p> <p>B.2.2. Rising volumes and values of agricultural commodities and processed products exported.</p> <p>B.2.3. Strengthen private sector organizations participating in policy dialogues with public officials and legislative bodies.</p>	<p>Reductions in per-unit marketing costs.</p> <p>Improvements in the agricultural trade balance (including processed products)</p> <p>Increased number and membership of voluntary private associations advocating publicly and before governmental bodies for policy improvements.</p>
C. Agricultural Land and Water Resource Investments, Utilization and Sustainability	C.1. Increased productivity of public and private investments in land reclamation.	<p>C.1.1. Farmers on reclaimed land specializing in high-value products.</p> <p>C.1.2. New land reclamation limited to projects with favorable benefit/cost ratios with private investors paying user costs for publicly provided services.</p>	<p>Rising net incomes of farms in reclaimed areas.</p> <p>Fewer farm failures in reclaimed areas.</p> <p>Benefit/cost analysis used to limit land reclamation to high-return areas.</p>

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
	C.2. Improved allocation of water.	C.2.1. Improve assessment of water resources for augmentation of the water supply. C.2.2. Increase water use efficiency in the Nile irrigation system. C.2.3. Improve procedures for balancing water demand and supply and water allocation.	Complete assessments of conventional and non-conventional water resources. Rising real value of output per thousand cubic meters of water used in agriculture. Rising share of irrigation system operation and maintenance costs paid by users.
	C.3. Enhanced long-term sustainability of Egypt's intensive irrigation-based agricultural production system.	C.3.1. Improve water quality. C.3.2. Reduce soil salinity and waterlogging.	Improvements in water quality and reductions in extent of soil salinity and waterlogging. Increasing reliance on market-based policies to improve land and water resource allocation.
	C.4. Improved institutional capacity to formulate and manage resource policies.	C.4.1. Enhance capacity for policy assessment and planning. C.4.2. Expand public participation in policy dialogue. C.4.3. Increase user involvement in planning and policy-making.	Institutionalization of a water policy advisory unit. Enhanced public awareness and understanding of resource and environmental issues. Water-user associations actively participating in policy dialogues, planning, and decision-making.
D. Agricultural Sector Support Services	D.1 Research and extension services more responsive to producers' needs and based on advice rather than regulation and control.	D.1.1. Restructure public and private roles in agricultural research and extension. D.1.2. Achieve sustained public funding for research and extension justified on public goods and social returns grounds and reflecting policy priority for small farmer development needs.	Procedures designed and implemented for identifying priorities to guide allocation of research funds. Innovative approaches and increasing use of non-public institutions and new information channels to deliver extension messages to large numbers of small farmers at low costs.

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
	<p>D.2. Expanded savings mobilization and credit and financial services at competitive costs in rural areas.</p>	<p>D.2.1 Extend the PBDAC's village bank improvement program to all village banks.</p> <p>D.2.2. Continue the PBDAC's staff reduction, non-farm lending and deposit mobilization reforms so that PBDAC becomes a viable financial institution.</p> <p>D.2.3. Encourage rural savings mobilization and microlending by financial organizations and groups.</p>	<p>Increased number of village banks undergoing improvements.</p> <p>Reductions in PBDAC's employment levels.</p> <p>Growing volume of non-farm rural lending by the PBDAC and other credit organizations.</p> <p>Higher ratio of deposits to loans in the PBDAC.</p> <p>Increasing volume of lending to women by the PBDAC and credit organizations.</p>
	<p>D.3. Assessment of infrastructure inadequacies and bottlenecks that reduce efficiency of agricultural production, marketing and trade.</p>	<p>D.3.1. Provide factual evidence to advocate priority infrastructure improvements with government ministries concerned.</p> <p>D.3.2. Identify potentials for self-finance of public services through cost recovery, local matching funding, and other means.</p>	<p>Priority needs for infrastructure improvements identified and communicated to concerned ministries.</p>
<p>E. Food Security and Poverty Alleviation</p>	<p>E.1. Target food subsidies to the poorest households.</p>	<p>E.1.1. Eliminate remaining unrestricted food subsidies and initiate new subsidies targeted only to the poorest population.</p>	<p>Food subsidies benefitting only households too poor to afford an adequate diet, thus assisting them to attain nutritionally adequate food consumption levels.</p>
	<p>E.2. Reduce food insecurity and income deprivation of poorest households.</p>	<p>E.2.1. Assess and design cost-effective labor-intensive public work programs for employment generation for members of food insecure households.</p> <p>E.2.2. Design/promote micro-enterprise savings and credit programs for income generation by poor rural households.</p>	<p>Growth in real income among the poorest households.</p> <p>Falling proportion of rural households below the poverty line.</p>

APRP KEY POLICY AREAS	APRP MEDIUM/LONG-TERM POLICY GOALS (1)	APRP OBJECTIVES	APRP POLICY SURVEILLANCE AND PROGRESS INDICATORS (2)
	E.3. Alleviate rural poverty	<p>E.3.1. Improve land ownership and tenure systems to encourage increased productivity per feddan.</p> <p>E.3.2. Establish tax/subsidy balance for the agricultural sector that is equitable in relation to other sectors.</p> <p>E.3.3. Levy agricultural taxes that are more progressive with respect to household income and farm size, and encourage higher production intensity.</p> <p>E.3.4. Increased productivity per unit of family and hired labor.</p>	<p>Decrease in inequality of distribution of disposable income among rural households (i.e., lower Gini coefficient for rural income distribution).</p> <p>Producer subsidy equivalents (PSE) equalized for agricultural and industrial products, and domestic terms of trade not biased in favor of industry.</p> <p>Increasing average income of the rural population.</p> <p>Decrease in rural-urban gap in average incomes.</p>

EXPLANATORY NOTES

- (1) The APRP goals were chosen to identify the priority issues for policy improvements under the program within each of the key policy areas. They should be consistent with and supportive of, but not necessarily identical to, long-term goals/objectives of the GOE ministries and USAID.
- (2) The selected indicators should illuminate progress under APRP toward achieving the program objectives. They are not intended to measure outputs of the technical support units in the PPU nor long-run socioeconomic impacts of the reforms implemented under the APRP. The chosen indicators may be relevant to more than one objective and are not meant to be attached to a specific program objective. Taken as a group, they should show improvements in the overall policy environment supportive of the medium/long-term APRP goals.
- (3) Year-to-year production growth in the major crops can be disaggregated into area and yield contributions, and then related to changes in relative prices and profitability of the common rotations.
- (4) Changes in the real exchange rate can be measured relative to its value in a time period when the nominal rate was neutral with respect to import and export incentives.
- (5) A given year-to-year percentage change in a real average producer price can be disaggregated into the change due to international price variation, the change due to real exchange rate variation and the change due to policy interventions.
- (6) The PSE for a given crop is defined as the ratio of total policy taxes/subsidies on a product to the total value (at domestic prices) of the product. It accounts not only for border interventions, but also transfers from research, extension, irrigation water, credit, inputs and tax exemptions. A precise definition and coverage of non-price transfers appropriate for Egypt will need to be developed. The terms of trade compares prices received for crop and livestock products to prices paid by rural households for industrially-supplied inputs and consumer goods. Appropriate indexes based on available price information should be constructed.

ANNEX B
OBJECTIVE OR BENCHMARK SCORE SHEET

Objective or benchmark:

Criteria	No (1)	(2)	(3)	(4)	Yes (5)
Importance and potential impact of the objective and reform area					
Likelihood of implementation of the reform					
Low-hanging fruit					
Comparative advantage of the project teams					
Is our help really essential to accomplish the reform?					
Total score					

ANNEX C: SURVEY QUESTION DETAIL

13th. Porter, "Measuring The Microeconomic Foundations of Economic Development,"

14th. Global Competitiveness Report 1998 50 (1998) (Geneva: World Economic Forum).

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
	9.07 Nature of Competitive Advantage	Competitive advantages of your nation's companies in international markets Low: low cost labor or natural resources High: unique products and process
	9.14 Value Chain Presence	International companies in your country Low: are primarily involved in production High: conduct their own production, product development, distribution and marketing
	6.09 Attention to Staff Training	Staff training is Low: generally neglected High: heavily emphasized
	9.06 Capacity for Innovation	The state of technology in companies Low: imitate or source all technology exclusively from foreign companies High: pioneer new products or processes
	9.03 Control of International Distribution	To sell internationally, companies in your country Low: employ foreign distribution and marketing arrangements High: have their own foreign distribution and marketing organizations
	9.04 Extent of Branding	Companies who sell internationally Low: sell commodities or market under foreign brands High: have their own brands
	9.10 Breadth of International Markets	International companies in your country Low: sell primarily in high-income markets High: sell in both high-income and developing markets
	9.11 Extent of Regional Sales	International companies in your country Low: sell little to neighboring countries High: sell extensively to neighboring countries
II. Quality of the National Business Environment		
A.	Factor (Input) Conditions	
1.	Physical Infrastructure	

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
	4.01 Overall Infrastructure Quality	Overall infrastructure in your country is Low: far worse than in your major trading partners High: far superior to that in other countries
a.	Basic	
	4.02 Road Infrastructure Quality	Road infrastructure Low: constrains business development High: meets business requirements very well
	4.09 Power Infrastructure Adequacy	Your country Low: suffers from severe power shortage High: has sufficient power generation capacity
	4.03 Railroad Infrastructure Development	Railroads are Low: underdeveloped High: highly developed
	4.05 Port Infrastructure Quality	Port facility and inland waterways are Low: underdeveloped High: extensive and sufficient
	4.04 Air Transport Infrastructure Quality	Air transport is Low: inadequate High: modern and efficient
b.	Advanced	
	4.06 Telephone/Fax Infrastructure Quality	Telephones and fax machines are Low: not in widespread use and difficult to connect High: widely used and highly reliable
	4.08 International Direct Dial Communications Costs	Direct dial international phone service is Low: prohibitively expensive High: very affordable
	4.11 Quality of Warehousing, Storage & Distribution (logistical) Networks	Warehousing, storage facilities, and distribution networks are Low: grossly inadequate High: well developed
2.	Administrative Infrastructure	

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
8.14	Safeguarding of Personal Security	<p>The police in your country</p> <p>Low: do not effectively safeguard personal security so that it is an important consideration in business activity</p> <p>High: effectively safeguard personal security so that it is not an important consideration in business activity</p>
8.05	Judicial Independence	<p>The judiciary in your country is independent and not subject to interference by the government and/or parties to the dispute</p> <p>Low: not true</p> <p>High: true</p>
8.10	Adequacy of Private Sector Legal Recourse	<p>Private business has recourse to independent and impartial courts for challenging the legality of government actions and/or regulations</p> <p>Low: not true</p> <p>High: true</p>
2.02	Admin./Regulatory Burden	<p>Administrative regulations that constrain businesses are</p> <p>Low: pervasive</p> <p>High: minimal</p>
3.	Information Infrastructure	
9.02	Business Information Availability	<p>Information about business in your country is</p> <p>Low: scarce and hard to access</p> <p>High: extensive and easily available</p>
9.15	Computer Utilization	<p>Use of computers in your country is</p> <p>Low: limited or non-existent</p> <p>High: sophisticated and widespread</p>
4.	Capital Availability	
3.01	Financial Market Sophistication	<p>The level of sophistication of financial markets in your country is</p> <p>Low: lower than international norms</p> <p>High: higher than international norms</p>
9.16	Stock Market Access	<p>Stock markets in your country are</p> <p>Low: accessible only to the largest firms</p> <p>High: open to new and medium-sized companies</p>

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
	3.02 Venture Capital Availability	Venture capital is Low: not readily available for risk-taking entrepreneurs High: readily available for new business development
5.	Human Resources	
	7.05 Quality of Primary and Secondary Education	The primary and secondary system in your country Low: fails to equip young workers with basic skills High: offers rigorous training in language, math, and sciences
	7.04 Adequacy of Average Years of Schooling	Average years for schooling of the labor force is Low: far below international standard High: well sufficient for your country to compete in the world economy
	5.12 Quality of Scientists & Engineers	Your country Low: lacks well-qualified scientists & engineers High: has a large pool of competent scientists and engineers
	6.16 Quality of Business Schools	Your country Low: does not have a well-developed management education system for business executives High: has first-class business schools to train managers
6.	Science & Technology	
	5.04 Public Investment in Non-Military R&D	Your country Low: spends insufficient public funds in non-military R&D High: commits substantial public resources to non-military R&D
	5.03 Quality of Science Research Institutions	Scientific research institutions in your country are Low: not internationally reputable High: truly world class
	5.06 University/Industry Research Collaboration	Research collaboration Low: does not exist between universities and industry High: is very close between universities and industry

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
B.	Demand Conditions	
	9.01 Buyer Sophistication	Buyers in your country are Low: unsophisticated; choose based on the lowest price High: knowledgeable and demanding, and they buy innovative products
	9.12 Demanding Regulatory Standards	Regulatory standards (e.g., product standards, energy, safety) in your country are Low: lax or non-existent High: among the world's most stringent
	1.14 Openness of Public Sector Contracts	Public sector contracts are Low: not adequately open to foreign investors High: open to foreign bidders
C.	Related and Supporting Industries	
	9.13 Domestic Supplier Quantity	Suppliers available in your country are Low: largely non-existent High: numerous and include most important materials, components, equipment, services
	9.05 Domestic Supplier Quality	Supplier capabilities in your country are Low: inefficient, have little technological capability High: internationally competitive, assist in new product and process development
D.	Context for Firm Strategy and rivalry	
	5.11 Intellectual Property Protection	Intellectual property in your country is Low: not adequately protected High: well protected
	8.03 Irregular Payments (Bribery)	Irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection, or loan applications are Low: common High: not common

		QUESTIONS AND ANSWERS
I. Company Operations & Strategy		
1.01	Tariff Liberalization	<p>The level of import tariffs and quotas in your country</p> <p>Low: significantly raises the cost of acquiring foreign materials and equipment for your firm</p> <p>High: is not a serious impediment to your firm's access to foreign materials and equipment</p>
1.02	Hidden Trade Barrier Liberalization	<p>Hidden import barriers (other than published tariffs and quotas) are</p> <p>Low: an important problem in your country</p> <p>High: not an important problem</p>
1.13	Openness to Foreign Investors	<p>Foreign investors</p> <p>Low: may not acquire control in a domestic company</p> <p>High: are free to acquire control of domestic companies</p>
9.17	Intensity of Local Competition	<p>Competition in the local market is</p> <p>Low: minimal. Market positions rarely change</p> <p>High: intense. Market shares fluctuate constantly</p>
9.09	Extent of Locally Based Competitors	<p>Competition in the local market consists primarily of</p> <p>Low: imports</p> <p>High: companies with operations in the country</p>
8.02	Effectiveness of Antitrust Policy	<p>Antitrust or antimonopoly policy in your country</p> <p>Low: is not effective at promoting competition</p> <p>High: effectively promotes competition</p>