APAP II NEWSBRIEFS

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Agricultural Policy Analysis Project • Phase II • Sponsored by A.I.D., Office of Agriculture, Bureau of Science & Technology (S&T/AGR)

WELCOME!

S&T/AGR and the members of the APAP II partnership are pleased to present this premiere issue of NEWSBRIEFS. *In this and future issues, we hope to provide useful and interesting news and information to all those participating in agricultural policy analysis.* NEWSBRIEFS *will be distributed on a quarterly basis. In addition to descriptions of ongoing APAP II activities,* NEWSBRIEFS *will discuss innovative analytical methods, training opportunities, and research findings. We will also include* TECHNOTES, *which provides brief synopses of technical efforts. A listing of available reports generated by the project will be provided at the back of each issue. In short, we hope to maximize the dissemination of agricultural policy analysis materials, concepts and methods. We look forward to serving you and welcome your suggestions.*

William R. Goodwin
Project Officer

William T. Levine
Project Director

BUY-IN UPDATES

The response to APAP II technical assistance opportunities has been even greater than anticipated. Over 35 missions/bureaus have expressed interest in numerous areas pertaining to APAP II activities. Within the first eight months of the life of the project, technical assistance teams have provided support in Cameroon, Egypt, Ecuador, Zaire, Yemen, Honduras, and to ROCAP. Upcoming activities are planned for Guinea, Madagascar, Niger, Pakistan, the Philippines, Honduras, and Guatemala. Technical assistance under APAP II has included project design, evaluation, and special studies. Some examples of these "buy-in" activities are listed below.

EGYPT: PRICE PERFORMANCE EVALUATION STUDY

The Government of Egypt (GOE) is undergoing an extensive policy reform program aimed at eliminating government quantity and price controls on agricultural markets. To date, the GOE has eliminated domestic price controls on all crops except cotton, rice, and sugarcane. Martin Abel of ADE, and Theresa Bradley of Abt Associates, assisted the Ministry of Agriculture (MOA) in evaluating the effects of these changes in price policy. This task required the calculation and comparison of domestic farmgate prices and world market prices measured at the farm level over several years. The results and their policy implications are discussed in *Egypt: An Evaluation of Prices of Major Agricultural Commodities in Relation to World Prices*, APAP II Technical Report No. 101. The study indicates that throughout the 1984/85-1987/88 period, significant gaps existed between domestic and world price equivalent farmgate prices for cotton varieties, sugarcane, rice, and wheat. Soybean and private rice markets, however, which are not controlled by the government, had farmgate prices near the world price equivalents. This report will also serve as a foundation for other studies of price liberalization effects, both as a methodological and conceptual framework, and as a guide to realistically calculate the farm-level equivalent of world agricultural commodity prices.

The collaborative effort between the APAP II team and the MOA staff produced several beneficial "externalities." Through daily interactions with the APAP II team, the MOA staff acquired research and analytical skills in collecting data, documenting information, and organizing and analyzing data using microcomputers. In addition, the MOA staff presented their results in a workshop of economists from the government, USAID, and local universities.

Ecuador: Mid-Term Evaluation of Policy Analysis Project

APAP II provided a team for USAID/Quito to perform a mid-term evaluation of the Agricultural Sector Reorientation Project (ASRP). Richard Peters, USAID/Quito, oversaw the effort. The team, led by Art Coutu, NCSU, also included George Johnston, Abt Associates, Howard Ray, Jaime Carrera, and Julio Chang. The purpose of ASRP was to assist in realigning agricultural sector policies and programs so as to increase reliance on markets and to promote private sector initiatives. Policy activities of both the public and private sector institutions involved in the project were reviewed with particular focus on implementation and the research strategy. Parallel to the policy component, team members evaluated the progress of a national agricultural information system, intended to provide crucial information necessary for agricultural policy analysis. Recommendations and conclusions are presented in *Ecuador: Evaluation of the Agricultural Sector Reorientation Project*, APAP II Technical Report No. 102.

Central America: Natural Resources Policy Design

APAP II has been assisting the Regional Office for Central American Programs (ROCAP) in developing a Project Paper for its Regional Environmental and Natural Resources Management (RENARM) Project. The APAP II team, led by George Johnston, Abt Associates, included Jan Laarman, Art Coutu, and Gerald Carlson, NCSU, Cheryl Christensen, Bill Levine, and Tim Mooney, Abt Associates, and Bob Otto, ISTI. Working closely with Bill Goodwin, S&T/AGR/EPP and Ray Waldron, LAC/DR/RD, and under the general supervision of Ron Curtis, ROCAP, the team developed the policy component for the RENARM project. The policy component focused upon undertaking policy inventories in each of the ROCAP countries; identifying areas in need of subsequent policy analyses; strengthening the policy dialogue/reform process; and establishing an environmental policy monitoring and dissemination process. ROCAP also commissioned APAP II to provide the RENARM Project Paper's Economic Analysis.

RENARM will require substantial non-governmental organization (NGO) and private voluntary organization (PVO) involvement. ROCAP, in seeking to maximize this participation, held a meeting of environmentally concerned, U.S. and Central American-based NGOs and PVOs, to discuss the draft Project Paper. This meeting was held at Zamorano, Honduras at the Escuela Agricola Panamericana (EAP), during May 17-20 and was attended by Johnston, Levine, and Goodwin.

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Zaire: Start-up Evaluation

Donald Brown and John McMahon, USAID/Kinshasa, supervised an APAP II team of James Bucknall and Harvey Gutman, ISTI. The team assisted the Government of Zaire's Ministry of Agricultural Planning and Studies Service (SEP) in conducting a start-up evaluation of the Agricultural Policy and Planning Project (660-0119). The evaluation examined the validity of project assumptions regarding overall agricultural policy and planning outputs; identified areas for possible improvement in implementation; assessed the efforts on institutional strengthening of agricultural policy formulation and investment planning within SEP; and examined the adequacy of donor coordination in agricultural policy as it related to long range strategic and annual implementation planning.

Yemen: Prices and Incentives Study

USAID/Sanaa and Yemen's Ministry of Agriculture and Fisheries sought APAP II assistance in undertaking a comprehensive agricultural prices and incentives study within the Republic. John Schamper, ARDO, supervised the three-person APAP II team consisting of Luther Tweeten, Abt Associates, Bechir Rassas, ISTI, and Thomas Earley, ADE, along with two local counterparts from the Ministry of Agriculture and Fisheries.

The major objectives of the study, which was completed in June 1989, were: (1) to identify the country's comparative advantage in agriculture through an analysis of nominal, effective, and domestic resource cost coefficients; and (2) to quantify the impact of government policies in the input and output markets on producers' income, consumers' welfare, market efficiency, and the national economy. Initial observations identified several data limitations which are significant constraints to price and incentives studies. For example, wide variances were reported in hired labor wages, particularly female labor, and border price data for exports are generally unavailable.

RESEARCH UPDATES

Asia Near East Bureau Launches Agricultural Policy Analysis Studies

The Asia Near East Bureau (ANE/TR/ARD) has contracted APAP II to undertake a series of policy analysis research studies. This research will focus upon high- priority subjects identified and managed by James Lowenthal, Martin Hanratty, and Dennis Weller, ANE/TR/ARD. The studies will have a two-

APAP II

TECHNOTES

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PAM: THE POLICY ANALYSIS MATRIX

The Policy Analysis Matrix (PAM) is an analytical tool developed especially for work in developing countries by Scott R. Pearson at FRI, and Eric A. Monke at the University of Arizona.

What Is A PAM?

The PAM is a matrix of information about agricultural policies and factor market imperfections generated by comparing commodity budgets calculated at financial and economic prices. The first two rows of the matrix display the calculation of private and social profits per unit of land obtained by subtracting estimates of variable costs and domestic factors from gross revenues. The third row displays the difference between the two. Subtracting social profits from private profits yields a global measure of the incentives to non-optimal use of agricultural resources.

The columns of the PAM show the divergence between private and social prices for each element of the profit calculations. In the case of tradeable outputs and inputs, these divergences can ordinarily be attributed to policy instruments such as taxes, subsidies, and foreign trade policies. The divergence of private and social prices for domestic factors (land, labor and capital), on the other hand, typically identify market imperfections.

What Are PAMs Used For?

The PAM framework can be used to investigate a variety of policy interventions and factor market distortions. Examples include:

- Estimates of the impact of agricultural policies on output and input prices. (Nominal, effective protection and domestic resource cost coefficients can be computed from these results.)
- Information on the desirability of public sector investments in agricultural infrastructure.
- Recommendations on the most desirable pattern of innovation and research in the agricultural sector.

The PAM framework can also be used as the basic analytical tool in Mission efforts to gauge the impact of A.I.D. policy initiatives.

Where Has the PAM Been Used?

The PAM has been used in technical assistance work in Mexico, Portugal, El Salvador, Zimbabwe, Zambia, Kenya, and Indonesia.

Developing the PAM Approach Under APAP II

As a part of APAP II's Collaborative Research and Policy Guidelines and Methods component, work is under way to create materials that make the PAM approach accessible to a wide variety of practitioners. Thus far, these efforts have resulted in an exposition of the PAM approach in the form of a hands-on guide to its use on microcomputer spreadsheets. The PAM methodology also forms the conceptual basis for training materials being used in summer workshops on agricultural policy at the Food Research Institute, Stanford University. It is anticipated that, with suitable modification to reflect local conditions, these training materials can also provide the basis for in-country training for agricultural policy analysis. Efforts will be made under APAP II to expand the PAM framework to account for externalities and the discounting of costs and benefits over time.

A NOTE TO READERS

TECHNOTES *summarize APAP II's technical contributions to agricultural policy analysis.* TECHNOTES *readers will receive synopses of the Project's research, and summaries of individual technical assistance activities and the contribution they make to agricultural policy analysis. Collaborative research focuses on such topics as economic adjustment, international trade, political dynamics, natural resources and capacity building.* TECHNOTES *will also highlight agricultural policy methods developed under APAP II for practical, applied agricultural policy analysis. We look forward to sharing our results with you, and learning from your comments and suggestions.*

Cheryl Christensen
Research Coordinator

PRICE ANALYSIS: THE CASE OF EGYPT

Many governments in developing countries subsidize farm inputs and maintain controlled farmgate prices for major crops.

These and other policy measures may distort production incentives and cause inefficient allocation of resources within the agricultural sector.

Egypt faced this situation in the 1980s. Under economic pressure, the Government of Egypt (GOE) embraced long-term policy reform goals which included the removal of price and crop area controls, crop procurement quotas, and farm input subsidies.

Focus on Price Performance

Martin Abel and Theresa Bradley assisted the Ministry of Agriculture (MOA) staff in evaluating the effectiveness of these changes in price policy.

Movements in domestic farmgate prices of both controlled and decontrolled products were compared to world market prices measured at the farm level over the 1984/85-1987/88 period.

The final paper, *Egypt: An Evaluation of Prices of Major Agricultural Commodities in Relation to World Prices*, Technical Report No. 101, outlines the objectives of the study, describes the methodology used and presents the results for cotton, rice, sugarcane, wheat, maize, and soybeans.

In addition, the paper discusses the policy implications of these results in light of projected price movements into the 1990s.

The report can serve as a foundation for a study of price liberalization effects both as a methodological and conceptual framework, and as a guide to realistically calculate the farm-level equivalent of world agricultural commodity prices.

Also, it demonstrates that pertinent empirical results and policy recommendations can be generated using fairly simple research techniques.

Benefits to MOA Staff

By taking a collaborative approach in undertaking this technical assistance task, the APAP II team transferred useful analytical and technical skills to the MOA staff. For example, some MOA staff used microcomputers for the first time.

Structuring the task and presenting the results using spreadsheet software gave the staff new organizational and analytical skills that could be applied to other issues. Also for the first time, the staff presented their results to economists from the MOA, USAID, and local universities in a workshop organized by the APAP II team.

The case of price analysis in Egypt illustrates the usefulness of easy-to-use analytical tools. Rather than relying on complex economic models, relatively simple spreadsheet techniques can often obtain significant results. This increases the likelihood that practical tools will be used for similar ministry-level policy analysis tasks.

BUILDING ANALYTIC CAPACITY: ECUADOR

Many countries have identified the need for policy change, but have limited capacity to address the issues, develop appropriate policy responses, and coordinate multiple actors to provide information, analysis, and recommendations. Ecuador's Agricultural Sector Reorientation Project (ASRP), begun in 1985, provides important lessons for policy analysts. The experience of ASRP also points out the importance of public and private involvement in bringing about policy reform.

Demonstrating the Importance of Policy Analysis

The purpose of the project was to assist in realigning agricultural sector policies and programs so as to increase reliance on competitive markets and to promote private sector initiatives. In the effort to promote a more market-oriented agricultural sector, the ASRP developed a large research agenda to demonstrate the value of policy analysis research to policy makers. A Policy Analysis Unit (PAU), located in the Ministry of Agriculture, was charged with implementing the research agenda and administering the project. While the overall quality of the research, conducted primarily by expatriate technical assistance teams, was high, the quantity of information transferred was low. A lack of organizational capacity coupled with a limited number of Ecuadorian economists constrained the PAU's ability to achieve its goals.

Private Sector Policy Initiative

The Institute for Developing Agricultural Strategies (IDEA) was created to analyze and promote policy change from the perspective of the private sector. IDEA has made a creditable start and has established a reasonably solid foundation. With an improved focus of the research agenda, more collaborative effort with the PAU, and continued training, IDEA has the potential to become a reliable source of policy analysis in the macroeconomic, agricultural, and natural resource areas.

ASRP Supports Institutional Development

The ASRP supported the establishment of both the PAU and IDEA policy analysis. The initial steps have been taken to build a research base for policy analysis, to prepare a corps of policy analysts, and to upgrade, organize, and computerize the national agricultural information system.

Lessons Learned

The ASRP illustrates the wide range of difficulties encountered in institutionalizing agricultural policy analysis. Issues arise such as the limitations of locating policy analysis units within ministries of agriculture, the impact of low salaries on recruitment and retention, and the problems involved in sustaining such units.

Policy reform requires sensitive and difficult choices. In order to make these choices, the knowledge base must extend beyond foreign technical assistance; strengthening the host country's public and private analysis and implementation capacity must be a paramount consideration.

Participants in May TAG meeting, l. to r.: R. Goldman, C. Hanrahan, M. Newman, P. Timmer, J. Yeager, S. Wilson, W. Levine, J. Mellor, W. Goodwin, L.. Holdcroft, M. Abel, and L.. Tweeten.

year timetable. Four such research efforts have been identified and approved by the Bureau. They are:

1. Demand Management and Agricultural Diversification in Asia and the Near East—Richard Goldman, HIID, Principal Investigator;
2. Price Stabilization Policies in Asia and the Near East—Peter Timmer, HIID, Principal Investigator;
3. Irrigation Investment in Asia: Trends, Investment Priorities, and Policy Directions—Mark Rosegrant, IFPRI, Principal Investigator;
4. Informal Markets and Their Organization—Bish Sanyal, HIID, Principal Investigator.

Negotiations are also under way for research on Inter- and Intra-Regional Trade Patterns.

APAP II SYNTHESIS ACTIVITY

Under APAP I, a study of comparative analysis of agricultural policy projects (No. 55 in PPC/CDIE's special report series) synthesized findings derived from A.I.D. agricultural policy projects during the seventies. A similar study, being conducted in Phase II of the project, looks at the period from 1980 to 1989. Significant shifts in project emphasis and philosophical foundations over the past decade have led to a stronger focus on policy issues. The study will evaluate and document the impact of policy aspects of those new projects which pertain to agriculture.

The synthesis will look at three dimensions of policy projects: agricultural policy reform and implementation activities, institution building activities, and agricultural policy analysis and research activities. Data will be gathered from field visits as well as A.I.D. documents. Approximately 40 current or recently completed projects worldwide have been identified with a policy reform, policy analysis, and/or institution- building focus, of which 10 will be selected for case studies.

The methodological approach to the activity will employ both qualitative and quantitative statistical techniques to analyze the degree of impact of policy projects.

POLICY EXPERTS SERVE AS TECHNICAL ADVISORY GROUP

APAP II has the great fortune of having a group of leading agricultural policy analysts serving as the Technical Advisory Group (TAG). These individuals met on May 11, 1989 in Washington to review the APAP II Year 1 Work Plan. The group reviewed APAP II's policy project support, research agenda, methods development, and training activities, paying careful attention to the integration of these project components. Their insightful and relevant comments illustrated the importance of encouraging a continuing dia-

Continued, Page 4

APAP II Technical Advisory Group

Dr. Martin Abel,
Abel, Daft & Earley
Dr. Walter Falcon, Food Research Institute
Stanford University
Dr. Charles Hanrahan, Congressional Research Service
and Abt Associates Inc.
Dr. Lane Holdcroft, U. S. Agency for
International Development, retired
Dr. John Mellor, International Food Policy
Research Institute
Dr. Peter Timmer, Harvard Institute for
International Development
Dr. Luther Tweeten, Ohio State University and
Abt Associates Inc.
Dr. Stephanie Y. Wilson, Chairperson,
Abt Associates Inc.

TRAINING UPDATE

Three training courses are being offered under APAP II which enhance policy analysis capacity and integrate the use of policy tools. A Workshop on Food and Agricultural Policy Analysis, with the regional focus on Africa, was offered by HIID from June 25 to July 28, 1989. Held in Nairobi and open to participants from all African countries, the workshop featured a micro-computer training module and employed a number of policy analysis exercises using data from the countries of the 26 participants.

During July 3-28, FRI hosted a workshop exploring agricultural policy analysis using the Policy Analysis Matrix (See *TECHNOTES* for a detailed description of PAM). Participants constructed single-commodity PAMs to assess measures of protection and efficiency on the micro-computer. After mastering PAM, participants were introduced to market concepts and the inclusion of supply and demand considerations. As in the Harvard course, participants used available data from their own countries as the basis of analysis.

Later this summer, FRI will offer an advanced Agricultural Policy course. This course will cover similar ground but at a more rapid pace. The advanced workshop also provides an opportunity for participants to acquire training skills. Participants will learn to create training modules, computer lab setups and presentation techniques. The course is scheduled for August 7 to September 1 and will also be held at Stanford University. Response to the FRI courses has been particularly strong; the beginning course was fully subscribed. The advanced course has opened a second section to meet the demands for this training.

The training component of APAP II is continually developing. While specific courses have been established and proven effective, new concepts and regional focused training are being discussed. For example, future training activities are under consideration in Egypt, the Philippines, Pakistan, ROCAP, and with the African Development Bank. Missions have expressed interest in hosting workshops in conjunction with specific projects and policy initiatives. For more information on mission access to APAP II training, contact Richard Goldman at HIID.

POLICY EXPERTS *from Page 3*

logue with senior A.I.D. officials. Following up on this idea, the next task for the TAG is to develop a one-day seminar for A.I.D. policy makers. Preliminary discussions have identified the impact of agricultural policies on overall economic development in LDCs, especially trade related issues, as a major theme for the seminar. It is anticipated that this first senior-level policy seminar will lead to future meetings where more detailed issues will be discussed.

APAP II PUBLICATIONS

Technical reports, staff papers and methodologies produced under APAP II can be obtained from three sources: The Document and Information Handling Facility (DIHF), S&T/AG, or Abt Associates. In all cases, A.I.D. personnel receive publications free of charge. For non-A.I.D. employees, Abt Associates charges a minimal fee of $10.00 to cover reproduction and mailing costs. If you wish to receive a publication through Abt Associates, please complete the following form.

Technical Report No.	Title	No. of copies
101	*Egypt: An Evaluation of Prices of Major Agricultural Commodities in Relation to World Prices*	_____
102	*Ecuador: An Evaluation of the Agricultural Sector Reorientation Project (518-0051)*	_____

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Mail the above form (or copy) with your check or money order in US dollars payable to Abt Associates Inc.:

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BUY-IN UPDATES

Interest in utilizing APAP II services continues to grow. Frank Martin and Erna Kerst, Program Officers, and Jim Goggin, Agricultural Officer, USAID/Niger, have requested design support in developing Phase II of the Agricultural Sector Development Grant. Bob Wilson, Agricultural Officer, USAID/Honduras, met with APAP II staff and Bill Goodwin in September to discuss the mission's plans to utilize the project to undertake a broad range of policy analysis activities.

NATURAL RESOURCE POLICY ANALYSIS EFFORTS LAUNCHED

A new and exciting component of APAP II focuses on environmental and **natural resource policies** and their relationship to agricultural policy. Over the next several months, APAP II will assist USAID's Central American missions in a number of ways:

Policy Project Support

An APAP II team assisted USAID's Regional Office for Central American Programs (ROCAP) in designing the policy component of its multi-million dollar Regional Environmental and Natural Resource Management (RENARM) Project. APAP II will now assist ROCAP and the missions of the region by undertaking a series of policy inventories. These inventories will examine resource policies and regulations and the linkages between these policies and other important economic and sectoral policies. The first of these inventories is currently underway in Guatemala, with APAP II team members Theresa Bradley and George Johnston leading a team of Guatemalan counterparts.

Collaborative Research

Dr. Gerry Carlson of North Carolina State University (NCSU) has been coordinating research efforts focusing on natural resource policy. He is heading a team studying the economics of pesticide use in Central American horticultural production.

Workshops and Seminars

A workshop was held on August 25 to examine the use of natural resource policy inventories as analytical and programmatic building blocks, and to discuss the issues surrounding debt equity and debt for nature swaps. Representatives from ROCAP, LAC, S&T, USDA, the Inter-American Development Bank, and the APAP II team attended.

Training

Plans are currently underway to prepare a training course which will incorporate natural resource policy within the Policy Analysis Matrix.

STRONG READER RESPONSE TO NEWSBRIEFS

The response to the first issue of NEWSBRIEFS *has been widespread and gratifying. In addition to mission responses, some 60 nationals from twenty-six countries have indicated their desire to receive APAP II publications. CGIAR members such as CIMMYT, IRRI, IFPRI, and ISNAR; multilateral banks including the Inter-American Development Bank and the World Bank; FAO, USDA, and the Japan International Cooperation Agency have all expressed the desire to join the APAP II network. Considerable interest has also been demonstrated by the U.S. and international university community. Faculty from forty-eight colleges and universities responded requesting that they be added to the APAP II* NEWSBRIEFS *distribution list. This included responses from the Philippines, Pakistan, Thailand, Greece, the U.K., and Costa Rica.*

Guatemala: Capacity Building

USAID/Guatemala utilized APAP II to conduct a concept paper entitled "Options for Strengthening the Agricultural Sector Information Base and Policy Analysis Capability in Guatemala". Roberto Castro, Agricultural Officer, USAID/Guatemala, orchestrated the effort with APAP II's Art Coutu of NCSU, and Mr. John O'Donnell of A.I.D. The study investigates the difficulties which Guatemala's Ministry of Agriculture is experiencing in both generating necessary data and formulating policies necessary to achieve its ambitious plans to achieve economic growth. Findings demonstrate that Guatemala has witnessed a turn to market-oriented policies, bringing with it an increasing demand for objective analyses of policy alternatives in the agricultural sector. This in turn requires strengthening entities capable of conducting objective policy analysis, enhancing the agricultural information system, and establishing criteria for the development of an agricultural policy research agenda. This capacity building process should include: establishment of an agricultural policy research unit within the Bank of Guatemala; advanced training for the Minister of Agriculture's senior advisors and policy analysts; strengthening the Asociación de Investigación y Estudios Sociales of Guatemala (ASIES), a private not-for-profit research institution by developing an agricultural policy analysis division; establishment of endowed chairs for agricultural policy analysis at Guatemala's major universities; and strengthening the National Institute of Statistics and developing a carefully crafted data bank for policy analysis.

Niger: Cotton and Rice Study

A study of the **policy environment** for cotton and rice sub-sectors in Niger is being conducted under APAP II by Bechir Rassas of ISTI and consultant Thierry Loutte. The study analyzes production and demand trends, considering the major characteristics and constraints on the production systems currently in place, the demand for cotton and rice including imports, and the utilization of cotton and rice in Niger. An analysis of the policy environment is developed which looks at the objectives and instruments of government policies which affect the production, pricing and marketing of the two commodities. The study concludes with a welfare analysis which quantifies the effects of price and marketing interventions on producers, consumers and the national economy and provides conclusions and policy implications on these sub-sectors. Preliminary findings show that due to Niger's farm price support policy, financial returns to both rice and cotton growers are high, but economic returns are negative in both sectors. Welfare analysis of current policy interventions shows that national income is reduced because income gains to producers are more than offset by real income losses to consumers.

Guinea: Agricultural Sector Assessment

USAID/Guinea Mission Director, Byron Bahl asked APAP II to undertake an assessment of the Guinean agricultural sector, to provide the mission with an indepth assessment of the strengths and opportunities for the Guinean agricultural sector. The team was led by Dirck Stryker of Associates for International Resources and Development (AIRD), with team members Charles Stathacos of Abt, and consultants Jeffrey Metzel and Katherine Baird. This ambitious effort included a comprehensive literature review and data collection from A.I.D. Washington, the World Bank, and IMF sources. Once in Guinea, the team interviewed public and private sector key representatives in Conakry, Kindia, and Mamou, and analyzed the official Government of Guinea (GOG) agricultural policy framework, IMF and World Bank conditionality, and the macroeconomic situation as it affects the agricultural sector. The team participated in a joint donor (A.I.D., World Bank, Caisse Centrale, and FAO) and GOG exercise to define the government's agricultural sector strategy. Preliminary recommendations included: supporting USAID co-financing for the World Bank's National Rural Infrastructure Project and Agricultural Export Promotion Project; undertaking input distribution studies covering fertilizers, plant protection products, packing materials, tools, and the like, along with marketing studies focusing on rice and export crops, particularly fruit; selective support for Guinea's agricultural research efforts, particularly through a new institution, the Institut de Recherche Agronomique de Guinea (IRAG); tightening the substantive and regional focus of USAID's nascent Rural Enterprise Development Project, introducing rice hullers into rice production areas, strengthening grain storage and food processing and preservation; exploring ways of expanding private commercial credit to the agricultural sector; continuing exploratory support of pilot efforts in watershed management as part of the Natural Resource Management Support project (NRMS); and support for capacity building efforts within the Ministry of Agricultural and Animal Resources (MARA), particularly in the areas of data management, processing, statistical analysis, policy analysis and formulation, project evaluation, crop protection and quality control and financial management.

CREDITS

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Pakistan: Policy Initiative

APAP II now has a Resident Technical Advisor to support USAID/Islamabad's Agricultural Sector Support Program (ASSP). Gary Ender arrived in Pakistan in September and will be serving as an Agricultural Policy Advisor in Pakistan. He will be working with Agricultural Officer, Tom Olson, and Agricultural Development Officer, Pat Peterson, and Pakistani Ministry Officials. APAP II has been contracted to provide four types of activities to the mission over a three-year period. First, the Policy Advisor will promote interaction and the information flow between USAID/Islamabad and the Government of Pakistan (GOP). Second, APAP II will provide technical assistance to conduct policy studies on such topics as dairy and vegetable oil policy, trade policy, pricing policy and political economy issues. Third, training will be a significant component of the policy initiative. Two types of training will be offered: policy analysis training for mid-level economists in GOP ministries; and the training of university faculty to support policy analysis curricula at the Master's level. Last, this APAP II effort will tap into its rich institutional base and utilize the collective experience and knowledge of the Technical Advisory Group (TAG), to promote policy dialogue efforts by senior APAP II policy analysts.

Philippines: Agricultural Policy Support Program (APSP)

USAID/Manila has contracted APAP II to provide the mission and the Government of the Philippines, Department of Agriculture (DA), with sectoral assistance. This effort will consist of three interrelated activities: 1) long-term technical assistance; 2) collaborative research studies; and 3) training. The long-term technical assistance is being provide by David Dawe of HIID. He will be responsible for supervising and coordinating all technical, logistical and administrative activities relating to this effort. He will be working with senior level officials in the Government of the Philippines Department of Agriculture. Roger Garner and Lina Jensen of USAID/Philippines will work closely with David Dawe to guide this effort. In a genuinely collaborative effort, local researchers will work in conjunction with APAP II counterparts to produce high quality and timely studies to support policy decision-making. Possible studies include Grains Price/Supply Stabilization, Agricultural Support Services and Subsidies, and Agricultural Trade Policy. Skills-oriented training in addition to policy dialogue seminars will promote the discussion of policy issues and disseminate proposed solutions.

ABT IS ON THE MOVE!

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TRAINING

Africa Regional Training

HIID held an APAP II sponsored Africa region Workshop on Food and Agricultural Policy Analysis this June/July. The five-week workshop was offered at the Agriculture Resources Center at Egerton University in Kenya. Twenty-five participants from nine African countries attended, nine of whom were supported by USAID mission programs in Africa, and the others were sponsored by the World Bank and FAO. Using micro-computers to conduct the course, the workshop included an intensive training module. The workshop focused on agricultural commodity policy analysis, both demand and supply-side issues, and was organized around the building of a simple country-specific commodity model which was used to identify and analyze policy issues and options. Participants chose commodities which are important in their own economies and drew on HIID's large data bank of country statistics. This activity, which was carried out in three stages over the five weeks, was accompanied by a program of supporting lectures, small-group discussions and presentations, and quantitative exercises. This year's workshop involved participants in a new two-day simulation game where issues of macro-economic adjustment and food/agriculture sector policy interactions were explored.

This was an exciting experience both for participants and faculty. Epitace Nobera, a participant from the Burundi Ministry of Agriculture and Livestock, said "this workshop convinced me of the usefulness of economic theory in policy analysis and recommendations. Such concepts as price or income elasticities for example now have operational meaning for me. I feel more confident about food pricing policies, their limits and impacts on different social groups or development objectives. I'm also better prepared now to suggest alternatives to policy makers."

The Africa workshop will be offered again at Egerton in mid-June 1990. Also under consideration and planning for July 1990 is a Cambridge based workshop on economic adjustment policies and agricultural sector interactions, which would be offered to participants from both developing and donor countries from around the world. For information about these courses please contact Richard Goldman at Harvard Institute for International Development, One Eliot Street, Cambridge, MA 02138.

FRI Courses on Agricultural Policy Analysis

FRI offered two agricultural policy analysis courses in Stanford, California this summer. The Introductory course, held in July, had 11 participants from five countries. It used the Policy Analysis Matrix (PAM), spreadsheets and micro-computers to examine the source and the incidence of various types of policy interventions. In the final week of the course, students were introduced to the use of optimization techniques and commodity market approaches to policy analysis.

The Advanced course was held in August with 15 participants attending. It covered similar subject matter to that in the Introductory course, but students were assumed to have some prior computer experience and an economics background. Consequently, PAM materials were covered in the first 2 weeks of the month-long course. The third week was devoted to the application of optimization methods and the use of General Algebraic Modeling System (GAMS) software to analyze the impact of alternative agricultural policies. Previous PAM results were examined and contrasted with optimization results using the same data set and the limits of partial equilibrium methods were explored. The final week was devoted to commodity analysis beginning with simple supply and demand relationships for a single commodity. Multi-market models such as those developed by Tim Josling of FRI and by Braverman and Hammer of the World Bank were also demonstrated and implemented on spreadsheets.

The Introductory and Advanced courses will be offered again in July and August 1990. For information about these courses or about assistance in conducting similar courses in-country, contact Carl Gotsch, FRI, Stanford University, Stanford, CA 94305.

AFRICA BUREAU COMMISSIONS STUDY ON COMPARATIVE EXPORT PERFORMANCE

The Africa Bureau's Policy Analysis Research section has contracted APAP II to undertake a comparative study of export performance in six countries: Cameroon, the Gambia, Kenya, Senegal, Tanzania, and Zimbabwe. The study will examine the performance of each country in global markets for cotton, coffee, and groundnuts. It will assess the comparative advantage these countries have in the production of these crops, the extent to which the policy environment distorts patterns of production away from those that exploit comparative advantage, and the requisites for enhanced international competitiveness. Travel for indepth data collection on these studies is anticipated in early 1990 and results are expected in April 1990.

APAP II SYNTHESIS ACTIVITY

A.I.D. has made significant strides in influencing LDC agricultural reform in the 1980's, as compared with the 1970's, according to preliminary findings of one APAP II study. APAP II's *Synthesis of Policy Reform Projects and Programs* is designed to examine and compare A.I.D. policy reform projects and programs worldwide, and to identify common elements in their success or failure. The Synthesis examines agriculture policy reform efforts using six representative activities chosen as case studies for in-depth and detailed research. The case countries chosen were Bangladesh, Ecuador, the Gambia, Kenya, Niger, and Togo. When compared to the preceeding synthesis evaluation under APAP I, there are strong indications that A.I.D.'s new policy reform initiatives are more effective than previous projects. Agricultural policy reform in the 1980's has been characterized by large programmatic assistance with the emphasis on macroeconomic issues, such as pricing and exchange rate. Paradoxically, a key element in the success of these programs appears to be significant prior investment in human capital and institution building, which were emphasized by more traditional A.I.D. projects before the policy reform programs of this decade.

Abt staff members John Tilney, Steven Block, Steve Heinig, and Marcia Jerrett, working with FRI's Bruce Johnston, have released the first year's report of the Synthesis of Policy Reform Projects and Programs, developing hypotheses regarding the conditions of successful policy reform. In the second year they will test these hypotheses against a larger sample of projects and programs. Copies of the report are available from Cheryl Christensen at Abt Associates.

CONFERENCE UPDATES

APAP II Staff members, Cheryl Christensen and Mark Newman, are quickly establishing themselves on the conference circuit. Cheryl Christensen addressed the African Agricultural and Natural Resource Development Officers at their annual conference in Annapolis, Maryland on August 28-31. Her presentation, "Tools for Policy Analysis," elaborated on policy inventories, spreadsheet methods (including the Policy Analysis Matrix), multimarket models, linear programming, and computable general equilibrium models (GAMS).

Cheryl Christensen and Mark Newman participated in A.I.D.'s Sahel Cereals Workshop: Food Security and Economic Growth in the Sahel, held at the World Bank, September 6-8. Christensen discussed policy issues associated with West African regional trade flows and Newman discussed trade policy and comparative advantage.

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APAP II

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International Science and Technology Institute (ISTI)
International Food Policy Research Institute (IFPRI)

Buy-in Updates

Guatemala, Belize and Honduras Inventories Completed Under RENARM Project

Laws and regulations governing natural resource protection in Guatemala are well written but often poorly. implemented, according to the first of five natural resource policy inventories for the RENARM project.

The policy inventories are helping to determine which natural resource policies should have priority for reform, given their impact on agricultural development. The methodology for assessing the policy environment, legal system, and cultural practices affecting natural resources was developed by a team of U.S. consultants and local consultants from the Asociación de Investigación y Estudios Sociales Guatemala (ASIES), working with Al Nakatsuma, USAID/Guatemala, and Ron Curtis, USAID/ROCAP.

Each inventory has four components: identification of regional, macro, sector, and subsector policies; identification of international, public, and quasi-government institutions, NGOs, private businesses, and universities engaged in designing and implementing policies; assessment of policy impact on natural resources and short- and long-term economic growth; and identification of research priorities and alternative policies.

In March, Bill Levine, Theresa Bradley, and Ruben Nunez of the Abt Associates project staff presented findings of the first inventory to USAID/Guatemala. Bradley and Manuel Basterrechea, her primary Guatemalan counterpart, highlighted the inventory results in a National Environmental Commission (CONAMA) seminar.

Policies with significant, direct effects on natural resources in Guatemala included 12 in the area of sustainable agriculture; 23 in natural forests; 22 in water resources; and 17 in wildlands management and biodiversity. Additional findings from the Guatemala inventory are as follows:

- Pesticide laws and regulations have virtually no support from enforcement or educational programs;
- The Forestry Law appears good on paper but its impact will depend on the speed and effectiveness of implementation;
- Successful implementation of the new Protected Areas Law requires both institutional capacity to monitor compliance and development of local support for its provisions; and

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A Note to Readers

The response to APAP II activities has been extensive and enthusiastic. To date over 20 USAID Missions and Bureaus have called upon APAP II for technical assistance and have supported APAP II research and training operations. Moreover, the project's research emphases on trade, structural adjustment, natural resource policy, political dynamics, and capacity building have proven to be prominent worldwide agricultural policy concerns.

Management changes marked the early months of the second year, with Bill Goodwin, S&T/AGR Project Officer, and Cheryl Christensen, APAP II Research Coordinator, leaving the project for other positions. Goodwin, instrumental in the design

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Inventories in Central America...

Cont'd from page 1

- Population pressures and skewed land distribution problems are major forces hindering adoption of sustainable agricultural practices.

Belize

The Belize inventory indicated that low population density somewhat reduces pressure on the natural resource base, according to the research conducted by Bradley and Fred Mangum, with support from the Belize Center for Environmental Studies. However, a shortage of government tax revenues severely constrains regulation of private sector use of natural resources. The most significant policy deficit areas in Belize are coastal zone management and land use regulations on converting forestland to agriculture.

Honduras

In Honduras, where a new government was recently inaugurated, the policy environment is in flux. New policies and laws were being developed as the inventory team worked. Nevertheless, a six-member team, including team leader, George Johnston, and Jose Flores, Magdalena Garcia, Wilberto Aguilar, Ernesto Bondy, and Catherine Casteneda, completed the inventory there in April, examining macroeconomic and sectoral policies in the context of the new administration of President Callejas.

At a presentation of findings to the Mission in May, the team pointed out that the Government of Honduras historically has assumed ownership of most of the nation's natural resources, including land, water, and trees. Its inability to control the use of these resources, however, is partly to blame for the growing rates of renewable resource depletion and pollution, even though there are regulations prohibiting such activities. The major issue categories in the Honduras inventory were:

- Sustainable agriculture including land utilization, soil fertility, and pesticide use;
- Production from natural forests, including deforestation, reforestation, and forest management;
- Wildlands and biodiversity such as endangered species protection, park and reserve management, as well as other interdependent biodiversity and resource use issues; and
- Watershed management, including water use, water quality, and water management.

Brown Cites Dual Goal

Chris Brown, Indonesia and South Pacific Desk Officer for the Asia, Near East and Europe Bureau since 1987, has replaced Bill Goodwin as the APAP II Project Officer. Brown, who joined USAID as a Project Development Officer in 1982, spent five years in Mauritania and Liberia. While in Liberia, he completed fieldwork for a Ph.D. in agricultural economics from the Fletcher School of Law and Diplomacy at Tufts University, which he received in 1989.

Brown said he has two goals as Project Officer: "building on APAP II's strong record of support to Mission programs," and "helping make sure A.I.D. stays on the 'cutting edge' of economic and commercial policy in agriculture."

Brown can be reached in the Economic Policy and Sector Analysis Office by phone at (703) 875-4015 and by fax at (703) 875-4384.

In the Philippines: Ag Staff Training

APAP II has embarked on policy studies and training efforts for 1990 and 1991 in the Philippines, following David Dawe's establishment as Resident Advisor in Manila. Dawe is training Policy Analysis Division (PAD) staff from the Department of Agriculture (DA) to develop supply and demand projections, using methods devised by APAP II Training Coordinator Dick Goldman of HIID. Applied at HIID's annual food and agricultural policy analysis workshop in Kenya, the methods are being modified to fit the Philippine situation and to allow PAD personnel, working in groups of two to three per commodity, to make weekly projections. The projections will be used in policy formulation as well as for training. Since PAD usually focuses on grains, attention is being directed to other important commodities often neglected in policy analysis, including coconut, mangoes, soybeans, sugar, and urea fertilizer.

The APAP II research underway in the Philippines includes a study of the corn and feed/livestock subsector, led by Mark Rosegrant of IFPRI. A sample survey and questionnaires were pre-tested in April. Secondary data collection is progressing smoothly; field surveys will be completed and data computerized in late July. The target completion date is year-end.

Additional research to be completed during the next two years covers the following: a short-term commodity projection model, a study of the production and distribution of grain seeds, modeling interactions between agriculture and industry in national development, a review of the National Food Authority, and structural adjustment and conditionality.

Research Updates

Powerful Tools Produced

APAP II has developed training materials for two powerful agricultural policy analysis tools based on the Policy Analysis Matrix (PAM) and the General Algebraic Modelling System (GAMS). Stanford University's Food Research Institute (FRI) did the work under the direction of Carl H. Gotsch and Rosamond Naylor.

The materials, two written volumes and a set of disks, provide detailed instructions on using Lotus 1-2-3 to set up the PAM (Volume 1) and developing farm budgets and multiple cropping and social prices (Volume 2). Also included is a methodology to estimate social prices and determine import and export parity prices as well as instructions on the use of capital recovery costs and sensitivity analysis to test policy alternatives.

The GAMS manual builds on the linear programming (LP) Mayaland model developed by Hazell and Norton in their book, Mathematical Programming and the Economic Analysis of Agriculture. Prior LP knowledge is required to fully understand the GAMS model. GAMS is useful in deriving normative demand and supply curves. Furthermore, it introduces factor markets, including a detailed labor market model. Finally, GAMS computes nominal output protection coefficients, nominal input protection coefficients, effective protection coefficients, private profit coefficients, and domestic resource cost. For more information, contact Bill Levine at (301) 913-0500.

A Note to Readers

Continued from page 1

and initial implementation of APAP II, is now with the USAID Office of Personnel Management. Chris Brown has succeeded Goodwin as Project Officer (see page 2). Christensen, who oversaw development and implementation of the project's diverse research agenda, has returned to the Economic Research Service, U.S. Department of Agriculture, in a newly created position as Director for International Programs. We are in the final stages of selecting her successor.

Meanwhile, the project has welcomed two new staff members. Patti Kristjanson came to Abt Associates following a series of consulting assignments in Burkina Faso, Burundi, and Tunisia. She has conducted several short-term policy support missions and recently completed an in-depth study on the competitiveness of traditional African export crops.

Ruben Nunez, senior agricultural economist, joined the staff after five years with a USAID-funded coffee export project in Honduras. Heavily involved in ROCAP's Regional Environmental and Natural Resource Management (RENARM) project, he is senior member of the Costa Rica natural resource policy inventory team and director of the El Salvador inventory.

Bill Levine
Project Director

Training Update: Practical Methods Stressed

A course on designing structural adjustment strategies through an improved understanding of the interactions between macro and sectoral policies will be offered by HIID July 10-August 15 at Harvard University.

The course emphasizes the practical concepts and techniques of policy analysis through the use of case studies, micro-computer exercises, and policy simulation games, as well as lectures. The design of the course reflects the growing awareness of macro-economic policy influence on food and agricultural systems. In addition, because of the relative size of the agricultural sector and the importance of food consumption in the household economy, sectoral- and commodity-specific policy interventions can have important and unintended impacts on macro-economic performance.

For information on attending next year's course, call Carol Grodzins, (617) 495-9778.

HIID's Africa workshop, held in mid-June at Egerton University, Njoro, Kenya, was fully subscribed. The workshop is designed for analysts and policymakers (host country nationals, consultants, and staff of donor organizations) involved in macroeconomic management and food/agricultural sector issues.

FRI's second policy analysis course, August 6-31 at Stanford University, integrates the latest concepts in agricultural policy analysis with the microcomputer skills needed to implement them. The introductory section is for participants who have had little or no exposure to formal policy analysis or microcomputers. The advanced section assumes previous training in these areas. Assignment to sections will be based on interviews with participants after they arrive for the course.

APAP II Expands Network

APAP II made substantial progress in networking with host country institutions during its first year, forming linkages with five Central American research institutions within the framework of the RENARM project's natural resource policy inventories.

In Guatemala, APAP II coordinated with the Asociación de Investigación y Estudios Sociales (ASIES), which provided logistical support and technical expertise on resource management; in Belize, with the Center for Environmental Studies (BCES), which played a key role in facilitating the inventory; and in Honduras, with the Ateno de la Agro-Industria (ADAI) and the Asociación Hondureña de Ecología (AHE), which were instrumental in analyzing the natural resource policy environment.

In El Salvador, APAP II signed a Memorandum of Understanding with the Fundación Ecología Salvadoreña, and in Costa Rica, the project will work with the Tropical Science Center, the Center for Natural Resource Development (CEDARENA), the Instituto Centroamericano de Administracion de Empresas (INCAE), and the Organization for Tropical Studies (OTS).

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Contributors: Theresa Bradley, Ruben Nunez, George Johnston, Gary Ender, David Dawe

In Pakistan: Policy Reform Study

Possible reform of policies on edible oils—Pakistan's largest food import—is the focus of one of several policy studies that APAP II will conduct for USAID/Islamabad over the next three years. Bill Levine along with Tom Olson and Pat Peterson of USAID/Islamabad developed scopes of work and budgets for these studies in March.

The edible oils study will analyze the sector's policy structure, including the complicated pricing policy with its conflicting objectives. Among the issues are supply sources, consumption patterns, marketing and processing structures, and the role of commodity aid, as well as price determination. The work is to be completed in November 1990.

In addition, APAP II will train staff of the Agricultural Price Commission (APCom), the government agency that analyzes price support levels, and develops courses that prepare university faculty to conduct training in policy analysis.

APCom analysts and support staff learned to use microcomputers to prepare analyses and supporting tables and graphs in May at a course led by Technical Advisor Gary Ender and Dick Goldman of HIID. The entire APCom staff, including the Chairman, actively participated in the six-day program. Goldman explained why several cost concepts, each tied to a particular policy objective, are more useful in policy analysis than a single cost of production. Building in the concept of the international price as the opportunity cost for policy analysis, Ender discussed the use of producer and consumer subsidy equivalents in analyzing agricultural policies.

Newly Released APAP II Publications

Clip out ✂

Technical reports, staff papers and methodologies produced under APAP II can be obtained from three sources: The Document and Information Handling Facility (DIHF), S&T/AG, or Abt Associates. In all cases, A.I.D. personnel receive publications free of charge. For non-A.I.D. employees, Abt Associates charges a minimal fee of $10.00 to cover reproduction and mailing costs. If you wish to receive a publication through Abt Associates, please complete this form.

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International Food Policy Research Institute (IFPRI)

Buy-in Updates

Studies Find that Releasing Price Controls Could Help the Rural Poor in Honduras

Research on agricultural price controls is part of a series of studies that APAP II is conducting in an effort to help advise the new administration of Honduran President Callejas as it develops a domestic plan of action. The research is being done for USAID/Tegucigalpa under the direction of Agricultural Officer Bob Wilson.

Price controls on goods whose domestic prices are near international prices should be released to improve the economic well-being of the rural population, according to the study conducted by George McCandless, University of Chicago, and Evan Tanner, University of Miami.

The price controls have reduced fluctuations in prices, protecting consumers and producers from international shocks. However, this smoothing of price paths also prevented the domestic market from allocating the costs induced by weather shocks between consumers and producers. Instead, producers had to bear the costs of these fluctuations.

The controls have resulted in a long-term decline in the price of wheat flour, which has in turn driven down the prices of corn, rice, and beans. The concessionary rates received from seller countries, especially from the U.S. through the PL 480 program, have aided the Government in maintaining the price controls.

However, the controls have not substantially reduced the cost of the agricultural goods consumed by the poorest Hondurans—those who live in rural areas—and they have had a very negative effect on their wages. The declining prices have reduced production of both corn and rice, substantially reducing implicit wages in both industries.

In addition, the Government has encountered difficulties in maintaining nominal price controls in the face of increases in domestic inflation as well as in international prices for agricultural goods. The early 1990 devaluation of the Honduran lempira exacerbates the task of maintaining controls.

The report concludes that while the controlled prices could be raised, with the increases passed along to consumers, this method causes urban residents to blame the Government, and especially the price control office, for the resulting economic pinch.

For goods whose domestic prices are near world prices, releasing the controls should result in only mod-

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A Note to Readers

As we enter the third year of APAP II, we face a number of exciting prospects for the project. The most encouraging news is that A.I.D. has extended both our funding and our level of effort. The project will receive an additional $2.7 million dollars of buy-in authorization in the coming year. These resources will be devoted almost exclusively to the collaborative research component of the project.

In order to more rigorously pursue the original intent of the project, we will concentrate on issues that link the research agenda (structural adjustment, trade, natural resource management, capacity building, and political dynamics) with the Agency's intense and growing commitment to sustainable

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In the Philippines
National Food Authority Analyzed

A package of revisions to make Philippine food and agricultural price policies more cost-effective has been recommended by Martin Abel of Abel, Daft & Earley, based on his analysis of the effectiveness of the Philippines' National Food Authority (NFA).

Since 1972, the NFA has been responsible for supporting producer prices for rice and corn, thus protecting farm income and encouraging production, as well as for protecting consumers against unduly high prices for these basic foods. Various groups in the country have become increasingly dissatisfied with NFA's conduct of these responsibilities and with the current system of support for rice and corn prices.

NFA's inability to effectively support producer prices at or above the announced support prices and the absence of a clear buffer stock policy to help support producer prices and limit consumer price fluctuation are among the weaknesses of the system.

The study found that while the NFA does have operating problems, the causes are tied to the difficult policy environment in the country. The report recommends a comprehensive approach that would meet food requirements of the needy at affordable (i.e. subsidized) prices by procuring domestic and imported grain and establishing a food distribution system; decontrol prices in the market for middle- and higher-income people; maintain a buffer stock for price stabilization purposes; and support producer prices at desired levels through price support operations and direct market purchases.

Corn/Livestock Feed Study. Mark Rosegrant of the International Food Policy Research Institute (IFPRI) is leading a two-year study of the corn and the feed/livestock subsector in the Philippines in collaboration with the Department of Agriculture. The study addresses three broad areas: (1) the structure and performance of the feed/livestock subsector, with special emphasis on the role of corn; (2) the domestic marketing and distribution of corn from farm to final consumption, emphasizing its use for feed; and (3) the role and impact of government policies in the feed/livestock subsector.

The specific analyses include trends in supply and demand for corn, livestock, and feed ingredients; farm-level economics of corn production; economics of commercial livestock production; marketing of corn; costs, margins, and constraints; modeling of supply and demand for corn and livestock; trade and pricing policy; and synthesis of government policy options.

Drawing on both primary and secondary data sources, the field survey was conducted from March to July 1990. The data have been collected, and the project, due for completion in December 1991, is moving into the analysis phase. ■

Price Controls

Continued from page 1

est consumer price increases, yet should still eventually bring about higher prices for producers. For example, raising the price of wheat and reducing wheat imports should result in increased production of the traditional grains and more income for the Honduran farmer. It is unlikely that releasing price controls will cause a decline in the domestic price of any of the goods, according to the report.

A follow-on study on the Honduran price control system reenforced the primary study, finding that the poorest Hondurans are subsidizing those who are relatively better off, especially with respect to price controls on agricultural goods. Releasing the prices for these goods, or at the very least raising them, should substantially improve the welfare of the rural population and reduce the flow of migrants into the cities. Allowing unrestricted imports of many controlled items might be better than continuing price controls. While it is not necessary to import much, the possibility of free imports reduces the oligopoly rents that producers can extract. ■

Seminar Series Initiated

Drawing on the experiences of the first half of the project, APAP II will initiate a monthly seminar series in 1991. Noontime seminars will cover a broad range of topics addressed under the Project's technical assistance, collaborative research, and methods and guidelines activities.

Proposed seminar topics include an interim report on the Central American natural resource policy inventories; African cash crop competitiveness; implications of the General Agreement on Tariffs and Trade for developing countries; and structural adjustment and macroeconomic policy reform.

For more information on the seminar topics, dates, and locations, contact Jo Anne Yeager at Abt Associates, (301) 913-0500.

In El Salvador and Costa Rica

Inventories of Natural Resource Policies Completed

Two more country studies—El Salvador and Costa Rica—have been completed in the series of natural resource policy inventories conducted for the Regional Office of Central American Programs (ROCAP). (See *APAP II Newsbriefs*, Summer 1990, for description of inventories for Guatemala, Belize, and Honduras.)

El Salvador. The inventory for El Salvador describes an ecological crisis involving serious deforestation, accelerated erosion, contaminated water, and rapid extinction of flora and fauna, according to the research team of Ruben Núñez of Abt Associates Inc. and three Salvadoran experts, Francisco Serrano, Ana Carolina Martinez, and Hugo Guerra. This host country team was provided by Eco-Activo 20-30.

Moreover, the health problems created by these conditions are mounting. The use of pesticides, the contamination of water, and the declining prospects for sustained agricultural production are seriously damaging human health. The lack of legislation regulating these areas and the limited environmental consciousness among Salvadorans contribute to the crisis.

Several decrees, agreements, and treaties protecting natural resources have been approved in El Salvador. However, the lack of resources, diverse and fragmented laws, and limited coordination among institutions responsible for enforcing policies are hampering implementation.

Following a format comparable to the inventories for other Central American countries, the report presents policy alternatives and makes recommendations for future research and analysis in the areas of sustainable agriculture, forestry, wildlands and biodiversity, watershed management, and cross-cutting issues.

For example, for sustainable agriculture, the report makes several recommendations regarding pesticides. Every agricultural project should include a training module on safe pesticide use and alternative pest management techniques, and pesticide labeling should be improved so an illiterate person can understand safe application.

Costa Rica. The natural resource policy inventory for Costa Rica reveals a complex policy environment that influences the management and use of the country's renewable natural resources in both positive and negative ways.

Many laws and polices as well as recent policy reforms have significantly improved the regime for managing Costa Rica's natural resources. However, problems often arise in policy implementation. For example, the lack of a component for community participation contributes to the failure of watershed management projects. Moreover, agencies such as the National Forest Service lack the resources to effectively implement policies.

The inventory also identified significant policy gaps. For example, government agencies have not yet adopted a standard land classification system, which impairs Costa Rica's ability to pursue sustainable development, particularly in the agricultural sector. In addition, the Water Law needs updating to reflect Costa Rica's current priorities for water resource policies, such as national water quality monitoring and establishing official water quality standards.

Finally, there is no comprehensive policy for the holistic management of coastal and marine resources. The inventory was conducted by a team composed of Abt Associates and the Tropical Science Center of San José. Team members included Theresa Bradley of Abt Associates, and three consultants: Dennis McCaffrey, Francisco Rodriguez Vega and Marcelino Losilla Penon.

In the coming year, it is anticipated that the five inventories will be synthesized to serve as the foundation for a summary of lessons learned and common issues and themes, as well as to fine-tune the inventory process. This may be followed by inventories in Panama and Nicaragua, and we hope to complete the effort with a regional study. ■

Ouédraogo Joins Team

Ismaël Ouédraogo will join Abt Associates in February 1991 as a senior agricultural economist. Originally from Burkina Faso, he received his Ph.D. from Michigan State University and has been director of that university's project in Senegal, working with the Institut Supérieur de Recherche Agricole. Dr. Ouédraogo will work with USAID/Niger to coordinate Mission activities with an inter-ministerial committee responsible for developing a national agricultural strategy. This activity will take him to Niamey several times in 1991. We are pleased to welcome him to the APAP II team. ■

A Note to Readers

Continued from page 1

agricultural production. A geographical consideration driving the research will be a greater emphasis on Africa.

The research will be collaborative by seeking to develop areas of common interest between the Science and Technology Bureau and the geographic bureaus and Missions, which will also contribute financially to the work. We look forward to facilitating this process.

William Levine, Director

In Pakistan

Study Suggests Ways to Sustain Investments in Policy Analysis

To sustain investments in agricultural policy analysis in Pakistan, USAID should concentrate on developing the organizational mechanisms needed to build a team of local policy analysts and researchers and focus on timely, applied research, rather than more abstract topics. This was the conclusion of Arthur J. Coutu of North Carolina State University, based on a recent study of the sustainability and institutionalization of U.S. investments in agricultural policy analysis in Pakistan.

The United States has a long history of assistance to Pakistan in planning and policy analysis, with perhaps too much emphasis on planning, Coutu said. Clearly, the assistance has had payoffs in human capital formation and the establishment of data bases and a cadre of individuals concerned with governmental intervention in the Pakistan economy, as well as in some policy changes. However, in Pakistan as in the rest of the developing world, USAID's substantial investment in agricultural policy analysis has resulted in very limited institutionalization of public analysis units.

Coutu suggested that an agricultural policy foundation could be the organizational mechanism needed to sustain a policy analysis team in Pakistan. Various mechanisms to finance the foundation should be evaluated, such as trusts or endowment accounts. Finally, to achieve the creditability critical to sustain and institutionalize policy changes, the agricultural policy efforts of public, private, and quasi-public institutions must be coordinated.

Cotton Sector Study. Steve Block of Abt Associates is conducting a study of the cotton sector in Pakistan. The study addresses the role of cotton and cotton textiles in Pakistan's economy and trends in production and manufacturing, as well as the effects of public policy, technical change, and the environment on the cotton sector.

He is studying several trends, including raw cotton production, area, and yield; cotton yarn and cloth production; and exports of raw cotton, yarn, and cloth. Public policy issues include the role of prices, taxes, and subsidies. Technical changes include research, the role of varieties, and the use of water and pesticides. Fieldwork will be conducted in January 1991, with completion of the report scheduled for summer 1991. ■

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New Directions in Training

In keeping with APAP II's new emphasis on sustainable agriculture, the Agricultural Policy Workshop offered by Stanford University's Food Research Institute (FRI) will focus on natural resource and environmental issues in 1991. Agricultural price policy has been the major theme of the first two years of work.

The new courses will maintain the Policy Analysis Matrix (PAM) and General Algebraic Modelling System (GAMS) tools developed for APAP II, while extending the methodology to include more direct treatments of time and externalities and focusing workshop papers and manuals on natural resource and environmental issues.

PAM analysis will apply computations to natural resources other than land and incorporate social benefit-cost analysis and the discount rate. This approach will underscore the connection between government policy and the divergence between private and social rates of return. Social benefits-cost analysis is a powerful approach to natural resource issues in disclosing social profitability, as well as pointing out analysts' penchant to rig appraisals with "secondary benefits" and subsidized interest rates.

GAMS exercises will be undertaken to produce social benefit-cost analysis based on optimization, and to undertake some deterministic optimal resource use problems. PAM's power as an expository device will be used concurrently with GAMS. This workshop will be offered in August 1991.

In other training news, APAP II is exploring the possibility of offering Harvard Institute for International Development (HIID) and FRI courses overseas on an ongoing basis in French, Spanish, and English. Efforts are being made to identify regional training sites in organizations in Africa, Asia, and Latin America, where developing country nationals can offer agricultural policy analysis courses. If sites are found, courses will be available late in 1991. ■

APAP II

NEWSBRIEFS

Agricultural Policy Analysis Project • Phase II • Sponsored by A.I.D., Office of Agriculture, Bureau of Science & Technology (S&T/AGR)

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International Science and Technology Institute (ISTI)
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Strategy to Step Up Seed Production Focuses on Philippine Private Sector

The Philippine seed industry is facing a major challenge. Larger volumes of high-quality corn and rice seed are needed to improve productivity, because yields are rising too slowly, and the potential for expanding the land area dedicated to these crops is limited. At present, government seed production and marketing depends on small-scale farmers who produce most of the seed with family labor and traditional production methods.

Development of a competitive, self-sustaining private seed industry, however, would fill the need for more high-quality seed from improved varieties, according to a recent APAP II study conducted for USAID/Manila. APAP II has developed a strategy that calls for strong interaction between private entrepreneurs and representatives of the relevant official institutions in all decision making regarding parental seed allocations, production, processing, marketing, and quality control. The strategy involves three key steps: 1) establish a legal framework for private sector operations, 2) improve Government seed production in order to support the private industry and to promote variety development by seed companies, and 3) develop private organizations that provide seed production and marketing services at all levels, including regional and national.

Establishment of the legal framework requires action on pending legislation. At present, the country has no official seed law to ensure the production, distribution, and utilization of high-quality seed. However, versions of the National Seed Industry Development Act, legislation that promotes the private seed industry, are pending in the Philippine House and Senate. Because certain sections of the legislation conflict with the Government's commitment to private-sector development of the industry, strategic amendments must be approved. Restrictions on importation of seeds must be removed, for instance, to avoid establishing a protected industry and to provide farmers with the option of planting possibly superior foreign seeds. As a transitional measure, an administrative order is recommended to set guidelines for government/private industry interactions.

The study team, Federico Poey and Marypaz Perez, emphasize the need for a national seed commission with equal representation from the public and private sectors to guide and safeguard all seed policies and related activities. The private seed sector would assume leadership in the industry, representing the production and marketing interests of growers and dealers. Through such an organization, private seed farmers would participate in national and regional decision making regarding production, processing, marketing, quality assurance and control, seed and seed-related industry promotion, research, and train-

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No More Increases in Pakistani Oilseed Support Prices, Study Advises

A study on Pakistan's edible oil policies, prepared by HIID for USAID/Islamabad, found that the economic cost of further increases in oilseed support prices outweighs the economic benefit. In addition, large-scale import substitution with domestic production can be achieved only by sacrificing wheat output.

Government and donor officials view the high levels of foreign exchange expended on edible oil imports as a serious problem. Vegetable oil imports constituted over 10 percent of the value of all imported consumer goods by the late 1980s. Vegetable oil now constitutes at least 85 percent of total edible oil consumption in Pakistan.

In the early 1970s, however, more than half the edible oil consumed in Pakistan was desi ghee, a butterfat product produced from liquid milk in a domestic cottage industry. An explosion of vegetable oil imports accompanied by a dramatic fall in the real price of vegetable ghee caused the major shift to vegetable ghee in the 1970s.

Various methods of reducing these imports have been explored. Further increases in the current price support policies subsidizing oilseeds are not recommended because they discriminate against some important commodities, such as wheat. All the major commodities compete with each other for the scarce resources of land, labor, water, and power in the country's major farm systems.

The Government price supports increase domestic oilseed prices to more than 75 percent above the world market. Although oilseed production is expanding slowly in some regions, increasing the production of non-traditional oilseeds is a marginal proposition for most farmers, even with current price supports. This conclusion is supported by the limited success of various production programs in the past, combined with economic analysis using linear programming models.

Edible oil imports will continue to be a problem in Pakistan, although import growth should slow substantially in the coming years. The study shows that two important sources of earlier expansion, the substitution of vegetable oil for desi ghee and declining real consumer prices, are unlikely to continue, leaving population growth and modest increases in per capita incomes as the main factors driving further expansion. Smuggling to India and other bordering countries, estimated at about 15 percent of measured available domestic supply, is likely to continue but may not be a major source of expansion in the demand.

The paper suggests policy alternatives to increases in oilseed price supports, such as improvements in oilseed marketing and processing arrangements. In addition, it cites the recommendations of other experts who believe that a well-managed research program will lead to more rapid adoption of oilseed technologies that would reduce the costs of oilseed production.

The *Pakistan Edible Oils Policy Study* was conducted by Richard Goldman and Malcolm Hall of Harvard Institute for International Development and Agha Imran Hamid of Enterprise and Development Consulting, Ltd. □

Philippine Seed Industry

Continued from page 1

ing. A system of committees would serve member interests in areas including legal, technical, training, communications, and public relations.

Private seed organizations promoted at the regional level could well assume responsibility for such services as drying, conditioning, bagging, and treatment of seeds through arrangements with government seed farms.

A key aspect of the third step in the strategy—developing private seed production and marketing services—involves reforms in certain activities managed by the Government, such as quality control. The report criticizes the present Seed Quality Control Service (SQCS), which oversees the seed certification system, as too reliant on dogmatic principles and routine execution of duties. Several actions to strengthen the authority and commitment of the SQCS are recommended. Currently, the seed laboratory staff and field inspection staff report to different divisions at the regional level. If they were reorganized under a central SQCS administration, they could work more cooperatively, assisting each other during times of peak demand.

To relieve overburdened Government services, qualified seed organizations could be given the authority to conduct their own field quality-control inspections and laboratory analysis, subject to spot checks and annual certification by SQCS. In addition, private quality-control companies could be established to offer field inspection and laboratory services to seed companies in lieu of the present seed certification system.

The strategy emphasizes that training of personnel at all levels of production, processing, marketing, and quality assurance and control must accompany any expansion of the seed industry. A national center of excellence in seeds could be established at an appropriate university to assume leadership in a continuing training and research program. Both academic and informal training should be provided, including frequent applied courses in the field and in seed plants in order to achieve a high level of professionalism in the projected seed organizations.

The report, *Philippines: The Development of the Rice and Corn Seed Industry*, was prepared by Poey and Perez for USAID/Manila in May/June 1991. □

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* Reports also available in French.
** Reports also available in Spanish.
*** This report is only available in Spanish.

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ESOP in Honduras Enables Employees to Buy Seed Plants in Model Privatization Plan

Employees of the Honduran Government's Seed Processing Program are taking over the program's plants and equipment through an Employee Stock Ownership Plan (ESOP). In this rare example of a 100 percent leveraged employee buyout, the Government as seller is supplying credit by permitting the employees to acquire title to the existing assets and pay off the debt from future profits.

This approach could be replicated in privatization efforts throughout the developing world, according to Joseph Recinos, consultant to the APAP II project that designed the pilot ESOP for USAID/Tegucigalpa.

The assets of the program will be sold to some 60 employees of the two seed processing plants and the technicians who work with the seed program in the Ministry of Natural Resources. The employees have already formed their own company—Compañia de Semillas S.A. or SEMSA—which will initially lease the plants and equipment from the Ministry. They have also signed contracts with small-scale farmers who supply the plants with certified basic grain seeds for processing. To launch operations, SEMSA's employees will contribute 50 percent of their government severance pay as part of the new company's working capital.

To initiate the ESOP, the APAP team emphasized to government leaders that the ESOP gives rank-and-file employees significant shares of stock. Government efforts to privatize state-owned firms over the past five years have produced mixed results. Labor unions and other groups have opposed privatization after observing earlier initiatives in which government assets were sold to wealthy Hondurans or foreign interests.

"Throughout the process we're trying to show the Government the political and economic benefits of the plan," Recinos said. "We're going much farther than just privatizing the national seed processing plant."

The essence of the plan is that the Government is allowing the employees to use pre-tax future profits to make the purchase. The importance of this process cannot be overstated, according to Recinos. Most traditional privatization programs require potential purchasers to pay cash up front, a condition that in effect excludes rank-and-file employees from stock ownership or gives them only a token position.

An unusual feature of the ESOP was the Government's acceptance of SEMSA's rental fees for the buildings and equipment as amortization payments toward the eventual purchase of the assets. SEMSA's actual purchase of the property awaits approval by the Honduran Congress of pending legislation to allow public entities to be sold to employees without going through a bidding process.

Another important strategy used in the Honduran project involves short-term gains to employees in the form of monthly and annual bonuses. The project team recommends immediate introduction of such a gainsharing plan, because employees do not necessarily develop a vested interest in productivity through the long-term benefits of stock ownership alone, Recinos said. The monthly bonuses are based on a percentage of company profits above the monthly equilibrium point (at which the firm meets all costs, including debt service, and derives a reasonable return on investment).

The feasibility study for the project predicted that SEMSA, which took over seed processing at the end of June and specializes in variety seeds (as opposed to hybrid seeds), has a good chance of competing successfully with small- and medium-sized producers in the Honduran basic grain market. The potential and existing market for basic grain seed varieties is 120,000 quintals annually (one quintal equals 100 kilograms). SEMSA will use the plant facilities in Tegucigalpa and San Pedro Sula, distributing seeds to private agro-commercial stores through existing regional agencies.

Joseph W. Recinos and Enrique A. Castillon are the authors of the project report, *The Democratization of the State Owned Seed Processing Facilities of Honduras Through An Employee Stock Ownership Plan.* □

Seminars Scheduled

APAP II will continue its seminar series on agricultural policy analysis this fall. The following seminars will be held from 2-4 p.m. in Room 1105, State Department Building, Washington, DC:

Oct. 16: A Decade of A.I.D. Experience in Agricultural Policy Reform, John Tilney, Abt Associates, and Dr. Art Coutu, NCSU

Nov. 13: Demand Management Policies in Asia, Dr. Richard Goldman and Dr. Peter Timmer, HIID

Dec. 18: Liberating the Power of the Informal Sector: Problems and Prospects in Asia, Dr. Bish Sanyal, MIT

Jan. 15: Future Directions for Irrigation Investment Policy in Asia, Dr. Mark Rosegrant, IFPRI

For more information, contact Jo Anne Yeager, Abt Associates Inc., (301) 913 0500.

Exports of Nontraditional Crops Could Double Under Proposed Reforms in Honduras

A recent APAP II report explores the potential impact of proposed economic and agricultural sector policy reforms in Honduras. Conducted for USAID/Tegucigalpa under the direction of Agricultural Officer Robert Wilson, this is the last in a series of studies that APAP II has conducted to help advise the administration of Honduran President Callejas as it develops a domestic plan of action (for article on earlier study, see *Newsbriefs*, Winter 1990). The possibilities for improving the measurement of future reforms were also examined.

In recent years, Honduras' economic policies have inadvertently undermined agricultural performance, according to the report. Agricultural conditions grew critical in 1988 and 1989, with growth rates dropping to 1.8 percent and 2.2 percent for the two years, respectively. In an effort to arrest the decline, the Callejas administration, which took office in January 1990, initiated a package of structural reforms, which included revising the tariff structure, devaluating the currency, and reducing the government deficit through budget cuts and revenue enhancement measures.

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The major international donors have proposed additional policy changes in Honduras that would deepen those reforms and improve rural income by increasing productivity and producer prices. The proposed reforms include further liberalization of the foreign exchange regime, elimination of price controls and export taxes, and removal of interest rate ceilings.

Rubén Núñez of Abt Associates Inc., who conducted the study, estimated growth for each major commodity produced in Honduras based on assumptions involving implementation of the proposed reforms. A moderate growth scenario, in which improvements in farmers' technological capacity would complement policy reforms, is the most realistic of three scenarios for which he estimated growth. Growth of agricultural value added in 1978 U.S. dollars would range between 2 and 6.4 percent per year from 1992 to 1998 under this scenario, while the value of exports would grow between 4.4 percent and 13.5 percent per year.

Honduras should be able to double its export of nontraditional products within the next few years, especially shrimp, palm oil, and a few other crops, if reforms are undertaken, the report says. Bananas and coffee will likely continue as the main sources of value added and foreign exchange. Meanwhile, beef exports could regain the position they held in the early 1980s (third largest agricultural export). Other traditional exports are expected to decline or increase only slightly. Coffee productivity, which is low, could be sharply increased through more policy reforms complemented by direct technical interventions.

Núñez commented that the economic indicators used in this report (value added in 1978 lempiras and 1989 U.S. dollars, and value of exports in U.S. dollars) do not reflect the overall impact of the proposed policy reforms. He advised using other indicators as well, including employment generation, farm family income, purchasing power of agricultural GDP, and rural per capita average daily calorie consumption.

While conducting the study, APAP II encountered discrepancies in statistics that have hindered analysis of the impact of the proposed reforms and interfered with monitoring of the agricultural economy. Honduras intends to eliminate the discrepancies by consolidating the different methods of collecting agricultural data and devoting more resources to generating reliable data. These plans reflect key recommendations in the APAP II report.

The Central Bank has already corrected one problem as a result of a recommendation in the study. The Bank was using the international prices for a type of shrimp that was larger than the one Honduras actually exports, which exaggerated export figures and complicated the analysis of national economic policies. The correct price is now being used for shrimp, which is one of the country's fastest growing nontraditional exports.

The Central Bank is working to establish a system to track the agricultural economy on a regular basis. A.I.D. should help with that effort, the report advises. The system should involve an overall annual agricultural survey as well as special periodic surveys in such areas as export crops, poultry, and livestock. Current surveys are devoted almost exclusively to basic grains, which represent an important yet relatively small percentage of agricultural value added.

The report, *Honduras: Quantifying the Economic Impact of Policy Reforms in Agriculture*, was released in February 1991. □

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APAP II Embarks on Fourth Year With Plans to Enhance Project Services

As APAP II enters its fourth year (FY 1992), efforts are focusing on how to fine-tune its services to better meet user needs.

The Technical Advisory Group made several key decisions intended to strengthen APAP's responsiveness to users at a meeting held November 18-19 to review the draft work plan for the coming year. Recommendations from an in-house management review and the October A.I.D. mid-term evaluation guided the discussion.

R&D/AGR increased APAP's level-of-effort from 640 to 840 person-months to enable more bureaus and missions to take advantage of project services. A consensus was reached to concentrate on selected applied research topics supported by core and buy-in funding. Thus, APAP II studies will address research priorities in the context of policy issues in the worldwide search for sustainable agricultural production.

The research priorities themselves will remain the same: structural adjustment, international trade, natural resource management, capacity building, and political dynamics. Within the area of trade, agribusiness promotion will receive special attention. Emphasis will be placed on policies that reflect the true costs of inputs, encourage producers to respond to incentives, and strengthen distribution, processing, and export efforts.

Another key decision was to focus attention on Sub-Saharan Africa, which to date has received only 25 percent of APAP II services, or half the targeted amount. Technical assistance, training, and research will still be provided to other regions of the developing world.

To increase training opportunities for host country analysts, APAP II plans to conduct more policy analysis training workshops in the field. Training will continue in the U.S., however. APAP II hopes to initiate a regional training program for Sub-Saharan Africa offered at and through the African Development Bank. Sites in Latin America are also being explored.

Finally, APAP will expand networking and disseminating activities by improving project documentation and communicating more with readers of APAP publications. In addition, APAP will hold seminars more often and broaden the range of topics. □

Note to Readers

The APAP II team would like to hear from its readers. What changes would you like to see in *Newsbriefs* and *Technotes?* Do you have questions or comments regarding research findings presented in these pages? Please contact APAP II at Abt Associates Inc. (See *Credits* box for address and phone/fax numbers.) Letters to the editor will be printed in the next issue of *Newsbriefs*.

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Policy Reforms Spur Growth In Agricultural Sector of El Salvador

Agricultural production is leading the growth in El Salvador's GDP, a direct result of economic policy reforms made by the Cristiani administration since it took office in June 1989. An APAP assessment of the impact of these policy changes on agriculture, conducted in October 1991 by Ruben Nunez and Bill Loehr, quantifies their impact and identifies additional reforms needed to improve agricultural performance.

Economic growth, while still slow, is higher than it has been for years. The removal of price controls and the return to a market-determined exchange rate have spurred the agricultural sector. In the last two years, average agricultural production has surpassed that of the preceding two years for all major crops except corn. Agricultural value added rose 7.4 percent in 1990, due mainly to growth in coffee, basic grains, sugarcane, and livestock.

During the 1980s, the country's economy was seriously mismanaged. Nationalizations, high tariffs, and other public economic interventions had destroyed incentives and raised the risks of doing business. The civil war exacerbated the decline, although the authors maintain that the economic policies would have plunged the country into crisis with or without war. By 1989, exports had fallen to less than 10 percent of GDP.

While the economy is by no means booming, the Cristiani Government appears to have engineered a significant and broad-based economic turnaround. External payments arrears were eliminated and a stand-by arrangement reached with the International Monetary Fund. The economy was opened to international competition by eliminating foreign exchange and price controls, import quotas, and high import duties, and by returning to a market determined exchange rate. Tariffs have been compressed to a range of between 5 and 30 percent.

Meanwhile, fears that a devaluation of the colon—so far about 37 percent—would set off an inflationary spiral now appear to have been unfounded. Inflation has been reduced from around 30 percent in 1989 to about 12-14 percent. Moreover, the new policies have not been biased against the poor, at least as they affect food prices. The upward trend in prices of food relative to other goods evident in the last decade has been arrested.

The new Government has also implemented agricultural policy reforms in marketing, land tenure, institutions, and agricultural finance. It has eliminated the state-controlled monopolies in coffee and cotton marketing and sugar exporting, thus creating a new environment that minimizes opportunity for both corruption and late payments to producers at below market prices.

Two new laws have been enacted to strengthen land security, thus encouraging investment in agriculture: one creates a land bank to finance land purchases by small producers; the other provides members of cooperatives that participate in agrarian reform with alternatives for managing their parcels. A new private organization will conduct research on coffee and provide direct technical assistance to independent producers.

The arrears in the agricultural portfolios that limited loans to the agricultural sector, especially to agrarian reform cooperatives, have been paid. The cooperatives are creditworthy again, following action by the Central Reserve Bank to refinance their debt.

However, the agricultural sector has no reliable source of formal credit. Commercial banks, now being privatized, are unlikely to risk their newfound solvency on agricultural loans. Small-scale farmers know little about finance, while commercial bankers know little and care less about farmers.

Previous studies have indicated that the informal financial sector has responded to the financial needs of rural areas and small enterprises. A finding consistent with this conclusion is that as real loanable resources declined in the 1980s, agricultural output did not fall. The study recommends a comprehensive review of available

Continued on page 4

New Project Officer Cites Dual Objective

Roberto Castro, the new APAP II project officer, has two objectives: helping missions and developing countries to build critical masses of policy analysts, and ensuring that the collaborative research efforts will respond to bureau and mission needs.

Formerly agricultural policy advisor for USAID/Guatemala, Castro replaces Chris Brown, who has accepted a position in Jamaica. Since joining USAID as an agricultural economist in 1979, Castro has worked in LAC/DR/RD, the Dominican Republic, S&T/AGR, and Guatemala. He holds a Ph.D. in agricultural economics from North Carolina State University. Prior to joining A.I.D., Castro was policy advisor to the Ministry of Natural Resources in Honduras, and a soil scientist and economist in the Agrarian Reform Office of the Government of Peru.

Castro can be reached in the Economic Policy and Sector Analysis Office by phone at (703) 875 4015 and by fax at (703) 875 4384.

More Demand for Policy Analysis Would Improve Data Systems in Niger

Donors could contribute greatly to improving agricultural data systems in Africa by stimulating demand for sound policy analysis based on reliable data.

Many African countries devote enormous effort to collecting and recording agricultural data. It is largely a wasted labor, however, for the data are often not widely used. The poor quality of the data and the lack of demand for systematic policy analysis are both to blame, according to an APAP report on agricultural data and data bases in Niger completed in October 1991 by Steven Block of Abt Associates.

In addition, data collection systems in Africa lack the adequate communication links between suppliers of agricultural data and the policymakers who should be using them, as well as functional mechanisms for disseminating recurrent data. Statistical offices have developed information programs reflecting their own perspectives without surveying the needs of the potential users. Policymakers, on the other hand, do not always know what types of data they need or how to use them.

The APAP review of Nigerien agricultural data bases is a case in point. "[The] system appears to be on auto-pilot. Huge volumes of data are collected; yet very little use is made of that data," Block concluded. Decision makers are unlikely to request data in which they have little confidence, but governments are unlikely to devote more resources to the effort until they face a stronger demand.

The study found that Niger's field collection methods are particularly problematic. The staff who conduct the annual pre-harvest survey of major cereals and legumes are the least trained and the most heavily burdened employees in the Ministry of Agriculture and Livestock. Their many duties include plant protection and agricultural extension, in addition to responsibilities for the survey. They have neither the means nor the incentives to exercise much rigor in field collection. In fact, Block encountered widespread suspicion that survey agents either fail to visit their assigned fields or do only cursory work when there.

Most African states inherited rudimentary national statistical systems. Since independence, they have concentrated on developing macro-level statistics. The importance traditionally attached to national accounts and especially estimates of GDP have overshadowed all other data collection efforts. Only in the 1980s did African governments, influenced by major donors, begin to enhance their agricultural information systems.

The difficulties of such work are described in an annex to the report. The need for frequent observation over an extended period elevates the data collection costs. Detailed knowledge of both local practices and variations in soil and climactic conditions is needed to produce consistent, reliable data. The methodology required is poorly defined, and trained staff are often unavailable.

Moreover, government bureaus are inadequately coordinated, which leads to wasteful duplication of effort. In Nigeria, for example, five different agencies estimate crop

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Calendar

- Jan. 22, 2-4 p.m., Future Directions for Irrigation Investment Policy in Asia, an APAP II seminar presented by Dr. Mark Rosegrant of IFPRI, Room 1207, State Department Building, Washington, D.C.
- Feb. 19-21, Agricultural Policy Analysis Tools: APAP Developments, a three-day APAP II workshop presented by Dr. Carl Gotsch of FRI. State Department and A.I.D., Roslyn, Va. Contact for above two events: Rosemary Hyson, Abt Associates, Inc., Bethesda, Md., (301) 913 0672.
- May 16-19, International Agribusiness Management Association Symposium, Oxford, England. Contact: Vernon Schneider, IAMA Business Office, Dept. of Ag. Economics, Texas A&M University, College Station, Texas 77843, (409) 845 2118.
- June 28-31, Macroeconomic Adjustment and Food/Agricultural Policy Workshop sponsored by Harvard Institute for International Development. Contact: Erin Sands, HIID, Harvard University, 1 Eliot St., Cambridge, Mass. 02138, (617) 495 9779
- July 30-Aug. 1, Participatory On-Farm Research and Education for Agricultural Sustainability, University of Illinois. Contact: John Gerber, UI Agricultural Experimental Station, 211 Mumford Hall, 1301 W. Gregory Dr., Urbana, Ill. 61801, (217) 244 4232.
- Aug. 9-12, Annual Meeting of the American Agricultural Economics Association, Baltimore, Md. Contact: AAEA Business Office, 80 Heady Hall, Iowa State University, Ames, Iowa 50011, (515) 294 8700.
- Sept. 10-12, EC Policy 2000, sponsored by the European Agricultural Economics Association, Lisbon, Portugal. Contact: Fernando Brito Soares, Faculdade Estevao Pinto, P 1000 Lisboa, Portugal, 351 1 687524.
- Nov. 9-14, Economic Advancement of Developing Countries, Singapore. Contact: Irene Wee, 112 East Coast Rd., #03-14, Katong People's Complex, Singapore, 1542 4408790.

Niger Data Systems

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production. In many countries, researchers conduct elaborate surveys only to discover the information was already available from another source. In Kenya, for example, when a team from USAID's Agricultural Market Improvement Strategies Project set out to design a plan for a market information system in June 1990, they found that for more than a decade various government agencies had been collecting market data. However, the collecting agencies lacked the resources to process and analyze the data. Data collection had become an end in itself. Virtually no one was using the data, which was regarded as unreliable.

Different data collection methods are even used to collect data on the same variables in the same location. For example, local institutions in Nigeria and Cameroon have argued that the UN Food and Agriculture Organization and the US Department of Agriculture estimates for food crops inaccurately reflect year-to-year changes, while those two agencies have criticized weaknesses in direct production estimates.

To strengthen agricultural data systems, closer links must be established between statistical offices and their clientele in various ministries. A critical aspect of survey design is to precisely describe the data needed and translate that description into detailed but comprehensible questions for respondents in the field.

Data dissemination is also key. Data have been provided only upon request and sometimes not even then. In Kenya, government agencies who wanted to analyze data complained that they had been repeatedly denied access.

Initiatives such as USAID/Niger's new Policy Analysis and Monitoring Project provide an excellent opportunity to address both sides of this dilemma by stimulating demand for analysis and enhancing the capacity of local institutions to meet those demands, according to the report. □

APAP Rates Well in Review

An A.I.D. evaluation team gave APAP II a positive mid-term rating in October, based on reports from the 26 missions and three regional bureaus that the project has assisted. Missions assisted by APAP II have been highly satisfied with the quality of personnel involved in providing project services and the reports summarizing the results of technical assistance. AID/W, mission, and in-country staff have rated as successful the training programs that HIID and FRI developed and implemented. Mission and host country participants' reaction to the courses have ranged from satisfaction to enthusiasm.

The evaluators found, however, that heavy buy-in activity during the first years of the project and the loss of the research director limited APAP's capacity to focus on its core research agenda. Because APAP reached its buy-in ceiling in the third year, the Bureau of Research and Development raised the buy-in potential by $2.7 million.

The evaluation team recommended that APAP II be reoriented to emphasize in-country training of policy analysts, taking courses to the countries or regions, and using native language speakers. They also suggested that a portion of the core research budget be used to leverage technical assistance or co-finance collaborative research buy-ins, making associated projects more valuable to missions and bureaus.

CREDITS

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Salvadoran Agriculture

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credit, current needs, and expected impact from strengthening rural financial markets.

Additional tariff reforms are also needed. Although the Government has made considerable progress toward a more unified system, effective rates of protection are probably still high for some goods, while negative for (i.e. biased against) many important agricultural products. The study recommends that the target range for tariffs be narrowed to 10-20 percent and that tariffs eventually be unified at a single rate, probably 15 percent.

Other policy reforms are still needed to eliminate problems that impede market efficiency, including price controls on wheat flour, sugar, coffee, and cotton seed; lack of standards for product measurement and quality; and a deficient market information system.

Recommended institutional reforms include privatization of the sugar mills, transfer of water district management to water users, and strengthening of the Agriculture and Livestock Ministry through reorganization and budget increases. □

APAP II
NEWSBRIEFS

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Innovative RENARM Tool Advances Environmental Policy Analysis

The recent UNCED conference in Rio de Janiero highlighted the growing recognition of the importance of environment and natural resource (ENR) issues, and the difficulties inherent in addressing trade-offs between economic growth, social welfare, and conservation of resources. Recognizing and addressing these trade-offs have also been at the center of an ongoing collaborative effort between APAP II and the USAID Regional Office for Central American Programs (ROCAP).

Economic growth, social welfare, and resource conservation are the objectives which underlie sustainable development and undergird the environmental strategy of the Bureau for Latin America and the Caribbean (LAC). The LAC strategy in turn is buttressed by ROCAP's key regional environmental strategic initiative — the Regional Environmental and Natural Resource Management (RENARM) project. The APAP II/ROCAP initiative, funded through RENARM, synthesizes previous natural resource policy inventories while breaking new analytical ground. It seeks to develop a diagnostic tool that systematically allows predictive assessments of the impact of existing and proposed policies, and to gradually modify the behavior of participants in the ENR policy formulation process.

In carrying out this task, the project team, led by George Johnston of Abt Associates and Hilary Lorraine of ROCAP, faced complex analytical problems for three reasons:

- The interdependence of the objectives of economic growth, social welfare, and resource conservation requires trade-offs in terms of public policy decisions, but these are usually made with insufficient information about the consequences of the trade-offs.
- The details of a policy are **always** the result of bargaining and negotiation among conflicting interests, and thus reflect who has the most influence with and access to policy-makers.
- Even though policy interactions often influence behavior in a non-intuitive way, it is necessary to identify the impacts of each policy when designing a diagnostic tool.

The design team recognized that analysis and consensus building in policy-making drive each other, and that in instances when information and analysis provide a competitive advantage in the political arena, the demand for

Continued on page 4

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Pakistan: Credit Shortages Constrain Agribusiness Growth

In Pakistan, 9.5 percent of all borrowers account for 80 percent of the credit that flows to agribusiness. The demand of these larger borrowers crowds out the small- and medium-sized firms and constrains their ability to grow.

This is one of the preliminary findings of a study of Pakistan's financial sector conducted by an APAP II team for USAID/Pakistan, in support of its ongoing agricultural policy dialogue with the Government of Pakistan. The dialogue is meant to encourage the GOP's recent emphasis on promoting a more active role for the private sector in the country's agricultural development.

In response to earlier findings that a lack of working capital is an important constraint to agribusiness expansion in Pakistan, this study includes a section on the operation of the country's financial sector and its involvement in agriculture. The study addresses both the availability of and demand for working capital. The present findings indicate that the formal sector is unable to meet the total demand for short-term credit. The Government of Pakistan's tight control of the money supply, including reserve requirements of 35 percent of bank assets and directed credit programs, are major factors that restrain credit flows. As a result, agribusiness relies heavily on the informal financial sector, borrowing at substantially higher rates of interest.

Borrower behavior makes bankers hesitant to lend to agriculture and agribusiness.

Borrower behavior also makes bankers hesitant to lend to agriculture and agribusiness. It is not uncommon for borrowers to use short-term loans to finance long-term investments, such as the purchase of a tractor or additional land. This reduces the borrower's overall liquidity and often requires additional short-term borrowing, much to the banker's dismay.

The study is continuing, wi further attention focused on estimating the demand for working capital, reviewing ways in which other countries have overcome working capital shortages, examining investment incentives and taxation structures, and developing a comprehensive set of general and specific recommendations for the enhanced promotion of agribusiness development. □

Mozambique Presents Tough Challenges for Policy Reform

Struggling to overcome failed statist policies, economic upheaval, and the constant disruption of a lengthy civil war, Mozambique presents a daunting environment for attempts at agricultural sector reforms. Destroyed infrastructure, substantial movements of dislocated populations, ever-increasing state ownership of agricultural land, and state control of commodities reduced per capita income by about one-third between 1980 and 1987 alone.

Recognizing the drastic failure of its own policies, the FRELIMO government adopted an Economic and Social Rehabilitation Program (ESRP) in 1987. Structural adjustment activities under the ESRP have been supported by the World Bank, the IMF and USAID's Private Sector Support Program (PSSP).

An evaluation of the PSSP took place last November under APAP II, and USAID/Maputo is carefully considering subsequent steps. The evaluation found that actual policy formulation and government support of policy reforms have been largely successful, but that problems remain with implementing and operationalizing them.

Fully liberalized producer and "floor" prices for key crops have mitigated the disastrous results of earlier pricing policies. Even more critical, the recent removal of many of the restrictions on commercial trade has improved producer price incentives and facilitated non-price incentives as well. Progress in this area is evidenced by the reappearance of various levels of commercial activity, and the return of essential consumer goods to the market on a money basis.

Divestiture of state farms

Continued on page 5

AGRICULTURAL POLICY ANALYSIS PROJECT • PHASE II

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Productivity Growth and Agricultural Transformation in Sub-Saharan Africa

In current research sponsored by A.I.D.'s Africa Bureau, an APAP II team — Steve Block of Abt Associates Inc. and Peter Timmer of HIID — is working to identify the extent to which agricultural factor productivity drives economic growth in Africa. Factor productivity, the extent to which changes in output per worker and in yields contribute to production increases, is thought to be a key force driving overall economic growth. The team's ultimate objective is developing a model to simulate the growth effects of policies affecting productivity in the region's agricultural sector.

Insights from this research will be used to identify critical policy, institutional, and resource constraints to sustainable increases in agricultural productivity. Policies and programs can then be designed to eliminate these constraints and improve agricultural growth.

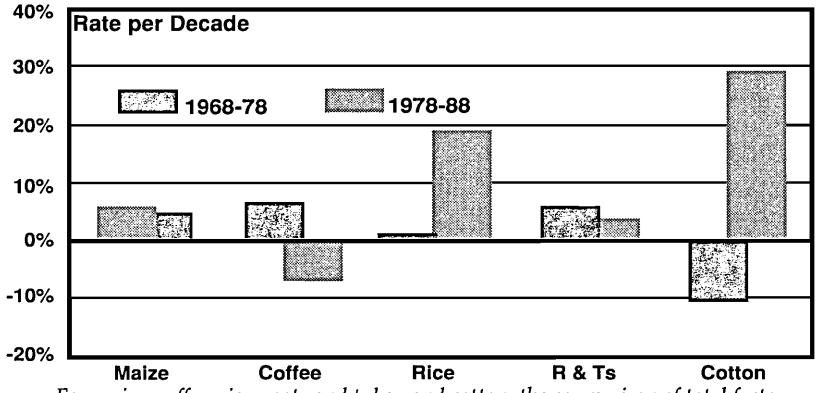
The focus on productivity stems from ideas that emerged in the 1960s regarding the role of intersectoral transfers in economic growth. According to this thinking, growth in agriculture and agricultural productivity are the linchpin of the agricultural transformation which accompanies the development process. Agricultural growth will provide capital, labor, and product market connections to assist in the development of the industrial sector. But without gains in agricultural output and land and labor productivity, the sector cannot bolster overall economic growth.

The research, now in its first phase, is focusing on characterizing and examining agricultural productivity trends in Sub-Saharan Africa using two different representations of productivity change. The first, partial productivity ratios, disaggregates growth in production into the relative productivity increases from land and labor. The second approach involves estimates of total factor productivity growth, representing the growth in output not attributable to increases in inputs.

Five key commodities — maize, cotton, rice, coffee, and roots and tubers — serve as the basis for the analysis. Productivity growth rates are compared at a regional level for the periods between 1968-78 and 1978-88 for the Sahel, Central, East, West, and Southern Africa.

In general, both measurement approaches show that despite becoming less productive in the 1970s, many African countries and commodities enjoyed overall growth in factor productivity during the 1980s. For individual regions and crops, however, few clear patterns emerge. For example, maize and roots and tubers showed factor productivity growth in both the 1970s and 1980s, with higher growth rates occurring in the latter period. Cotton and rice were stagnant during the 1968-78 period, but showed productivity increases during the 1980s. Coffee was the sole commodity for which there was no progress at all.

Agricultural Productivity in Sub-Saharan Africa



For maize, coffee, rice, roots and tuber, and cotton, the comparison of total factor productivity growth over the periods 1968-78 and 1978-88 shows mixed performance.

There is also wide variability in comparisons across regions. Maize productivity grew in East Africa during both periods, while remaining stagnant in West Africa. Central Africa and the Sahel experienced significant productivity gains from the first to the second period, while productivity in Southern Africa plunged.

In a recent trip to Kenya and Cameroon, Block gathered data for two case studies — information that will be used in a more detailed measurement of productivity change.

In addition to the country analyses, the next segment of the study will incorporate what has been learned into a growth accounting framework. Beginning at the commodity level and continuing on up through the sectoral to the economy-wide level, this framework will be the

Continued on page 4

Innovative RENARM Tool Advances Environmental Policy Analysis

Continued from page 1

analysis increases. Further, those with an interest in the outcome of the policy-making process increase their demand for participation. Thus, the team endeavored to design a policy taxonomy that policy-makers and practitioners could use to make more systematic the process of demand for and supply of information and analysis, and to make more predictable the outcomes of the ultimate policy decisions as a way of making participation a more rational process.

Analysis and consensus building in policy-making drive each other, and in instances when information and analysis provide a competitive advantage in the political arena, the demand for analysis increases.

The taxonomy groups environmental and natural resource policies into eleven sectoral categories: forest management, agriculture and livestock, land tenure and colonization, protected and reserved areas, wildlife protection and trade, coastal zone management, water policy and watershed management, energy issues, environmental management, microeconomic policies, and population.

Conceptually, the taxonomy is a matrix in which these sectoral policy areas represent the rows. Within each row, a range of policy options is presented and analyzed. For example, within agricultural and livestock policies, policy options such as product price controls (e.g., ceiling and floor prices, price bands), input subsidies (e.g., for credit, pesticides, fertilizers, and machinery), government intervention (e.g., input and product marketing, pesticide regulation), and livestock policies (e.g., credit and tenure policies, fiscal incentives, public services) can be explored. This sectoral analysis summarizes what we know and do not know about the impact of policies; identifies potential trade-offs between growth, welfare, and conservation; and also identifies a number of research questions raised by the analysis. The matrix columns are represented by the countries of Central America, with an additional column for cross-boundary issues.

As developed, the matrix is available in a loose-leaf notebook which provides users a brief analysis of each policy option in the taxonomy and what has been observed about its impact, in terms of trade-offs among the three critical objectives; general research questions and resources; and a country analysis for Belize, Guatemala, Honduras, El Salvador, and Costa Rica. This ground-breaking tool is designed to be in a constant state of interactive and iterative development, as more is learned about the impact of existing policy interventions, and as new policy options are developed. Additional cross-policy analyses explore problems by drawing insights from relevant sections of the taxonomy and applying them to a given issue.

The design team anticipates th eventual development of the taxonomy as a computer data base which will contain the matrix, country analyses (including ones for Nicaragua and Panama, and perhaps a regional analysis), sector analysis, a manual on how to conduct a policy inventory and rapid policy assessment, and a training exercise for decision-maker workshops. □

Note to Readers

In response to your suggestions, the APAP II *Newsbriefs* and *Technotes* series will be combined into one publication, under the title of *Newsbriefs* and will be published quarterly. Your suggestions and opinions are important to us and we want to hear from you. If you have questions or comments regarding research methodology or findings presented in these pages, please contact APAP II *Newsbriefs* at Abt Associates Inc. 4800 Montgomery Lane, Suite 500, Bethesda, Maryland 20814; tel. (301) 913-0500 fax (301) 652-3839. We look forward to hearing from you.

Sub-Saharan Africa

Continued from page 3

first step toward modeling the relationship between productivity and economic growth in the Sub-Saharan region. Block presented preliminary results from this research at A.I.D.'s recent Conference on Agricultural Marketing and Agribusiness in Africa, held in Baltimore from July 12-17 □

Mozambique Presents Tough Challenges for Policy Reform

Continued from page 2

however, has only been moderately successful. To date, no divestitures have included the actual transfer of land ownership to private hands. The seeming haphazard nature of divestiture to date reflects the absence of a coherent government plan, and perhaps a lack of government commitment as well. USAID has dealt positively with these problems in an iterative fashion, currently stressing the transfer of land use rights, as opposed to land ownership, as a means of achieving divestiture objectives.

Fully liberalized producer and "floor" prices for key crops have mitigated the disastrous results of earlier pricing policies.

Another element of the policy reform package was providing the private sector access to foreign exchange. Strategies for finding a workable, market-based allocation mechanism have not been successful, and have been further complicated by unresolved conflicts in emphasis between the World Bank and the IMF. USAID's participation evolved into support for specific foreign exchange mechanisms via the choice of the exchange rate to be used for Commodity Import Program (CIP) conversions, reforms which relate specifically to the agricultural sector; and recommendations to facilitate dialogue with these two multinational institutions.

Though not part of the policy reforms, the food aid program has had a major influence on the PSSP because of its dominant role in the market and Mozambique's political life. Pricing, distribution policies, and timing of food arrivals greatly influence the food market and the rest of the economy. To the extent that food aid depresses agricultural prices, it may be working at cross purposes with the PSSP. With only 20 percent self-sufficiency in food, however, the immediate need for food aid is taking precedence over the longer-term goals of expanding agricultural production.

In March, a second APAP II team went to Mozambique to help guide the conception of the proposed new Market Recuperation and Development project. The design effort was supported by research conducted for USAID/Maputo by a group of collaborating institutions which included Michigan State University, the Land Tenure Center at the University of Wisconsin, and Cornell University. This project, currently on hold due to the drought and other complicating factors, would structure the use of food aid to assist in improving market channels and stimulating private sector development.

However, until the disruptions of the civil war end, only moderate success can be expected of policy reforms, private sector development, and the creation of a self-sufficient market economy. □

New Data Guide is First Step for Improved Analysis and Planning in Niger

In Niger, as in many developing countries, policy analysts often do not know if needed data exist. Furthermore, available data often lack methodological rigor or a useful format.

Through APAP II, USAID/ Niamey recently took steps to address this deficit, specifically in Niger's agricultural sector. The result, *The User's Guide to Agricultural Data in Niger* (in French only), is a list of data bases and categories of information available in the country, and represents a synthesis of sources, data parameters, and evaluation of reliability. Each data set and its source is evaluated for validity, and information regarding the frequency of collection, sampling methodology, and data formats is noted. The Guide, says USAID/ Niamey's Gregg Baker, is particularly innovative in its organization and easy cross-referencing system.

The Guide represents a fir step in improving the analytical basis for policy decision-making in Niger. However, as its authors Suha Satana and Salaou Istefanas note, there are many technical, organizational, and other problems associated with data collection in the country which require critical attention. □

APAP Bids Farewell to Acting Project Officer

Since January of this year, Francesca Nelson has been serving as the APAP II Acting Project Officer. Francesca will be replaced by David Schroeder who is joining R&D/AGR/EPP after a four-year assignment in Cairo, where he worked in the Agricultural Development Office. We look forward to welcoming David to the APAP team when he arrives in August.

Francesca is currently completing her Ph.D. in agricultural and development economics from the University of Oxford in England. She has written her dissertation on the impacts of international trade policies on LDC agricultural export revenues and domestic food security. We wish her the best in future endeavors and extend our sincere appreciation for her efforts on behalf of the Agricultural Policy Analysis Project.

Calendar

3-28 Aug.
Summer Course, "Agricultural & Natural Resource Policy Analysis"
Food Research Institute, Stanford University
Professor Carl H. Gotsch, Course Director
Food Research Institute, Stanford University
Stanford, CA 94305
Tel.: (415) 723-0693 fax: (415) 725-7007

2-7 Sept.
International Symposium on Rehabilitation of Tropical Rainforest Ecosystems: Research and Development Priorities
Sarawak, Malaysia
Abas bin Said, Centre of Applied Sciences, UPM Bintulu
Sarawak, Malaysia

26-27 Sept.
2nd Annual Meeting of the Canadian Resource and Environmental Economics Study Group / Groupe d'Etudes Canadien sur les Ressources et l'Environment
Université Laval, Ste.-Foy, Québec
Jean-Thomas Bernard, GREEN, Département d'économique
Université Laval, Ste.-Foy, Québec, G1K-7P4
Tel.: (418) 656-5123 fax: (418) 656-7412

22-23 Oct.
Public symposium, "Public Policy Issues and Commodity Promotion Programs," cosponsored by NEC-63, Research Committee on Commodity Promotion, and Farm Foundation
Rosslyn, VA
Walter J. Armbruster, Managing Director, Farm Foundation
1211 W. 22nd St., Oak Brook, IL 60521
Tel.: (708) 571-9393 fax: (708) 571-9580

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Please note: The article titled "APAP Rates Well in Review" which appeared in the Winter 1991 *Newsbriefs*, reported on the preliminary findings of the APAP mid-term evaluation team. The findings listed in the article were *only* preliminary and should not be construed as final.

APAP II
NEWSBRIEFS

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Customary Land Use Systems in Senegal and the Gambia Provide Guidance for Policy Makers

Traditional and social principles of property rights have greater influence on land-use behavior than interventions attempted by the modern state according to a study of rural landholding practices of people along the Gambia-Senegal border. A.I.D.'s Sahel/West Africa Office funded a study using an inductive approach to explore the viability of aligning national land policies with effective indigenous practices. The interest in the approach, which has not been used on this topic in the Gambia before, arises from an emerging consensus among natural resource experts regarding the inherent strengths of local systems. Research suggests that environmental strategies built on sound, widely respected local practices and institutions reduce enforcement costs and therefore better serve policy goals of sustainable agricultural development. This new study, which catalogues existing local systems that protect resource quality and enhance agricultural productivity, identifies the constructive features of indigenous systems that could be strengthened and joined to national policy initiatives.

The Western Sahel presents good case examples of national land policies based largely on outdated legal and economic models that ignore useful indigenous practices. The intent of national laws and systems has been to either replace or subordinate customary land rights systems, often with unintended consequences. Along with establishing reserves and passing forestry control laws, for example, governments have introduced individual and group titling schemes and imposed restrictions on rental and sharecropping arrangements. There have also been various attempts to settle nomadic people permanently. Many of these state interventions have adversely affected access, income, and nutritional intake.

"The Western Sahel presents good case examples of outdated legal and economic models that ignore useful indigenous practices."

Governments in the Sahel are currently considering new land legislation to address increasing population pressures, wider adoption of animal traction, and intensified cultivation of cash crops. Given a history of ineffective or powerless central government regulation of rural people's resource management, information is needed about the status and efficiency of customary land distribution and use systems. Planners need to know what kinds of property rules best accommodate rising and falling commercialization, and to identify the areas

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APAP II Technical Advisory Group Meeting Welcomes A.I.D. Bureau Representatives

The most recent meeting of the Technical Advisory Group (TAG) was held in Washington, D.C. on December 7, 1992. The meeting was marked by the important participation of A.I.D. Regional Bureau Representatives who offered valuable input concerning their needs and those of missions.

The TAG provides APAP II with substantive planning and oversight and is composed of senior and nationally recognized agricultural policy analysts. The meeting was chaired by Dr. Stephanie Y. Wilson, Managing Vice President, Abt Associates.

APAP II Project Officer David Schroder offered an enthusiastic welcome to all participants, stressing the need for direct and in-depth communication to improve project planning. Schroder, who became Project Officer in September, brings to the post eight years of experience in the Middle East and South Asia as an Agricultural Development Officer, mostly involved with policy reform programs.

The TAG meeting focused on two major items. The first was a review of the *Guidelines for Agricultural and Natural Resource Policy Analysis: Issues, Methods and Approaches*. The second was a review and discussion of the APAP II annual workplan.

Dr. James Beebe, chief of the Agricultural Policy and Planning Division R&D/AGR, addressed participants with a keynote speech entitled "Timely Responses to Changing Market Systems." With the increase worldwide of countries moving from centrally planned economies to market economies, Dr. Beebe noted that today—more than ever before—A.I.D.'s centrally funded projects must be accountable and responsive to the needs of USAID missions and regional bureaus.

Dr. Beebe's speech is reprinted in part here.

1. How does the market evaluate APAP?

The Research and Development Bureau has just finished a semi-annual portfolio review. The status of individual projects was discussed with the management of the Research and Development Bureau and with representatives from throughout the Agency.

It should come as no surprise that the comments about APAP II were very positive—and one of the main issues was the timing of the design of APAP III. The conclusion was that APAP is a project that USAID missions and regional bureaus have found useful—responsive to their needs—and that they want to ensure continued access to the services they have found useful. It was noted that there is a tradition that missions who have used the services of the project usually want additional services.

There is growing consensus that centrally funded projects should have support from at least two bureaus and from a minimum of five missions. APAP II takes pride in the fact that support, expresses as buy-ins, have come from three bureaus and over twenty USAID missions. The project has not been able to deliver the quantity of services wanted by the missions and regional bureaus. There are estimates that the project has been able to respond to less than half of the expressed demand—despite the increases in the level of funding for the project in 1991.

2. What about the formal evaluation?

The mid-term project evaluation report, completed last year and finalized in September, was very supportive of the project. It recorded the success of the project in responding to field missions and noted the responsiveness of the project in adjusting to changes in demand after the project was being implemented.

The evaluation identified two areas for improvement: (1) management of the delivery of services and (2) research. The issue of management was raised by the clients of the project—basically complaining that they needed quicker responses and could not afford management intensive procedures. The issue of research resulted from a comparison of the actual activities of the project compared to the activities anticipat-

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Short-Term Training in Agricultural and Natural Resource Policy Analysis

In response to requests for a listing of agricultural policy related training, APAP has compiled a listing of over fifty short courses. The directory includes training relevant to agricultural and natural resource development, agribusiness management, and data collection and analysis in developing countries. Courses address policy analysis and implementation, or pertain to technical, management and administration issues in agricultural policy related activities. The guide is divided in three sections. The first section presents course descriptions arranged by subject matter. The second section lists course titles by training institution. The third section provides the names of organizations that were contacted for information. This publication, *Short-Term Training Opportunities in Agricultural and Natural Resource Policy Analysis*, by Ms. Sheri Wildhagen, will be disseminated upon request.

Environmental Policies in the Dominican Republic Need Major Reform

Reduced farm yields in the Dominican Republic caused by rapid soil erosion could be avoided with better cultivation techniques and the development of a national water resource management plan. These are among the findings of a recent APAP II natural resource policy study led by Dr. Rubén Núñez, of Abt Associates.

The wide-ranging study, organized in the form of an inventory, provides an important overview of environmental policies in the Dominican Republic, focusing on four key areas: sustainable agriculture, water resource management, forestry, and wildlands and biodiversity. With input from a team of seven specialists, the inventory catalogues common problems in these areas and identifies major policies as well as agencies responsible for policy implementation. It also presents qualitative assessment of policy impacts and, most importantly, offers guidance for policy reform.

For example, policy reform for water resource management in the Dominican Republic must center on better delineation of institutional authority, according to the study. There must also be increased involvement of non-governmental organizations in water resource protection activities, more public education campaigns, and further studies to determine efficient water pricing.

Overall, the study found that many of the Dominican Republic's pressing environmental problems are closely linked to a lack of effective agricultural and natural resource policies and inadequate support within the country to develop improved cultivation practices. Without change, however, environmental problems will only multiply, with serious implications throughout the country.

Other policy-related resource problems identified as preeminent in the Dominican Republic are:

- siltation causing erratic supplies of water for drinking purposes and hydroelectric generation;
- destruction of coastal habitats due to tourism and urban development resulting in reduced fishery output and diminished water resources of recreational value;
- inadequate treatment of sewage and chemical effluents that deteriorate water quality; and
- a combination of poor reforestation incentives and heavy reliance on fuelwood for household cooking needs, resulting in a net depletion of forests.

"Pressing environmental problems are closely linked to a lack of effective natural resource policies and inadequate support within the country to develop improved cultivation practices."

These issues and others are discussed in the study's four focus areas, summarized below.

Sustainable Agriculture

Growing awareness of the importance of sustainable agriculture has not been evident in the Dominican Republic. Agricultural research is in disarray. What effective extension exists is provided mostly by private companies to larger farmers and by agribusinesses to contract farmers. Liberalization of the credit system has resulted in more credit flowing to non-agricultural end-uses. Cumbersome titling procedures and non-transferable titles for land reform beneficiaries

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Last Chance for Inclusion In APAP II Consultant Roster

Are you listed in the APAP II Consultant Roster Database? Over the next six weeks, the project will be finalizing entries in the roster and invites all *Newsbriefs* readers to submit their name for inclusion. Those wishing to be included will be sent a coding form to fill out, specifying their substantive, geographic, and language areas of expertise. Readers already listed in the roster are invited to take this opportunity to update their records.

The Consultant Roster Database is a menu-driven program developed to help A.I.D. bureaus and missions identify individuals with specific areas of expertise. The roster includes independent consultants as well as individuals associated with firms, research institutes, and universities. Over 400 specialists in all aspects of agricultural policy, sustainable agriculture, and economic development are currently listed.

The roster is contained in a user-friendly program that runs independently of any database software. With the help of menu prompts, the user first specifies an assignment's criteria, which can include any of the following categories: expertise in subject area, regional/country experience, degrees, language, and years of experience. Records can be added or updated as necessary. The roster will have limited distribution to the A.I.D. bureaus and missions requesting a copy.

Customary Land Use Systems in Senegal and the Gambia Provide Guidance for Policy Makers

Continued from page 1

of conflict and complementarity between national and local rules. Equity in land access and inheritance has much to do with indigenous patterns of inheritance and exchange as these are adapting to new conditions. In a drought-prone ecosystem with poor soils, and rural economics characterized by massive seasonal labor migration and unstable output markets, these adaptations are always linked to non-farm sources of livelihood in ways hard to predict.

Basing his analysis on participant observation, intensive interviewing, and official and archival records as well as a survey of published works, Dr. Parker Shipton of the Harvard Institute for International Development (HIID), has explored the social, cultural, political, and economic principles that underlie land access and control. By complementing existing broad-based surveys with a case study of a Gambian agropastoral village long familiar to him, and placing it in its wider context, he finds an indigenous system of land allocation whose adaptation is largely independent of national attempts at intervention. The central government is locally perceived as remote, he finds, and its land laws are not widely known or heeded in rural villages. How, then, is land really allocated and distributed?

Shipton begins by examining the indigenous social principles in which property rights are embedded. These include kinship groups and marriage alliances, communities with centralized yet not autocratic leadership, and active local work organizations based on age and gender. They also include social ranking based on settlement histories and on caste, principles which always influence land distribution, for better or worse. Shared contracting is important and widespread. Islamic law helps to regulate inheritance and exchange, but more to men's benefit than women's. Most of these varied principles, Shipton notes, have proven beyond the reach of government control, but a number of them in combination appear well adjusted for Sene-Gambian agropastoral settings, and flexible in their day-to-day workings under changing conditions.

"Planners need to identify areas of conflict and complementarity between national and local/ indigenous rules for land use."

Sahelian governments' attempts to regulate farmer-herder disputes, Shipton finds, have strongly favored farmers, and more attention to protecting grazing access routes is likely to help keep peace.

Illegal forest cutting has proven impossible for states to police. Important experiments to devolve authority for forest conservation to local communities have begun, with some promising early results in the Gambia. Individual land titling and mortgage systems, having widely failed elsewhere south of the Sahara, are likely to prove inappropriate and often counterproductive in the Gambia and Senegal.

Dr. Shipton's study will be disseminated in early 1993. Dr. Shipton is an economic anthropologist with experience in West and East African land rights and rural finance systems. □

Joint APAP II/Moroccan Team Studies Effects of Agricultural Process and State Expenditures on Incomes

In an attempt to evaluate how agricultural price policies and public expenditures affect household incomes in Morocco, a team of APAP II researchers has launched a multi-level study with findings due later this year.

The study, led by APAP development economist Dr. Mohamed Ben-Senia, places special emphasis on how agricultural price policies in Morocco affect poor households in rural areas. This study is particularly important in light of the fact that the World Bank—as part of its structural adjustment program—has made completion of the report a condition for further disbursements.

"The study will place special emphasis on how government policies affect poor households in rural areas."

Dr. Wallace Tyner, head of the Agricultural Economic Department tat Purdue University, will provide technical review and support for the study. Tyner will make several visits to Morocco and will work closely with Ben-Senia and a team of specialists drawn from both the public and private sectors in Morocco.

The study, which commenced late last year, has as its preliminary goal the examination of three major questions:

1. How do agricultural prices—influenced by the state—*directly* affect the incomes of urban and rural households?

2. How do prices *indirectly*

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Environmental Policies in the Dominican Republic Need Major Reform

Continued from page 3

further inhibit rural land and credit markets. The adoption of new production techniques is impeded by a lack of technical knowledge and credit, and inappropriate cultivation practices persist. The combination of readily available pesticides, unenforced regulations, and ineffective quarantine measures has contributed to high rates of improper pesticide use. Ineffective policies have also resulted in limited use of hillside agroforestry and integrated pest management as well as skewed land distribution patterns, the absence of land use restrictions, and soil fertility loss due to erosion.

Specific economic policies which affect the sustainability of agricultural production have included foreign exchange policies, trade restrictions, patterns of public spending, taxes, input subsidies, and research and extension. Changes in macroeconomic policies, namely in the exchange rate and trade liberalization, have increased the real incomes of agricultural exporters, but current infrastructure investment does not include natural resource management, the new tax is environmentally counterproductive, and fiscal austerity has reduced expenditures in social and environmental areas, hindering education and enforcement efforts.

Water Resource Management

Institutional paralysis is cited as the main reason for weak performance in water resource management. Institutions with overlapping jurisdictions are poorly coordinated and crippled by limited enforcement capabilities due to scarce budgetary and human resources. The value of coastal resources, for example, is better recognized thanks to various decrees on fisheries, mangrove protection, and shoreline construction, but several appointed commissions remain inactive and research shows that prohibition of construction within 60 meters of the shoreline is not widely enforced. A second major policy impediment is the underpricing of water both for irrigation and human domestic uses. Charges for irrigation water are based on area while charges for domestic water are on a fixed monthly basis per household connection. In the absence of volumetric pricing, there is little incentive to conserve and use water efficiently.

Forestry

In the last 35 years, there has been a marked decline in total area forested even though sixty percent of the population is now urban based. The main causes of deforestation have been policies and traditional practices that allow slash and burn agriculture, the harvesting of lumber for the local furniture industry, and the harvesting of fuelwood. Private reforestation efforts are impeded by the reliance of roughly two-thirds of the Dominican population on charcoal and firewood for energy needs, the lack of readily available energy substitutes, and negative reforesting incentives due to public control of resource use through extensive use of permit systems.

"Without change, environmental problems will only multiply, with serious implications throughout the country."

Wildlands and Biodiversity

The main constraint to preservation of wildlands and biodiversity has been a tardy conservation policy regime. The wildlands base is extremely small and widely dispersed in "pocket" enclaves. At present, eighty-nine species have been identified as threatened, and despite extensive hunting, fishing, and poaching laws, sale and export of endangered species continues unimpeded. Traditional wildlife management practices have emphasized protection and ignored the economic needs of neighboring communities, and there is no fundamental understanding of the value of ecotourism or the habitats and optimal size of reserve areas for forming sustainable ecosystems.

Recommendations

Efforts to improve agricultural policies must begin with a comprehensive agricultural policy review. New policy initiatives should focus on sound agricultural investments, including community conservation programs and more active private sector participation in the dissemination of integrated pest management technologies.

Forestry policies can be improved by clarifying resource ownership rights to enhance incentives for prudent, long-term management and investment, reviewing timber concessions, bolstering environmental education programs in primary and secondary schools, and strengthening forestry research and management capabilities, especially in native species.

New policies for wildlands a biodiversity must be developed, based on detailed scientific inventories of flora and fauna in critical areas of the country. Likewise, studies of the economic and social value of specific wildlife species are necessary, as well as the promotion of better coordination among the four agencies with jurisdictional authority in wildlife areas. Finally, expansion of two national park areas is needed, and the development of integrated management plans that will financially benefit both neighbors of protected areas and the implementing agency. □

"What's New..."
APAP II Activities in Progress

Dr. Gary Ender of Abt Associates is leading an effort to revise and expand a set of guidelines for agricultural and natural resource policy analysis. The manual, titled *Guidelines for Agricultural and Natural Resource Policy Analysis: Issues, Methods and Approaches* intended for USAID Agricultural Development Officers (ADOs), is designed to serve as a handy reference guide. The publication delineates the major issues and strategies for conducting policy reform and sectoral structural adjustment. A survey is presented of the range of commonly used analytical methods, from descriptive inventories to data intensive, mathematically rigorous computable general equilibrium models. The report then demonstrates how these issues and methodologies have been used to shape USAID country/sector strategies, design policy analysis capacity-building projects, and elaborate on consistent lending programs aimed at facilitating policy reform. The guidelines are currently being reviewed by a group of A.I.D. representatives, academics, and practitioners and will be ready for dissemination in early 1993.

A.I.D.'s Africa Bureau will sponsor a conference for African analysts and policy makers this summer. The focus of the conference will be the **Agricultural Transformation of Africa** and will feature several prominent U.S. speakers and over 20 distinguished African scholars, government officials, and representatives from non-governmental organizations. The goal of the conference is to contribute to an improved general dialogue on agricultural policy reform and implementation. APAP's Richard Goldman of HIID, and David Gordon and Patricia Kristjanson of Abt are working closely with AFR/ARTS/FARA's Dwight A. Smith and George Gardner to plan the workshop.

Concern over the diminishing allocation of resources to agricultural and agribusiness development has prompted A.I.D.'s Near East Bureau to contract Abt Associates to assess the contribution of agribusiness to Gross Domestic Product (GDP) for a set of North African and Middle Eastern countries. Headed by Dr. Mark Newman and supported by Dr. Ismaël Ouédraogo and Ms. Rosemary Hyson, the study will describe and analyze the agribusiness activities in each sector of the seven countries' economies over the past ten years. It will also develop a set of baseline performance indicators that missions in the region can use to monitor the impact of assorted agribusiness and export promotion projects. The study will be completed in March 1993.

Since June 1989, when the Cristiani government assumed power, El Salvador has experienced significant political and economic change. From September of 1989 to early 1991, the government of El Salvador implemented a wide-ranging set of reforms resulting in exchange rate, trade, and financial liberalization and fiscal deficit reduction. In January of 1992, the twelve-year civil war ended and a structured process of demobilization and reconciliation began. The recent macroeconomic reforms aimed at reviving economic growth in general have had a favorable impact on the agricultural sector's performance. Nevertheless, many constraints on increased agricultural investment and growth remain. An APAP team is assisting USAID/San Salvador to conduct an in-depth assessment of four key areas: agricultural credit, land tenure, debt overhang, and trade and investment. The studies will describe the current state of affairs, identify obstacles to further investment and growth, and offer recommendations for removing the obstacles. The findings will serve as a basis for elaborating policy conditions for 1994 Economic Support Fund lending as well as for the design of an agricultural sector modernization program. Work on the studies started in November 1992 and will be completed by September 1993 under the leadership of Dr. Don Jackson.

The Near East (NE) Bureau, focusing on the development and expansion of agribusinesses, realizes that much of the sector's growth in individual countries will come primarily from exports to the European market. With significant integration of the European Common (EC) Market expected at the end of the year, the Bureau believes that a study assessing agribusiness export potential in the changed policy environment is necessary to provide guidance for sectoral lending programs. Abt staff contracted to undertake the study include Dr. Mark Newman, Mr. Wayne Batwin, Ms. Maiko Chambers, and Ms. Christine

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"What's New..."

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Erbacher. They are charged with developing a trade and price database for leading North African and Middle Eastern products destined for the EC. They will also survey EC trade restrictions, regulatory standards, and packaging and marketing issues. Through data analysis and interviews with importers in the EC, exporters in NE countries, and trade officials in both, the final report will identify the key issues likely to determine agribusiness market access and trade flows, the comparative advantage of alternative supplier countries, and potential transportation obstacles. The study will be completed by June 1993.

In the last ten years, A.I.D.'s Africa Bureau has expended significant resources in policy-oriented development assistance. Difficulties, however, have been experienced in policy reform implementation and in long-term adherence to the reform program. Beyond rational economic reasoning, analyses suggest that the effective incorporation of political and socio-cultural factors in the design and implementation of sector reform assistance projects is critical to success. To better understand the economic, political, and socio-cultural factors necessary for implementation success, and to develop some project design guidelines for Agricultural Development Officers and host government officials, the Africa Bureau is funding an innovative APAP study. The study will consist of a detailed survey of the literature and numerous interviews with principal actors involved formulating and implementing agricultural policy reform projects in Africa. Eight case studies will be conducted: four desktop studies in the U.S. and four field studies in selected African countries. Based on the findings, patterns discerned and lessons learned will be synthesized and published in journal article format as well as incorporated into a manual for practitioners and shared through workshops. The study, under the leadership of Dr. David Gordon, Abt, started in October 1992 and will be completed by September 1993.

In Jordan, the donor community, in supporting structural adjustment efforts, has identified the lack of a consistent set of sustainable agricultural policies as a major impediment to agricultural growth. USAID/Amman is providing the Government of Jordan with an APAP technical assistance team to conduct a review of existing sectoral policies in five areas: rainfed agriculture in the highlands, irrigated agriculture, livestock production in mixed farming systems, livestock production in the steppes, and forestry. Review and planning groups, composed of senior level Jordanian and American consultants, have been formed for each subsector. They have been charged with inventorying and describing the policies affecting each area of study, assessing the subsectors' influence on the regional and national economy, noting the likely consequences of structural adjustment reforms, developing subsector policy objectives and strategies, and identifying potential institutional constraints on effective implementation. Over the next nine months, the consultants will complete these studies and disseminate their findings through workshops and meetings with government officials, the university community, and high-level policymakers. □

Joint APAP II/Moroccan Team Studies Effects of Agricultural Process and State Expenditures on Incomes

Continued from page 4

affect urban and rural wages?; and

3. In rural areas, what is the impact on incomes brought on by public expenditures for economic services, including economic infrastructure and agricultural services?

The study, again, will pay particular attention to Morocco's poorer population. The scope of Work outlines three principal ways agricultural prices and public expenditures tend to affect the incomes of the poor.

First, changes in prices affect household terms of trade. They modify the link between prices of goods and services purchased (namely foodstuffs) and sold (wages and, for farmers, agricultural commodities).

Second, changes in prices have an impact on employment and product markets. A rise in food prices, might, for example, entail a rise in productivity and labor demand; an increase in fertilizer prices might change producers' plans regarding production, use of technologies or harvesting and might also affect the demand for labor; and urban wages might be directly affected by changes in prices.

Third, expenditures on rural economic services might raise agricultural profitability which indirectly affects rural labor demand and non-agricultural activities.

The findings of this APAP II study will be delivered at a workshop scheduled in September, 1993. □

Excerpts from Dr. James Beebe's Speech...

Continued from page 2

ed in the design. The issue of research was raised by the evaluators.

It is important to note that the evaluation report was done under contract with an outside organization. The Agency gets input needed for the completion of a short official evaluation. The official evaluation is reported on a form called the Project Evaluation Summary (PES I) and includes a place where all the participants in the project can reach agreement on the results of the evaluation and implications of the evaluation for implementation of the project. The Project Evaluation Summary is prepared by the Project Officer and should be ready by the end of January.

3. What are the "research" issues?

Even individuals, who sometimes argue against research, will usually admit that they recognize the value of some specific "research" activities. There is general agreement that A.I.D. must do a better job of learning from experience, that there is a need for syntheses of experience, dissemination of results, and getting the results of other countries to the attention of decision makers who can use the information in their countries. Both USAID mission personnel and senior government officials have commented on the need for timely answers to their questions and not additional academic research.

"Responsiveness to the market is what has made this project so successful."

4. What are some of the implications of these issues for the remainder of APAP II and the design of APAP III?

It is extremely important to listen to the clients, and to provide what the USAID missions want and not what we may believe they need. USAID missions and regional bureaus want answers to their problems and this provides an opportunity for the project to market its expertise in providing answers. In many cases it should be possible to show missions that completion of ongoing "research" activities can help address their problems. If missions cannot be convinced of the relevance of activities, the activities probably should not be funded under the project, regardless of their intrinsic value.

Conclusions, trends, and cautions

APAP has been a very successful project. Responsiveness to the market—providing what missions and bureaus wanted even when that was not exactly consistent with the project design—is what has made the project so successful. Even in this area, however, there is room for improvement. Involvement of the regional bureaus in the review of annual work plans is one aspect of improving the responsiveness of the project. Seeking input from the bureaus and missions on priorities for research for the last year of the project is another. We are also working on ways of improving the management of the project and are convinced we can do a better job. We are also exploring alternatives for APAP III that could significantly improve management.

The trend for centrally funded projects is going to be increased attention to the delivery of services to the USAID missions. Projects that can deliver unique services that go beyond services that can be contracted directly by USAID missions will receive support. In my opinion, and that of many of my colleagues, projects that can not deliver such services should not be funded.

Nothing I have said should be misinterpreted as calling for fundamental changes in the project. No one is suggesting less focus on research during the last year than has been planned.

The market in which activity exists is as dynamic as markets anywhere. It is our joint responsibility to ensure that the project continues to be flexible in responding to the needs of its clients. □

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Agribusiness Estimated in Jordan to Improve Policy Decisions

As in many countries, the total contribution of agriculture to Jordan's national economy has been significantly underestimated in the past due to a failure to measure "agribusiness," or the combination of agriculture *and* agriculture-induced activities. As a result, crucial policy decisions continue to be based on traditional sectoral analysis, which does not take into account the interdependency between agriculture and other activities, and thus fails to capture key aspects of modern economic growth.

These are part of the findings of an APAP II study conducted by Dr. Ismaël Ouédraogo and Ms. Rosemary Hyson. The APAP researchers measured the contribution of agribusiness to GDP and employment in Jordan as part of an agricultural sector assessment and implementation plan for USAID/Amman.

The team found that using traditional measures—i.e. examining the share of the agricultural sector of gross domestic product (GDP)—agriculture comprised only 6 percent of Jordan's national income in the period 1987-91. In contrast, when

Traditional agricultural sectoral analysis fails to capture key aspects of modern economic growth.

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Successful APAP Efforts Extended for Ten Years

by David Schroder, Project Officer

Following successes in phases I and II, the R&D Bureau of USAID has recently approved a ten-year follow-on to the Agricultural Policy Analysis Project (APAP), which serves missions worldwide. The follow-on is scheduled to begin October 1, 1993 and will take the form of two five-year phases.

APAP's 10th year and second five-year phase will be completed on September 30, 1993. APAP began in 1984 with the purpose of helping field missions and LDC decision-makers gain more knowledge and understanding of the political issues and constraints affecting agriculture and rural development. The first phase was quite successful in providing technical service to more than 25 missions. The second phase, APAP II, was equally successful; it was fully subscribed by the end of its second year. APAP II has produced more than 90 technical and research publications related to agricultural policy issues.

The focus of the follow-on project, APAP Phase III (or APAP III), is to facilitate the ability of missions in assisting host country decision-makers in identifying policy issues

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Food Aid's Contribution to Reversing Land Degradation Is Mixed At Best

Food Aid programs designed to improve land conservation measures in Niger are not, as previously feared, contributing to the destructive expansion of agriculture onto marginal lands in the country's northern region. This is the finding of an APAP II team of specialists investigating whether food aid, including Food-for-Work (FFW) programs, actually encourages people to migrate to—or increases exploitation of—marginal lands, thereby exacerbating ecological degradation and social disintegration.

The study, commissioned by USAID/Niamey and conducted by Mr. Tom Catterson, Ms. Sarah Gavian, and Dr. Wendy Wilson, found that food aid in Niger, whether for relief or FFW, is relatively small in quantity and irregular in distribution. It does not, therefore, play a signficant causal role in the expansion of agriculture onto marginal and environmentally vulnerable lands along the northern limits of Niger's rainfed agricultural territory. This northward expansion is of growing concern to policy makers, donors, and environmentalists. A combination of factors such as rising demographic pressure, lack of off-farm opportunities, Government of Niger/donor policies and programs, development of infrastructure, and the gradual decrease in rainfall are more critical than food aid in creating this situation, the study found.

Provided mainly by the World Food Program (WFP), FFW is used in many parts of Niger, although more than 70 percent is targeted to two regions, Tahoua and Tillabery. It provides food to individuals or communities in exchange for labor on soil and water conservation and tree planting projects aimed at natural resources management and rehabilitation.

While the APAP II study found no macro-scale negative contribution of food aid or FFW to land degradation, it did find that FFW programs—where presently applied—tend to be seriously flawed both in day-to-day implementation and overall conception. This greatly compromises their contribution to development in Niger, and represents a source of concern for USAID/Niamey.

For the most part, the complexities of food aid as a development tool are poorly understood throughout Niger, and the true costs are unknown. So far there have been virtually no cost-benefit analyses of FFW interventions at the operational level, despite the fact that these rehabilitation efforts may be among the most intensive land conservation prescriptions in the country. The study estimated costs to average well over $1000 per hectare, spent on relatively unproductive land, raising questions about the local ability to sustain such investment and maintain existing projects or technologies when food aid is withdrawn. Furthermore, although millions of dollars of food aid have been spent on land rehabilitation and treatment of thousands of degraded hectares, virtually no accompanying effort has been made to improve and coordinate the land-use practices of agriculturalists and pastoralists and build in solutions that will avoid degradation in the future. Can Niger afford to invest large sums on highly degraded lands for inherently low resource benefits?

On the policy side, FFW projects appear to contradict national goals that call specifically for the promotion of popular participation and disengagement of the state as the prime actor in sponsoring and funding rural development. As with earlier efforts at participatory forestry, FFW efforts towards sustainable resource management are troubled by a perception that treated areas become the property and responsibility of the state. The Government of Niger and donors also seem to have made a policy decision to concentrate on investment of food aid on lower potential, abandoned "common" land, which reinforces this perception and does little to counteract the degradation in fields and farms throughout the country.

FFW natural resource management activities are also setting unfortunate precedents that may prove difficult to reverse. Soil and water conservation is increasingly equated with FFW and employment opportunities, often at levels unsustainable if dependent on government resources. Especially critical is the perception among participants that the arduous work they are undertaking is paid at less than appropriate wages, and that a constrained labor supply is being used (i.e., chiefs are mandating participation). Women and children are a primary labor source, particularly in exodus seasons, with ill effects on the juggling of household responsibilities, other income generating activities, and school attendance. Lacking time and energy to undertake other income generating activities, the dependence on food aid increases and a cycle is created. Finally, the uncertain duration of food aid programs induces insecurity and an "emergency" state of mind rather than one of planning and creating one's own future through increased food production and other activities.

This study concludes with a discussion of two key issues:

- The need for better coordination among FFW projects, natural resource management, and rehabilitation efforts, and
- The importance of more rigorous and critical examination of the full costs and benefits of FFW programs, which are, understandably, rarely considered controversial since they feed people and ostensibly "green" the country.

International Conference on African Agriculture Finds Progress and Continuing Challenges

The transformation of African agriculture is likely to be a long-term process, according to participants of a recent APAP sponsored symposium on African agriculture held in Zimbabwe. Progress in agriculture has so far been slow on the continent, and given recent trends in agricultural investment, it will take at least another decade to achieve appreciable levels of transformation in many African nations.

In collaboration with the AID/AFR/ARTS/FARA and AID/R&D/AGR, APAP II organized the Symposium on the Agricultural Transformation in Africa. Held in Harare June 1-3, 1993, the symposium provided an opportunity for twenty-six distinguished African analysts and decisionmakers from twelve countries, along with seven American colleagues, to discuss a range of issues on agricultural development in Africa.

USAID/Zimbabwe Director Ted D. Morse opened the conference by issuing participants the challenge of moving beyond truisms and generalizations, urging that it was the participants' responsibility to identify concrete steps for advancing African agricultural development.

"Agricultural transformation," which provided an analytical framework for the conference, refers to the broad historical process through which the agricultural sector apparently declines in importance relative to other sectors as an economy develops and at the same time undergoes a rapid and sustained increase in productivity. Participants gathered to assess whether or not agricultural transformation is occurring in Africa. Key issues included agriculture's linkages to the non-farm economy, technical change, and agricultural policy (including pricing and marketing policies, non-price constraints on agribusiness, and export crop issues). Participants discussed these subjects in plenary sessions and in a series of "break-out groups." All break-out groups and plenary sessions, with the exception of the opening session, were chaired by African participants.

In addition to these group discussions, one plenary session was devoted to presentations by conference organizer Richard Goldman, of HIID, and Steven Block, of Abt Associates Inc., on a general overview of agriculture's economic context and agricultural productivity in Africa.

Participants in the symposium agreed that adequate agricultural technology was a serious constraint to agricultural transformation in Africa, although some agro-ecological regions are better off than others in that regard. In addition, new technologies appear promising, though participants also identified various institutional barriers to getting these technologies onto farmers' fields.

In the short run, it was recognized that agricultural growth in Africa has accelerated in recent years, owing in part to marketing reforms that have contributed to improved farm-level incentives and greater economic efficiency in general. In the participants' view, further improvements will require substantial institutional changes to improve contract enforcement, market regulation, and access to capital.

Participants also agreed that the border price reforms component of structural adjustment programs have been effective in general, though the actual impact on agricultural growth has varied across the continent. Actual farm prices are also affected by public expenditure patterns and their impact on marketing costs, the degree of internal market reforms, and the privatization of parastatal agribusinesses. More generally, the participants concluded that the dynamics and role of food prices relative to other agricultural and non-agricultural prices are critical dimensions of agricultural adjustment and transformation.

Finally, participants voiced their concern that the discipline, sacrifice, and economic reorganization required for successful structural adjustment may not be compatible with rapid democratic reform, yet the accountability and equity required for successful adjustment may be difficult to promote under non-democratic regimes.

Proceedings of these spirited and collegial conference discussions will be available this fall through AID/R&D/AGR/APP, c/o David Schroder, Room 403, SA-18, Washington, DC 20523-1809. □

In Conclusion...

As APAP completes the fifth and final year of its second phase, the staff and contributors to **Newsbriefs** hope that you have found its articles, technical notes, and announcements useful and informative. You may be interested to know that **Newsbriefs** has attained a circulation of more than 1,800 readers in 47 countries, and that more than 1,000 requests were received for reports and documents generated by APAP II. Several people made special contributions to **Newsbriefs** over the years, both in Washington and in the field, and we would like to acknowledge their support. We would especially like to single out a handful of unique individuals whose efforts were truly noteworthy.

Newsbriefs would never

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Near East Countries Face New Opportunities, Challenges in European Market

APAP II researchers, joining forces with A.I.D., are working to turn opportunity into success for four Near East (NE) countries hoping to profit from recent changes in the European marketplace.

The opening steps taken last January to integrate European countries into the European Single Market now present enormous export opportunities for the NE countries of Egypt, Jordan, Morocco and Tunisia. Phased out barriers to the flow of goods and services among the 12 member countries of the European Community (EC) will offer openings for a wide range of NE products. Yet great challenges remain for the NE countries, ranging from complex EC regulatory requirements to lingering import tariffs for agricultural products.

Responding to these new opportunities and challenges, A.I.D. is planning a number of activities to develop agribusiness exports from the NE countries to the EC. APAP II, under a buy-in from the A.I.D. Near East Bureau, has already assisted in these efforts by conducting research to help NE countries better understand, among other things, the regulatory requirements and market implications of the new Single Market.

Exports from the NE countries to the EC currently total $1.5 billion, but constitute only 2.5% of total EC imports. In trying to expand into EC markets, NE countries will be faced with general changes in EC policy directions, as well as challenges within the EC's Common Agricultural Policy (CAP), which provides protection to European producers through import tariffs, seasonal reference price floors, import quotas, bans, and production and export subsidies. Relief from these controls, however, could be provided by the General Agreement on Tariffs and Trade (GATT), which may loosen some of the these CAP restrictions, opening the market to more NE exports.

The APAP II research, conducted by Dr. Mark Newman, Mr. Richard Abbott, Ms. Clare Stephens, and Mr. Bill Haines, of Abt Associates Inc., will help NE countries gain better access to the 350 million consumers throughout the EC and probable access to former Eastern Bloc consumers and members of the European Free Trade Agreement. The APAP II research addresses the general EC enlargement, as well as Association Agreements with the former Eastern Bloc countries on exports of fresh fruits and vegetables, processed foods, seafood products, cut flowers and other miscellaneous products.

Research finding include the following:

Market Entry: From their locations on the Mediterranean, NE exporters can be extremely competitive if they can provide consistent supplies of quality products that respond to the needs of customers in individual countries and regional markets across Europe, which to date has been problematic. In turn, this will generate income and employment opportunities within NE countries, adding demand for locally produced and imported products and services. Through market entry into any EC country, the Single Market program has already eased access to the entire European Community.

Market Standards: While cross-border transportation barriers have come down, other EC market barriers still provide a challenge to the NE countries. These barriers include product standards and health, safety, labelling and packaging requirements, all of which will gradually be made consistent across the EC countries. Harmonization of standards and regulations will be an ongoing process, and keeping abreast of changes will be necessary.

Distribution Systems: Changes in EC distribution systems will result in increased access to broader European markets. To assure the consistent quality and development of products and to protect the image of suppliers in individual exporting countries, valuable partnerships should be developed through local trade associations, permitting small, medium and large suppliers to be more competitive.

Joint ventures: Forming partnerships with international businesses provides a way for NE exporters to tap into critical technology, management, processing, and marketing know-how. Interestingly, in many cases, joint ventures between U.S. and NE export firms actually enhance the competitiveness of U.S. exporters in EC markets by extending product lines and optimizing market segmentation.

Implications for USAID: In order to promote agribusiness, trade and investment of NE countries, USAID should consider the following activities: monitoring Single Market developments; providing technical assistance for specific products and markets with regard to meeting EC standards and requirements; identifying new niche markets, including seasonal niches; identifying partners interested in European markets; supporting trade associations; and supporting public policy reform and infrastructure development.

In sum, changes in the EC market present enormous opportunities for the NE. However, both USAID and exporters from the NE countries must continue to monitor the overall dynamics of the situation, paying attention to unique trade requirements and regulations within the Single Market. Export practices must then be adjusted accordingly. Technical assistance can be valuable in production, processing,

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New Video Provides Advice on Agribusiness

With an eye on the potential success of agribusiness in developing countries around the world, APAP II has just produced a valuable new video for Missions considering assistance in this area.

In recent years, more and more Missions have realized the importance of agribusiness. In many countries agribusiness has already generated substantial income and employment, even when agricultural production is declining as a share of national income. But for Missions wishing to get involved, what are some of the key issues to be aware of in this new policy area? How does one get a handle on the policy environment as it affects agribusiness? Should Missions devote scarce resources to the development of agribusiness? APAP II answers these and other important questions in its new video scheduled for dissemination this September.

James Beebe of R&D/AGR/APP introduces the video with some remarks on the importance of agribusiness to A.I.D. The first full segment of the video then offers a discussion of agribusiness' contribution to employment and income. Standard statistics tend to show that in developing countries the agricultural sector is declining relative to the industrial and service sectors. Dr. Ismaël Ouédraogo points out that the concept of agribusiness, which spans the three traditional sectors, is a more meaningful way to examine the progress of agriculture-based economic activities. Using this broader definition of agriculture—what one might call "the food and fiber system"—one generally finds growth even as agriculture by itself, as traditionally measured, shows decline. Thus agribusiness may have an especially important role to play in the economic development of a country.

One of the upshots of this kind of analysis is that the allocation of resources to agribusiness can be more solidly justified. An APAP II study on the Near East region found that the agribusiness sector plays a significant role in these countries' economies. Missions in other countries have already expressed interest in conducting similar studies.

For missions setting out to work in the area of agribusiness development, the policy arena may be quite confusing, given the complex macroeconomic and agricultural policies that affect the food and fiber system. The agribusiness policy inventory developed under APAP II is an analytical tool that can be used to shed light on this environment and contribute to more effective projects and policy reform programs.

In the video, Dr. Gary Ender discusses the reasons for using an agribusiness policy inventory. He outlines the basic components of such an inventory and outlines the questions the inventory can answer. Dr. Ender explains how the systematic approach of the inventory can reveal how a government, while hoping to increase exports, may actually implement conflicting and inconsistent policies. For example, the government may give income tax-based incentives to the horticultural sector, while at the same time it maintains an overvalued exchange rate, which depresses exports. The central features of an agribusiness policy inventory are an organized listing and analysis of policies that affect the agribusiness sector. A summary of these policies is usually presented as a matrix table accompanied by a narrative. An inventory provides a preliminary assessment of policy impacts and specifies policy alternatives.

The agribusiness policy inventory and the determination of agribusiness' contribution to national income and employment are two useful tools Missions may want to employ before designing an agribusiness project or a policy reform program.

Turning to results of specific policy analyses, the video continues with Dr. Mark Newman's presentation summarizing an APAP II study on the European Community (EC) single market and its impact on countries in the Near East. For several of these countries, the EC is a major export market. Although the EC began its transition to a single market on January 1, 1993, harmonization of policies across countries is a difficult task, and most regulations are still being worked out. The entrance of new countries into the EC will also have implications for those outside the EC. Newman advises exporters outside the EC—and those in USAID interested in promoting agricultural exports to the EC—to stay current on these changes and to become aware of the particular aspects of agribusiness involved, like packaging, quality standards, and transportation.

The final segment of the video covers lessons learned in promoting agribusiness and the appropriate roles of the public and private sector. With governments in developing countries intervening heavily in agricultural markets, donors have often initiated policy dialogues aimed at reducing the direct involvement of the government in such markets. The final speakers, Tim Mooney and Dr. John Holtzman, point out that there are still many useful roles for the government, including construction and maintenance of transport and communications infrastructure, education, agricultural research, and specific services such as establishing and maintaining commodity grades and standards. One success story reviewed is Chile, where the government and the private sector collaborated over a long period and made Chile a top exporter of horticultural products.

All missions are scheduled to receive the video after its September release. □

Agribusiness Estimated in Jordan to Improve Policy Decisions

Continued from page 1

activities are regrouped as the agribusiness sector, the share increases more than *fourfold*. Non-agribusiness services, meanwhile, remain dominant overall, accounting for more than half of GDP under both categorizations. But in the industrial sector, the share of non-agribusiness industry is only 17 percent of national income, compared to the traditionally reported 30, which includes agribusiness.

In conducting their study, the APAP researchers used an innovative method which was developed under a related assignment for A.I.D's Near East Bureau. Commonly, analysts rely on input-output (I/O) models in their attempts to measure the size of agribusiness (or the food and fiber system) even though these models require considerable expense, expertise, and time. In fact, the I/O tables are often out of date by the time they are completed. An alternative to I/O analysis is to disaggregate activities in the national accounts and estimate the share of agribusiness in these activities. Using this method, the APAP II study examined available data from Jordan's Department of Statistics, the Ministry of Agriculture, and information gathered from interviews with agribusiness operators to estimate these shares.

In setting priorities for development and growth, it is important to examine the relationships between sectors contributing to national income and their implications for employment. Among other things, the study found that agribusiness represents proportionately less of non-agricultural employment than of non-agricultural national income. However, the authors could not make a full comparison of the total contribution of agribusiness to national income and employment in Jordan because adequate data on agricultural employment were not available.

Agribusiness contributed the largest share to economic growth in Jordan.

In measuring relative contributions to GDP growth, an assessment of traditional sectors from 1987 to 1991 in Jordan shows agriculture providing the smallest contribution to growth. Conversely, using its broader measurements, the APAP study shows that the agribusiness sector actually contributed the *largest* share to economic growth over the same period.

Finally, the contribution of domestic production was examined in key agroindustry activities, such as food processing, to the extent such data were available. Increasing the domestic content of agribusiness, however, will add value to the economy only if the added domestic production reflects the country's comparative advantage.

Overall, the study findings indicate that agribusiness plays an important role in the economy of Jordan. Its share of national income is much greater than the traditional sectoral share of agriculture would suggest, and its contribution to the growth of the economy over 1987-91 was the largest of all sectors. Policy decisionmakers in Jordan should take these measures into account instead of basing their decisions solely on traditional sectoral shares which underestimate the total importance of the agricultural sector in the economy. The study also reinforces the notion that the linkages between agriculture and related industry and service sector activities stimulate national income and economic growth. These findings are consistent with APAP's previous measurement of the contribution of agribusiness to national income and employment in countries of Northern Africa and the Near East for A.I.D's Near East Bureau.

Contribution to Jordan's National Income and Economic Growth of Traditional Sectors, 1987-1991 Averages

Measures	Agriculture	Industry	Services	GDP
Share	6.4%	30.4%	63.2%	100.0%
Growth Rate	12.5%	8.4%	6.0%	----
Weighted Growth Rate	0.8%	2.5%	3.8%	7.1%P
Contribution to GDP's Growth	11.2%	35.6%	53.2%	100.0%

Contribution to Jordan's National Income and Economic Growth of Agribusiness and Other Sectors, 1987-1991 Averages

Measures	Agribusiness	Non-Agribusiness Industry	Non-Agribusiness Services	GDP
Share	29.0%	17.1%	54.0%	100.0%
Growth Rate	14.3%	0.8%	5.4%	----
Weighted Growth Rate	4.1%	0.1%	2.9%	7.2%
Contribution to GDP's Growth	57.8%	1.8%	40.4%	100.0%

AGRICULTURAL POLICY ANALYSIS PROJECT • PHASE II

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* **French translation also available.**

** **Spanish translation also available.**

*** **Spanish translation only.**

**** **French translation only.**

Technical reports, collaborative research, and methodologies produced under APAP II can be obtained from two sources: The Document and Information Handling Facility (DIHF) or R&D/AGR/APP, c/o Dr. David Schroder, Room 403, SA-18, Washington, DC 20523-1809. In all cases, A.I.D. personnel receive publications free of charge.

Successful APAP Efforts Extended for Ten Years

Continued from page 1

and resolving problems concerning agricultural policy. Priority policy issues include improving market organization and performance; equity issues, including policy impacts on incomes and living standards of the rural and urban poor; and agricultural and environmental sustainability.

At its inception, APAP's original focus was to respond to the fact that the policy environment in many developing countries contained—and negatively affected—the natural resource base. Before governments could implement agricultural reforms, it was necessary to develop focused policy analyses to help policy decision-makers better understand policy alternatives and impacts. Project experience has demonstrated that a sound policy environment is critical for the effective functioning of markets. Efficient markets are critical for increased agricultural productivity and the commercialization of agriculture which will, in turn, increase rural incomes and improve living standards.

The goal of APAP III is to create an economic environment in host countries characterized by efficient agricultural markets, sustained economic growth in the agricultural sector, and increased employment opportunities. The project goal will be realized when governments adopt policy reforms supporting the sustainability of growth in the agricultural sector and promote investments resulting in the expansion of agribusiness.

The project's development impact will be through the interaction of USAID missions with host-country decision-makers. APAP III will facilitate this effort by making technical support services available to the missions. The project purpose is based on the assumption that USAID missions and host countries can benefit from participation in a centrally funded project that can assemble a wide array of high-quality expertise to which individual, country-specific projects or programs might not otherwise have access.

The four components that worked well together in APAP II have been carried forward to APAP III, with modifications to reflect changes in conditions. The components are: 1) technical assistance for policy analysis; 2) comparative policy analysis and synthesis research; 3) training, guidelines and methods development; and 4) information dissemination. Mission buy-ins and needs will guide the research focus for comparative country analysis and synthesis of lessons learned.

The APAP III design was based on: 1) almost ten years of project implementation experience; 2) the mid-term external evaluation of APAP II; 3) the stated needs of USAID field missions as revealed in direct queries; 4) changes in the global economic and political situation (including the move toward market economies of former centrally-planned countries; and 5) the recognition on the part of some countries that new challenges and assistance needs arise even as basic policy policy reforms begin to make progress in improving the efficiency of those countries' markets.

Bureaus, regional offices, and missions can obtain technical assistance or training services through buy-ins. Requests should be addressed to David Schroder, Project Officer, APAP III, Room 403, SA-18, Washington, DC 20523-1809, or FAX 703-875-4384, or cable R&D/AGR/APP, Attention David Schroder. □

New APAP Manual Assists in Ag Policy Reform

With agricultural policy reform becoming increasingly critical, A.I.D. development officers can now turn to a comprehensive guidance manual that helps them better understand, analyze and improve agricultural policies.

The manual, developed by a team of APAP II authors led by Dr. Gary Ender of Abt Associates Inc., emphasizes the importance of basing policy dialogue and reforms on careful economic analysis and extensive host country collaboration. Titled *Guidelines for Agricultural and Natural Resource Policy Analysis: Issues, Methods and Approaches*, the new manual is available for A.I.D. development officers who are incorporating policy concerns into agricultural development assistance.

Guidelines sets out key strategic issues for policy reform, illustrates analytical tools through case studies, and discusses the incorporation of policy reforms into projects and programs. Some of the key issues addressed include sustainable agriculture and natural resource management, the political economy of agricultural policy reform, and the effect of structural adjustment programs on agricultural sector performance.

During the 1980s, analysts became more sharply aware of how the general policy framework within a country can affect the agricultural sector. For example, it became clear that policies not targeted to agriculture, such as exchange rate policies, may have a greater impact on agriculture than do sectoral policies. In addition, it was increasingly recognized that the political dynamics of a country strongly influence the content and pace of policy reform. These changes fueled a broader research agenda for APAP II. Specific sections in Guidelines include "Agricultural Policy Issues in Project Assistance," "Structural Adjustment," "Agribusiness Development," "Policy Analysis Training," and "Implementing Policy Reform: Strategies and Lessons Learned."

Copies have been distributed to USAID missions, and additional copies are available through AID/R&D/AGR/APP, c/o David Schroder, Room 403, SA-18, Washington, DC 20523-1809. □

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We need your feedback! In an effort to be responsive to reader needs and requests, R&D/AGR/APP would like to hear your suggestions for improving **Newsbriefs**. These suggestions could be made by filling out this questionnaire, or by writing to the APAP II Project Officer at the address below.

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Near East Countries

Continued from page 4

packaging distribution, and marketing, all of which may potentially contribute to increased competitiveness. In general, the issue is one of producing consistent supplies and quality to meet both standards and consumer requirements. Price competitiveness depends on the quality of the product as well as the cost of production, and quality is not just determined by technical production factors but also by handling and packaging. □

In Conclusion...

Continued from page 3

have gotten off the ground without the extraordinary efforts of Dr. Bill Goodwin who, as Project Officer, shepherded the initial edition through the Agency publication approval process. Bill also determined that an in-house editorial board of policy specialists within the Agency would give energy and direction to the newsletter, and convinced exceptional people to serve on its board. While grateful to all who served on the board, we would like to offer special thanks and gratitude to Emmy Simmons and Clarence Zuvekas whose insights and suggestions transformed sometimes turgid prose into interesting and pithy presentations. We would also like to recognize the special contribution of Dr. Chris Brown, whose intense concern that **Newsbriefs** be relevant to missions and bureaus, sharpened the focus of its contributors and, we hope, added to its value.

Finally, we would like to acknowledge Drs. James Beebe and David Schroder, whose commitment to dissemination of research results, methods, training and workshops have pointed to new and important directions in which APAP will move as it enters its next phase. Thanks to their efforts, readers will also become viewers and participants as a variety of dissemination media are planned for APAP III. □

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APAP III
NEWSBRIEFS

Agricultural Policy Analysis Project ● Phase III ● Sponsored by United States Agency for International Development (USAID), Global, Field Support, and Research Bureau, Center for Economic Growth, Office of Agriculture (G/CEG/AGR)

APAP III Continues Assistance

by David Schroder

The new project is APAP III, but the ancestry is familiar. In September 1993, USAID awarded a five-year contract for the Agricultural Policy Analysis Project, Phase III, to a team led by Abt Associates Inc. The project will have two five-year phases. It follows APAP I and APAP II, which operated from 1983 until 1993, providing assistance to many USAID Missions and host-country decision makers around the world.

APAP III's emphasis is on making markets work better (with better policies). It focuses on identifying economy-wide and sectoral policy issues and resolving problems relating to agricultural growth. Missions acquire country-specific assistance from APAP III through buy-ins. Core funds support areas of general assistance, for example, synthesis research, comparative policy analysis, the creation of training courses, and the development of guidelines and methods. APAP III also supports the dissemination of information generated by the project and encourages dissemination planning to ensure that appropriate audiences are reached. APAP III supports dissemination through Newsbriefs, a technical report series, workshops, audiovisuals, and information networks.

The APAP III team includes ten organizations and firms (see page 10) with vast experience in solving problems for USAID Missions, governments, communities, businesses, and industries. They offer Missions and host-country governments assistance from high-quality professionals. These professionals have international experience in many areas, including markets, sustainable agriculture, agribusiness, design and evaluation, policy dialogue, training, sectoral adjustment, and equity and gender issues.

The APAP III team can address traditional policy reform and structural adjustment issues and can assist with reforms needed to help countries compete more effectively in international markets. Also, APAP III can help assess impacts on various socioeconomic groups and on natural resources, such as water and forests. Sustaining the environment is an important part of promoting economic growth and development.

In December 1993, APAP III distributed project brochures to all USAID Missions. If you would like additional copies or have an interest in accessing APAP III services, please contact David Schroder (see page 2).

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Participate in APAP III's Core Research Program

APAP III's core research program supports synthesis research, comparative policy analysis, methods and guidelines development, and dissemination to enable individual countries to benefit from the experience of others.

In January 1994, APAP III staff began preliminary work in two areas.

Agricultural Policy Analysis in Transitional Economies—Policy makers and analysts in different parts of the world, particularly in formerly socialist economies, are struggling with topics such as land reform, how to continue micro-level agricultural investment programs under conditions of macroeconomic policy uncertainty, and what steps need to be taken to modify the state institutional framework to promote private sector, free-market development.

Agricultural Trade and Marketing Reform under the new GATT Treaty—During the past decade, many countries initiated reforms in agricultural trade and marketing. Soon the General Agreement on Tariffs and Trade (GATT) will impose additional rules and limits. APAP III can provide technical assistance to help national trade analysts and policy makers take account of the changes.

Additional areas for future work include performance verification under adjustment programs and analysis of gender issues in agribusiness labor studies.

USAID Missions can interact with the project's core research program by contracting for related work through a buy-in. Mission interests should be communicated directly to: David Schroder, APAP III Project Officer, USAID/G/CEG/AGR (see address below).

If you have done research relevant to APAP III's interests and wish to share your perspectives or papers, send them directly to: William Levine, Project Director, Abt Associates, 4800 Montgomery Lane, Suite 600, Bethesda, MD 20814. Telephone 301 913-0500; fax 301 652-3839. Internet bill_levine@abtassoc.com

How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/CEG/AGR
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/CEG/AGR)
3. Send PIO/T to G/CEG/AGR indicating when services are required and estimates of level of effort required, specifying the professional levels (see article on requesting specialists for APAP III buy-ins)
4. Finalize team and schedule after proposal is received from APAP III Contractor

For information, contact:

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APAP III serves Missions through core support for research, methods development, training, and dissemination, and through buy-ins. Since the project started in October 1993, several Missions have expressed interest in APAP III services and five have sent PIO/Ts to the Project Officer. If you are interested in APAP III assistance, don't wait. APAP I and APAP II were very popular. APAP I provided technical services to more than 25 Missions. APAP II was fully subscribed by the end of its second year. To indicate your interest in APAP III services, contact David Schroder now.

Participation Promotes Reform in Honduras: New Law Enacted

During the past few years, the Government of Honduras has implemented major reforms in its agricultural policies, with full cooperation and assistance from many of the groups affected by the changes. The reforms are included in a comprehensive legislative package known as the Agricultural Modernization Law. "For the first time in Honduran history, farmers participated in the drafting of legislation," says Dwight Steen, USAID/Honduras. "Both commercial and peasant farmers were involved—and their participation was the key to success."

The participatory process evolved from political circumstances that seemed to discourage efforts to reform agricultural policy. "In 1989, the Government wasn't interested in policy reforms," says Steen. "But a team working with USAID's Policy Analysis and Implementation Project (PAIP) began an assessment of the agricultural sector anyway."

To get feedback on their analyses and ideas about reform, the team brought together a group of interested private citizens known by the Spanish initials CONPPA (National Producers Committee on Agricultural Policy). With the project team's assistance, CONPPA published a document outlining a strategy for agricultural reform in Honduras.

Soon after, elections were held and a new Government took office. The ideas in the strategy gained favor and the Government asked the PAIP team for ongoing assistance with agricultural policy reform. (The new Minister of Agriculture had been an active participant in CONPPA.) At the President's request, work focused on the preparation of a single legislative package to encompass the many reforms.

Up to this point, peasant farmers had not been involved in the planning. Ten different peasant farmer organizations existed, including one representing only women. Their diverse views on agricultural reform surfaced when initial drafts of the legislation became public. "Opposition to certain reforms was vociferous," says Steen. "For a while, the legislation seemed too politically hot to handle. The President suggested that the whole effort be shelved."

"I didn't understand the objections," Steen continues. "So I decided to invite representatives of several protesting organizations to USAID to talk about the draft legislation."

That first meeting gave Steen a new perspective. What became apparent was that most of the opposition was based on misinformation and hearsay. Few of those opposed to the draft legislation had read it. Most did not understand the nature of the reforms or the rationale behind them.

From that first meeting, regular meetings evolved. The peasant farmer organizations realized that working with the Government would be more beneficial to them than remaining in opposition. They formed a coalition known by the Spanish acronym CONACAPA (National Council of Peasants on Agricultural Policy) and began the difficult task of negotiating reforms they could accept.

In subsequent weeks and months, CONACAPA, CONPPA, the project team, and various government officials spent thousands of hours in meetings, reviewing the analytical material and discussing the design of reforms. "We went over every line and every sentence of the draft law," says Steen.

One topic debated at length was credit. The draft law proposed changes in the existing system. CONACAPA wanted the Government to continue providing subsidized credit through state-controlled banks. Then USAID brought data to the table—data from a USAID-funded study that revealed who was currently receiving credit through state-controlled banks. The data challenged popular perceptions. In fact, it showed that most of the credit from the state bank did not reach small farmers. CONACAPA members began to question the current system and to understand how it was not working to their advantage.

Basic Elements of the Agricultural Modernization Law

- Frees domestic and international agricultural trade
- Improves land tenure security
- Establishes the legal basis for land markets
- Eliminates the imposition of collective-farm style agrarian reform units
- Prohibits discrimination against women beneficiaries
- Prohibits the state from participating in forest industries
- Gives tenure of trees to land owners
- Restructures the agricultural bank
- Authorizes the creation of a system of village banks
- Authorizes the creation of a land bank
- Paves the way for privatization of agricultural extension

The discussions also addressed the capitalization problems of the state bank, which was losing reserves as a result of low interest rates. After considerable debate, many leaders understood that they needed to create institutions that could provide all financial services. To be sustainable, the new institutions would have to be capitalized by their owners. To help the group learn about the U.S. farm credit system, the project sponsored a traveling seminar for five small producers, five commercial farmers, and two bankers. Support grew for legislation to permit village banks that would be owned by producers and would provide rural financial services.

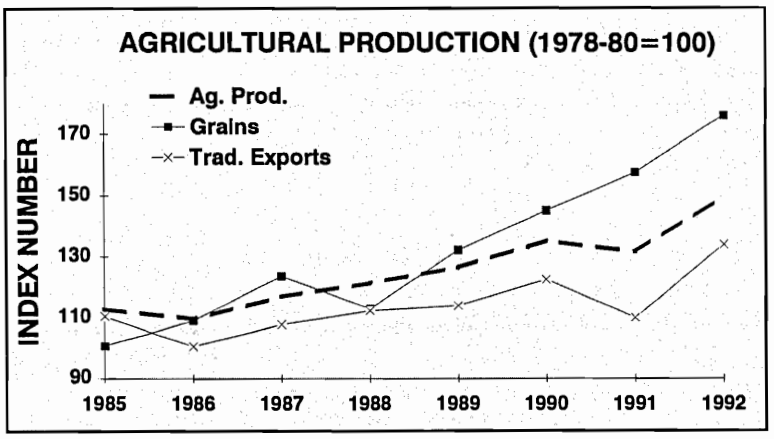
In the context of numerous meetings dealing with many different reform issues, CONPPA (the commercial farm leaders) and CONACAPA (the peasant farm leaders) gradually accepted the benefits of working together. For the first time, the two groups resolved issues their members had fought over for years. They reviewed the draft law before it was submitted to Congress. They were consulted on all modifications arising from Congressional debates. And they continue to participate in the process by reviewing drafts of implementing regulations.

Locally, the two groups have become known as the *concertantes*, the bargainers or harmonizers. Their empowerment and commitment is a powerful force, promoting the full implementation of new laws. Some *concertantes* have conducted seminars around the country to explain the Agricultural Modernization Law. CONPPA and CONACAPA have jointly published and distributed thousands of copies of the law in pocketbook form.

The high level of participation contrasted sharply with earlier approaches to agricultural reform. Nahum Calix, first President of CONACAPA recalls that in 1974 the Agrarian Reform Law was rushed through a closed session of the legislature at midnight on New Year's Eve. In contrast, "the Agricultural Modernization Law was the most debated law in the history of Honduras," says Calix.

Early Results—The agricultural sector reforms were made in conjunction with major macroeconomic reforms, including the devaluation of the currency and the restructuring of tariffs. USAID/Honduras worked closely with the Inter-American Development Bank and the World Bank on their jointly funded project (Agricultural Sector Adjustment Credit). In addition, the two banks and the Canadian and German bilateral missions addressed forestry issues.

Early results from the overall reform program suggest that the terms of trade now favor the agricultural sector. During the past three years, agricultural prices have kept pace with or increased faster than the consumer price index. During the period 1980-89, real agricultural prices (adjusted for inflation) declined by more than 25 percent. From 1989 to 1992, real agricultural prices increased by 30 percent annually. In the three years since the reforms were initiated, agricultural prices have gained back nearly all of the ground lost relative to non-agricultural prices since 1978.



From 1988 to 1992, agricultural production grew at an average annual rate of more than five percent (compared with about two percent during 1980-87 and about four percent during the 1970s). The graph charts agricultural production overall and for grains and traditional export crops. One of the reforms was the removal of price controls on basic grains. In response, production increased considerably; Honduras has had three successive years of record grain crops.

Production of non-traditional exports (15 percent of total agricultural exports) has also increased. The principal non-traditional exports include farm-grown shrimp, melons and pineapples. Production of melons and farm-raised shrimp has been growing at over 20 percent per year since 1988. Production of onions and squash has been growing at over six percent per year.

During the period 1988-92, the real Gross Domestic Product (GDP) of the agricultural sector grew more rapidly than the GDP of the non-agricultural sectors. The agricultural sector averaged five percent growth per year, more than twice the level of growth in the rest of the economy. "We believe the agricultural sector is poised to respond rapidly to the reforms," says Marshall Brown, USAID Mission Director. "The data validate our strategic approach in Honduras."

Changes in real household income are perhaps the most important indicator of the success of agricultural reform in Honduras. Governments often resist structural reform because, initially, large segments of society experience declines in real income. On average, during 1991 and 1992, Honduran

(Continued on Page 10)

OPPORTUNITIES FOR TRAINING

Workshop on Macroeconomic Adjustment and Food/Agricultural Policy

Offered by: The Harvard Institute of International Development (HIID) at Harvard University, Cambridge Massachusetts, U.S.A.

Dates: June 27-August 6, 1994

Content: The workshop focuses on the design of strategies for structural adjustment and related food and agricultural policies. Special emphasis is given to the management of adjustment programs, the understanding of international agricultural trade policies, the design and impact of agricultural pricing policies, and the protection of the poor during the adjustment process. Included are sessions on the World Bank's RMSM-X Macroeconomic model, and the design and use of sectoral multi-market models.

Clientele: The workshop is intended for analysts and policy makers—public servants, consultants, teachers of public policy, and staff of donor organizations.

Contact: Dr. Richard Goldman, Course Director
HIID, One Elliot Street, Cambridge, MA 02138
Fax: (617) 495-0527 Tel: (617) 495-9779

Agricultural and Natural Resource Policy Analysis

Offered by: The Food Research Institute at Stanford University, Palo Alto, California, U.S.A.

Dates: August 1-26, 1994

Content: Participants study the role of agricultural policy in economic development, the process by which tradeoffs are made among development objectives, and the impacts of market failures on the formulation of sustainable agricultural policies. Training includes intensive experience with microcomputer software, including the use of the Policy Analysis Matrix (PAM) framework, and exposure to single and multi-market supply and demand models.

Clientele: The course is intended for government policy analysts, university professors, economic consultants, donor agency personnel, and others with specific interests in agricultural and natural resource policy analysis. On the basis of experience and level of computer skills, participants are placed in introductory or advanced sections of the course.

Contact: Professor Carl H. Gotsch, Course Director
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Stanford, CA 94305
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Internet carl.gotsch@forsythe.stanford.edu

OPPORTUNITIES FOR TRAINING

Second Annual Short Course on Global Trade Analysis

Offered by: Department of Agricultural Economics
Purdue University, West Lafayette, Indiana, U.S.A.

Dates: July 30-August 5, 1994

Content: For this intensive course, participants bring data from their own country and integrate it with a global data base to meet their trade modeling objectives. The Global Trade Analysis Project (GTAP) offers the course. GTAP has a detailed, well-maintained, global data base, a standard modeling framework, software for manipulating the data and implementing the standard model, and a global network of researchers with a common interest in multi-region trade analysis and related issues. Dates coincide with the annual meetings of the American Agricultural Economics Association, for those coming from other countries who would like to attend both events.

Clientele: This course is for advanced professional economists and agricultural trade specialists. It is not for beginners.

Contact: Ms. Judy Conner
Department of Agricultural Economics
Purdue University, 1145 Krannert Building,
West Lafayette, Indiana 47907-1145, U.S.A.
Fax: (317) 496-1224 Tel: (317) 494-4199
EMail: CONNER@agecon.purdue.edu

Training Service, FAO (Agricultural) Policy Analysis Division

Offered by: The Policy Training Service at the Food and Agriculture Organization (FAO)

Dates: Negotiable. Courses are of varying lengths, usually given in the country, and tailored to the specific needs of that institution.

Content: In-service training, workshops and seminars address skills needed to improve policy analysis and planning in developing countries. Included are: assistance in setting up training programs; the development of methodological and training materials; and the promotion of cooperative arrangements among training institutions in developing and industrialized countries. Subject areas have included: investment project analysis; sector studies and planning; policy analysis; and decentralized planning. Multi-donor collaboration on a training course is welcome.

Clientele: Courses are offered for middle and high level officials from cooperating countries.

Contact: Mr. Franco Viciani, Chief, Training Service
Policy Analysis Division, FAO
Via delle Terme di Caracalla, 00100 Rome, Italy
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Environmentalists Criticize World Bank

As APAP III helps USAID Missions and host-country decision makers analyze and resolve agricultural policy issues, the goal is sustainable development—growth that respects and safeguards the economic, cultural, and natural environment, and permanently enhances the capacity of the society to improve its quality of life. In sustainable development, environmental issues are prominent. To sustain development, the natural resource base must be maintained, and even strengthened.

In a recent paper entitled *The World Bank and Its Environmentalist Critics*, Elliot Berg and Don Sherk at Development Alternatives Inc. (DAI), examine the views of environmental critics on the extent to which World Bank policies and programs incorporate sound environmental principles.

"Environmentalists want the Bank to be more sensitive to environmental aspects of sustainable development," says Berg. "In part, this means getting prices truly right—not just removing economic distortions, but incorporating the environmental costs of production. They want the Bank to give greater attention to generating data essential for good environmental policies—for example, inventories of existing natural assets and revisions of national accounts to integrate the value of environmental goods."

In the preparation of projects and policies, environmentalists advocate the application of basic principles of sustainable resource use. For example, consumption of resources should correspond closely to the rate of regeneration, and controls should be applied to prevent excessive pollution. In energy and water resource policy, expansions in supply should be approved only after improving efficiency and conservation. Further, environmental costs and consequences should be calculated—and if they cannot be calculated, reforms and investments should be postponed or abandoned.

These principles are not new. For ten years, they have been required for project preparation at the World Bank. But a recent study by David Reed could find no instances where they were applied. "The Bank is dedicated to moving money," say the critics. "And the money moves, even when environmental guidelines are ignored."

"Most environmental critics believe that Bank projects are more environmentally sensitive than they were even two or three years ago," says Berg. But the Bank still has a way to go. A major problem seems to be the institutional structure of the World Bank. Decision-making processes lack transparency and fail to include mechanisms to ensure the participation of those affected by project activities.

One project has particularly inflamed environmentalists: the Sardar Sarovar (or Narmada) project in India—probably the biggest dam/irrigation project ever implemented. Construction of the dam began in 1987, after eight years of preparatory work. Yet during this time, the people adversely affected by the dam were not consulted. Construction started without an approved plan for resettlement and rehabilitation, and without the data needed to prepare an environmental assessment. Bank support continued even though the Indian government failed to implement important environmental policies.

Environmentalists propose three changes to encourage more attention to environmental issues in Bank policies and programs. To promote meaningful community participation as projects unfold, environmentalists call for greater public access to Bank documents, such as feasibility studies and cost/benefit analyses. (In the past, many documents were automatically rated confidential.) To ensure that environmental issues are addressed, they call for improvements in the environmental impact assessment process. (In the past, real environmental impacts were often underestimated and projects proceeded even when environmental work plans were not completed.) To ensure that dissent is heard, they recommend the creation of an Independent Appeals Commission to review complaints and make judgments about World Bank performance. (In the past, the Bank has appeared unwilling or unable to make adjustments once a project was approved.)

Berg and Sherk agree that some of these reform proposals are overdue. However, the basic problem of Bank staff overcommitment, a problem noted in the money-pushing culture of the institution, has to be addressed. Moreover, one aspect of the environmentalists' attack is off the mark. Environmentalists want to see the Bank become more accountable to its clients, especially the affected populations. But the real solution is to put responsibility for projects where it belongs—with borrowing governments. What's needed is more local ownership. If affected populations have grievances with a project, they should appeal to their own government, not distant international bureaucrats.

Additional Reading:

Berg, Elliot and Don Sherk. *The World Bank and Its Environmentalist Critics*. Bethesda, Maryland: Development Alternatives Inc., September 1993.

Reed, David, ed. *Structural Adjustment and the Environment*. Boulder, Colorado: Westview Press, 1992.

APAP III Participates in Agribusiness Evaluation

What lessons can be gleaned from USAID's experience with agribusiness interventions over the past ten years? In late 1992, USAID's Center for Development Information and Evaluation set out to answer that question. An Evaluation Team examined agribusiness interventions in nine countries. Recently, John Holtzman, senior agricultural economist at Abt Associates, participated in a three-day review of study findings. "The findings complement the work we did in APAP II," says Holtzman. "And they are highly relevant to APAP III, with its focus on making markets work better."

The Evaluation Team identified four types of agribusiness intervention strategies. Type I involved strengthening organizations such as government ministries, trade associations, cooperatives, financial institutions, and export promotion boards. Type II interventions provided assistance to specific firms that needed help with management, technology, financial resources, or information. Type III interventions facilitated foreign market development for agribusiness products, for example through support for trade missions, regional market centers, market information, or joint ventures between U.S. and host-country firms. Type IV interventions promoted the privatization of marketing and input supplies, such as fertilizer.

Clearly, the four types of intervention strategies are not discrete categories. In addition, the emphasis of many USAID interventions changed over time. In five of the nine cases studied, the intervention involved an emphasis on organizational strengthening (I), enterprise promotion and development (II), and the facilitation of market development (III).

One interesting conclusion of the study is that different stages of economic growth and market system development call for different types of agribusiness intervention. At one extreme are countries with an infrastructure that is underdeveloped, farmers who produce incidental surpluses, a policy and regulatory environment that is weak, and parastatal agencies that substitute for the private sector in agricultural marketing. (The private sector is allegedly too weak and underdeveloped to do the job well.) These countries need to concentrate on upgrading infrastructure, strengthening applied agricultural research and extension, improving the policy and regulatory environment, and privatizing parastatal agencies.

At the other extreme are countries with a well-developed infrastructure, many farmers who produce higher value commodities, and a policy and regulatory regime that is favorable to agribusiness. These countries need to identify international market opportunities, develop financial services that can support agribusiness development, and locate sources of improved technology for production, post-harvest handling, storage and transport.

Research conducted under APAP II showed that an important

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Agribusiness Interventions in CDIE's Evaluation

Africa Private Enterprise Fund (II and III)
Bangladesh Fertilizer Privatization (IV)
Cameroon Fertilizer Privatization (IV)
Ecuador Non-traditional Exports (first I and III; later II)
Guatemala Highlands Agricultural Development and Non-traditional Exports (first I; later III and II)
Northeast Thailand Contract Farming (I or III)
PROEXAG/EXITOS—a multi-country export promotion project in Central America (initially I and III; later II)
Sri Lanka Agribusiness Enterprise Development and Non-traditional Export Promotion (first I; later III and II)
Uganda Cooperative Development and Non-traditional Export Promotion (first I; then III; then II)

Requesting Specialists for APAP III Buy-Ins

AID/W has developed a new contracting procedure for use in APAP III. It is intended to speed up the contracting process by eliminating the need for the Office of Procurement to approve the salaries of specialists working in buy-ins. Instead the buy-in contract specifies several levels of expertise and assigns fixed burdened (or unburdened) rates to those levels.

What does this mean for Missions and Bureaus who would like to make use of APAP III services? In the past, position descriptions might have included the level of education, the approximate years of experience, and the relevant technical experience of the candidates. Under APAP III, those requesting specialists need only specify the level required and the appropriate functional labor category (see below).

In choosing the levels of the required specialists, Missions should bear in mind that in some categories (e.g., food and agricultural policy, agribusiness, and marketing) the cost of a level three specialist is the same as that of a level four specialist. While it might seem "a better deal" to request a level four specialist, remember that level four requires 20 years of experience. Persons in this category are often department heads or otherwise in high demand, so their availability may be limited. By requesting a level three specialist, the Mission will still obtain the services of highly qualified individuals (e.g., Ph.D. and 12-19 years of experience), while not ruling out the nomination of individuals who qualify for level four.

In general, Missions are urged to carefully examine the APAP III contracting levels and match them with the expertise actually required for the tasks they have in mind. A level two professional, for example, may have a Ph.D. and over ten years' experience. By specifying a level two individual instead of level three or four, or a range between two and four, for example, a Bureau or Mission can potentially identify talented professionals with slightly less experience and save a considerable amount on daily rates. This could be applied to additional time for the same individual or others, or if necessary to reduce the overall cost of the buy-in.

When requesting assistance, Missions will be asked to identify the necessary personnel from eleven technical areas of the project and also to include the skill levels required. The technical areas are: agricultural and food policy; agribusiness and marketing policy; monetary and fiscal policy; legal analysis; environmental policy; financial and credit policy; human resources/public administration; agricultural policy extension; political science/economy; sociology/rural development; and trade policy.

The broader the range of acceptable candidates, the greater will be the pool Missions can draw upon. In any case, APAP III will send the resumes of qualified individuals within the levels specified for ultimate Mission approval. There are many qualified individuals available at all levels.

LEVEL	EDUCATION*	TOTAL EXPERIENCE		OVERSEAS EXPERIENCE
		YEARS*	POSITION	YEARS
1	Master's	5 yrs. OR Ph.D. & 2 yrs.	N/A	N/A
2	Master's	8 yrs. OR Ph.D. & 5 yrs.	N/A	2
3	Master's	15 yrs. OR Ph.D. & 12 yrs.	5 yrs. in management or as team leader	5†
4	Ph.D.	20 yrs.	10 yrs. supervisory mgt.; noted professional	8*
Above 4	Ph.D.	20 yrs.	10 yrs. supervisory mgt.; broad managerial & administrative skills	10#

*Minimum requirement in relevant field; †Team Leader or COP; *Overseas or Int'l experience; #Int'l experience

APAP III Participates...

(Continued from Page 8)

condition for agribusiness development is a transparent, stable policy and regulatory environment. A stable environment fosters a business climate that encourages investment and expansion. Better policies also help ensure the success of agribusiness projects. The process is dynamic. Agribusiness development need not wait for the ideal policy environment. Successful promotion of agribusiness firms and associations can speed the policy reform process by demonstrating the advantages of privatization and energizing associations to lobby for change.

APAP II also developed the Agribusiness Policy Inventory—a tool to use in policy analysis and reform. During Year One of APAP III, project staff plan to use the tool in Egypt.

A synthesis report and the country reports will be published later this year in the CDIE Evaluation series.

Additional Reading:

Ender, Gary. *The Agribusiness Policy Inventory: The Tool and Its Use in Policy Analysis and Reform.* APAP III Methods and Guidelines. No. 408, August 1993. (CDIE Reference PN-ABQ-140.)

Holtzman, John S., et al. *Towards an Africa Bureau Agricultural Marketing Strategy and Action Plan.* June 1990. (CDIE Reference PN-ABH-030.) Presents the stages of marketing system development.

Wenner, Mark, et al. *Agribusiness Promotion in Developing Countries: Policy Regimes and Institutional Support.* No. 351, September 1993. (CDIE Reference PN-ABQ-652.)

...Honduras

(Continued from Page 4)

households (both urban and rural) experienced declines in real income. Only among rural, agricultural households did real household income increase.

The declines in urban incomes are attributable, in part, to rural-urban migration. From 1989 to 1991, the number of urban households increased by 41 percent. But critics of the Agricultural Modernization Law link the reforms to detrimental effects on the urban poor.

Recently, following elections, a new Government assumed power in Honduras. The new Government's views on the total reform program are unclear. Several Honduran participants of the PAIP team have positions in the new Government. But other positions are held by persons who have been critical of the reform program's adverse effects on the urban poor. Thus, the *concertantes* may continue to play important roles in the months ahead. Clearly, the *concertantes* have a strong investment in the reforms and will lobby hard to maintain them.

APAP III Team

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APAP III
NEWSBRIEFS

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APAP III Explores Electronic Dissemination

by David Schroder

Dissemination is a key aspect of APAP III activities. During the past year, we have disseminated research results and project experience through Newsbriefs, technical reports, workshops, and meetings. We intend to continue these activities. Our goal is to keep the information flowing, so those who can use APAP III information have access to it.

We are exploring opportunities to use the information superhighway, specifically electronic mail. Having your Internet address would enable us to forward short policy bulletins at minimal cost. It would also permit computer conferencing on selected issues.

Would APAP III Internet conferences be helpful to you? What topics would you like to discuss? We have received several suggestions. For example, what is the impact of GATT on developing countries? What is the role of agriculture in a broad-based economic growth strategy? How does food security as a global problem affect developing countries? How can USAID improve the effectiveness of policy reform in agriculture?

If you have a topic you'd like to discuss or suggestions for improving APAP III communications, please let us know. Send your topics and Internet E-mail address to the dissemination adviser (apap3@abtassoc.com) so the APAP III team can reach you electronically.

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Agricultural Policies and Natural Resource Consequences: APAP Can Help

Agricultural policies can have unintended consequences for a country's natural resources. In Morocco, for example, agricultural policies that maintain high prices for domestic cereals are inducing farmers to expand into fragile pasture lands. As a result, dryland cereals production has increased, but fragile pasture lands are threatened. Getting policies right is an important part of sustaining local agricultural production systems.

Recently, David Wilcock, APAP III's Guidelines and Methods Adviser, examined APAP II experience and wrote a paper outlining implications for the development of measurable indicators of sustainability. The paper, written with Richard English of Development Alternatives, was presented at a Conference on Indicators of Sustainability in August 1994. The conference was sponsored by the SANREM CRSP (Sustainable Agriculture and Natural Resources Management Collaborative Research Support Program).

During APAP II, project personnel conducted several studies on irrigation water management, examined the use of the Policy Analysis Matrix (PAM) for evaluating natural resource policy alternatives, and conducted natural resource policy inventories in six Latin American countries. The analytical and methodological lessons of the inventories are compiled in *The Green Book*, a manual for assessing the impact of policies on agroecological systems and agricultural production.

APAP III can assist missions in four ways. First, APAP III teams can conduct *assessments and inventories* to identify policies that contribute to natural resource problems. Second, project teams can work with host country personnel on *analysis and modeling*, for example, systematic analyses of the relationship between policies and resource use. Third, project teams can assist in *design and implementation* activities, by examining links between policies and resource use and by developing indicators of resource sustainability.

Finally, APAP III teams can assist with *special policy topics*, for example, assessments of the value of local resources and efforts to incorporate changes in natural resource stocks into national income accounts.

Mission requests for technical services through buy-ins should be directed to David Schroder, APAP III Project Officer in the Global Bureau. Technical questions may be sent directly to David Wilcock or Gary Ender at Abt Associates (Internet: David_Wilcock@dai.com or Gary_Ender@abtassoc.com).

Additional Reading:

David Wilcock and Richard English. *Indicators Linking National Policy and Local Sustainability: Approaches by the USAID Agricultural Policy Analysis Project (APAP).* July 1994. (CDIE Reference pending.)

How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/EG/AFS.
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/EG/AFS).
3. Send PIO/T to G/EG/AFS indicating when services are required and estimates of level of effort required, specifying the professional levels.
4. Finalize team and schedule after proposal is received from APAP III Contractor.

For information, contact:

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APAP III Assists in Jordan's Agricultural Transformation Program

An APAP III technical assistance team, led by Bill Levine, APAP III Project Director, is assisting the Ministry of Agriculture in Jordan to design and implement far-reaching agricultural policy changes. The 24-person team is funded by both USAID and GTZ (the German aid organization), and works in close collaboration with the World Bank, which is currently negotiating a $60 million Agricultural Structural Adjustment Loan with the Government of Jordan. In addition, the team is helping USAID/Amman liaise with the World Bank and KfW, Germany's parent assistance organization, as they plan for joint funding of an Agricultural Sector Technical Support Project. The goal is to transform Jordan's agricultural sector into a modern, competitive, and sustainable contributor to national growth.

The APAP III team's work builds on analyses completed under APAP II, specifically, a comprehensive analysis of policies affecting agriculture in Jordan. The Ministry of Agriculture used these findings to develop an Agricultural Policy Charter. Now the APAP III team has assisted the ministry in developing a planning frame for implementing policy change throughout the agricultural sector.

The planning frame prioritizes the reforms to be undertaken, rank ordering them within the context of charter objectives, and analyzing the technical and institutional requirements for implementation. The team examined more than 75 potential reforms and identified criteria for establishing priorities. Criteria address the degree of complexity of the reform, for example, whether new legislation is required, whether multiple procedural changes are needed, the influence of political considerations, the number of ministries having relevant authority, whether the proposed reform is economically feasible, and whether it is likely to be sustainable. Finally, the planning frame proposes a management structure for the Ministry of Agriculture to address the requirements for implementing the Agricultural Policy Charter.

To assist in preparing the planning frame, the team conducted companion studies in three areas: legal and regulatory issues; environmental assessment needs; and quantitative methods requirements. First, the team inventoried laws, regulations, and traditions relevant to policy in the agricultural sector, determined their efficacy under the charter, and recommended revisions in over two dozen major policies.

Second, the team examined environmental issues to determine the need for a sectoral program of environmental impact assessment. The team recommended that Jordan develop a national environmental law and national land use plan, and that environmental impact assessments be conducted as a routine part of all project and program planning.

Third, the team identified empirical quantitative methods that would enable Ministry of Agriculture staff and their counterparts in other ministries and institutions to support, monitor, and evaluate progress in implementing the charter.

Teams working on each of the companion studies hosted a series of workshops to discuss their findings. In addition, workshops were held on agricultural research and extension, and on management changes needed within the Ministry of Agriculture. Findings were delivered in Arabic and discussions were often lively, with some of the proposed changes viewed as threatening.

To assist with monitoring and evaluation, APAP III provided the services of two statisticians who developed and implemented a plan to bolster the capabilities of the Ministry of Agriculture. They trained several staff members in computer-assisted analysis, entered data accumulated over several years into the computer, and hosted several computer workshops to familiarize staff with spreadsheets, word processing, and data base packages. In addition, they worked with ministry staff to design and test a household level survey instrument to collect data on production, inputs, and marketing.

Close collaboration with high-level counterparts has facilitated the team's work. Those involved include the Secretary General (the most senior civil servant), the Director and Deputy Director of the Agricultural Economics and Policy Department, and the Director of Data Services. Since some relevant policies fell outside the jurisdiction of the Ministry of Agriculture, the team also collaborated with other ministries. For example, the team worked with the Ministry of Water and Irrigation on issues related to irrigated agriculture, the Ministry of Supply on wholesale prices, and the Ministry of Finance on import tariffs. Many meetings were conducted by Jordanian team members in Arabic.

Jordan's Ministry of Agriculture is responsible for overseeing the implementation of both the Agricultural Structural Adjustment Loan and the Agricultural Policy Charter. Over time, the changes being made will transform the agricultural sector. For now, the process is demanding. Through painstaking research, ongoing collaboration, and careful decision making, APAP III is helping Jordan's policymakers create a competitive agricultural sector.

GATT Agreement to Open New Era

The signing of the GATT (General Agreement on Tariffs and Trade) Uruguay Round Agreement in Marrakech, Morocco, in April 1994 signals the opening of a new era in agricultural trade. For the first time, agricultural trade policies will be subject to GATT discipline. Countries are now in the process of ratifying the treaty. The Agreement on Agriculture will begin to directly affect the approximately 120 GATT member countries in 1995. As changes evolve, they will influence the composition of world agricultural trade and the world prices for heavily traded commodities. Thus, GATT will indirectly affect all countries.

The Agreement on Agriculture makes provision for change in four key areas: market access, export subsidies, internal support to agriculture, and sanitary and phytosanitary regulations.

Market Access

The Agreement initiates a major free trade reform. Tariffication will convert all non-tariff trade barriers (for example, quotas, variable levies, minimum import prices, discretionary licensing, state trading measures) into *ad valorem* (percentage) tariffs. Tariff reduction provisions require that developed countries reduce specified agricultural tariffs an average of 36 percent over a six-year period; developing countries must reduce specified tariffs an average of 24 percent over ten years. The least-developed countries are exempted from having to make these reductions.

Minimum access requirements for specific commodities will lead countries to maintain or expand the domestic market share for imports. Trading patterns for rice illustrate how minimum access may affect world prices and trade. The agreement of South Korea and Japan to begin importing rice is expected to produce a sharp rise in the average world price between 1995 and 2000. For areas such as Francophone West and Central Africa, where domestic production of rice has been only marginally competitive, these expected price rises, plus a 100 percent devaluation of the CFA franc, are expected to make West African rice much more competitive with imports.

Export Subsidies

The agreement identifies specific trade-distorting policies and makes them subject to reduction. The percent reductions in the quantities of product subsidized and the total budget used for the subsidies will be implemented on a commodity-specific basis. Reductions apply particularly to the European Union and U.S. farm exports, and are expected to raise world prices five to ten percent on temperate-zone products. In some developing countries, these changes may affect domestic production and imports of food products.

Internal Support to Agriculture

Under the agreement, both developed and developing countries are committed to percentage reductions in some types of internal support policies that involve transfers from consumers to producers. Included are price supports, marketing loans, acreage payments, payments based on the number of livestock, input subsidies (on seed, fertilizer, irrigation water, etc.), and certain credit subsidies. Other policies are exempt, including government expenditures on agricultural research, extension, and promotional services, public stockholding of food for food security purposes, and domestic food aid.

For the poorest countries, a supplement to the agreement entitled *Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food Importing Countries* is of particular interest. It recognizes that food prices may increase in some parts of the world and provides a framework for assistance such as food aid, technical assistance to raise agricultural productivity, or some special financing for normal commercial imports.

Sanitary and Phytosanitary Regulations

The agreement increases the scientific content of national health requirements for imports so that they no longer can be used arbitrarily as barriers to trade. The standards set by three scientific organizations are explicitly recognized as acceptable: The Codex Alimentarius Commission, the International Office of Epizootics (standards for trade in animals), and the International Plant Protection Convention. Importing countries can maintain more stringent regulatory standards, but the standards must be science-based. Developing countries that have major exports of agribusiness products may be concerned by these changes.

Another change is the setting up of the World Trade Organization (WTO), a new organization that will have strong arbitration powers. In the GATT, decision making had to be unanimous; in the WTO, unanimity is not required.

For developing countries, the implications of the agreement must be examined within the framework of the structural adjustment programs underway. Many countries have already adopted policies that do not distort prices and initiated the targeting of food and agricultural policies to particular groups of beneficiaries.

During 1995, APAP III plans to undertake a detailed analysis of the likely impacts of the new agreement. Readers can offer

(Continued on Page 9)

USAID Sponsors Conference on Food Security

During the 1980s, the world's per capita food production increased by five percent. But by the end of the decade, 75 developing countries were producing less food per person than they were producing at the beginning of the decade. Food security remains a major issue in certain regions.

A recent USAID conference, entitled "Confronting the Silent Challenge of Hunger," addressed issues affecting food security. The conference, held at the International Food Policy Research Institute (IFPRI) in Washington, was sponsored by the Office of Agriculture and Food Security (AFS) in the Global Bureau's Center for Economic Growth. Participants included representatives of public and private organizations and international development institutions. John Lewis, AFS Director, moderated the conference.

Although aggregate food production in the world is adequate in the short run, distribution and access are problems. Of the estimated 900 million people who are chronically food insecure, a majority live in South Asia and Africa. For example, IFPRI estimates that Sub-Saharan Africa's food gap will increase to 250 million tons by the year 2020. Major factors affecting national and household food security include political instability, poor growth in the agricultural sector, high market transaction costs, increasing retail food prices, and a deteriorating natural resource base.

In most food insecure countries, the poor depend primarily on agriculture for their income. Low productivity means inadequate food and inadequate income to purchase food. Improving food access requires lowering marketing costs and improving rural incomes.

Long-term projections raise concerns about the world capacity to feed a population of eight billion in 2025. The development of new production technologies is essential to double or triple crop yields. Yet research investments by donors are declining (see page 7). Conference participants presented different views on the projected growth rates of crop yields, but noted that in areas where the yield growth rate has slowed down, the cause is poor government policy, not technological stagnation.

Conference proceedings are being prepared. To obtain a copy, contact Shirley Pryor, USAID, G/EG/AFS/FP, Room 403C, SA-18, Washington, D.C. 20523-1809 (Internet E-mail: SPryor@usaid.gov).

OPPORTUNITIES FOR TRAINING

Training of Trainers Seminar on Environmental and Sustainability Issues in Agricultural Policy, Analysis and Planning

Offered by: The Government of Cyprus, United Nations Environmental Program, and the Food and Agriculture Organization

Dates: May 8-19, 1995
(Applications due Dec. 31, 1994)

Content: Sessions address agricultural project analysis (environmental impact assessment, donor procedures, use of FAO software), macroeconomic policies and agricultural sustainability, natural resource accounting, participatory approaches to natural resource management, and pedagogical issues for in-service training of planners and policy analysts.

Clientele: The seminar is for persons from Near East or Mediterranean countries who are currently involved in training agricultural policy analysts and planners. A maximum of 25 participants will be selected. Participants should have a university degree in economics or agricultural economics and fluency in written and spoken English. Some fellowships are available.

Contact: Françoise Petry
Training Service, Policy Analysis Division
Food and Agriculture Organization (FAO)
Viale delle Terme di Carcalla
00100 Rome, Italy
Fax: 52253152 Tel: 52254983

Adjustment Brings Growth in Sub-Saharan Africa

A recent World Bank study analyzes structural adjustment experience in 29 of the 47 countries in Sub-Saharan Africa between 1987 and 1991. The six countries that showed the most improvement in macroeconomic policies experienced the most positive change, as measured by indicators of economic performance, such as median change in GDP per capita growth (1.8 percent), real export growth (7.9 percent), industrial growth (6.1 percent), and agricultural growth (2.0 percent). In contrast, countries that failed to improve macroeconomic policies experienced smaller median change in industrial growth and declines on the other three indicators.

Although policy reforms were uneven across sectors, almost two-thirds of the countries were able to improve their macroeconomic, trade, and agricultural policies. But no country has been able to achieve sound macroeconomic conditions (defined as inflation under 10 percent, very low budget deficit, and a competitive exchange rate). In many countries, policy reforms are fragile. More reforms are still needed in agriculture, trade, and the regulatory environment to create a favorable business climate for the private sector.

Most policymakers agree on what needs to be done with macroeconomic, trade, and agricultural policies, but less consensus exists on how to reform public enterprises and the financial sector. Governments have been slow to privatize, and public sector demands for credit burden the financial sector.

Adjustment affects agriculture in two important ways: macroeconomic policy changes reduce implicit taxation; reforms change the arrangements for marketing. Among the 29 adjusting countries, two-thirds are now taxing their farmers less. In most countries, price controls have been eliminated and restrictions on the marketing of food staples have been lifted. Many countries have stopped subsidizing fertilizer and liberalized fertilizer distribution. But in the marketing of export crops, many governments continue to intervene heavily.

The study offers the following guidance to African governments as the reform process continues. First, continue macroeconomic reforms and complete the reforms of the agricultural and trade sectors. Second, provide an environment conducive to private production. Increase competition through domestic deregulation, trade reform, and privatizing public enterprises. Third, restructure public finances and minimize unnecessary government involvement in markets. Changes may include reducing the role of marketing boards, privatizing public enterprises, and replacing import restrictions with tariffs.

Additional Reading:

World Bank. *Adjustment in Africa: Reforms, Results and the Road Ahead.* Oxford University Press, 1994.

Husain, Ishrat and Rashid Faruqee, ed. *Adjustment in Africa: Lessons from Country Case Studies.* Washington, D.C.: The World Bank, 1994.

Changes in Macroeconomic Policies and Measures of Economic Performance in Sub-Saharan Africa

	Median Changes (1981-86 to 1987-91)			
Countries grouped by degree of change in macroeconomic policies (n=26)[a]	GDP Per Capita Growth %	Real Export Growth %	Industrial Growth %	Agricultural Growth %
Large improvement (n=6)	1.8	7.9	6.1	2.0
Small improvement (n=9)	1.5	3.0	2.8	-0.1
No improvement/deterioration (n=11)	-2.6	-0.7	1.7	-1.6

[a] Data are for 26 of the 29 countries studied. Three countries were omitted from the analysis because of insufficient data.

Source: Adapted from different tables in *Adjustment in Africa: Reforms, Results and the Road Ahead*, 1994

APAP III Applies Agribusiness Policy Analysis in Egypt

To assist missions with agribusiness project development and policy reform efforts, APAP II developed a method called the Agribusiness Policy Inventory. The inventory method helps analyze policies and their interactions. It organizes complex information about economic and agricultural policies, highlights inconsistencies among policies, and provides guidance for policy dialogue and reform. It can be completed as a freestanding exercise or as one component of a sector assessment. Gary Ender, APAP III's Technical Agricultural and Policy Adviser, is leading a U.S.-Egyptian team that is applying and refining the inventory method under a buy-in with USAID/Egypt.

As most countries develop, the agricultural sector appears to decline as a share of GDP. This trend is partly a consequence of faster productivity growth in other sectors, and partly a consequence of how agriculture is defined. In fact, agribusiness, defined as the whole food and fiber system, usually retains a significant share of GDP, and plays important roles in decentralizing jobs and other income-generating opportunities to the rural areas.

With its theme of "making markets work better," APAP III provides a congenial home for the inventory method. Markets perform best when many competitors can freely participate in business activities. The inventory identifies policies that encourage agribusinesses and policies that constrain them. It specifies the institutions that are responsible for the policies. It places the policies in context by including a description of the general economic setting and an overview of the performance of agribusiness firms. These analyses lead to recommendations for policy reform.

Egypt is a striking case for policy analysis because it is going through significant macroeconomic and agricultural policy change. A report on APAP III's application of the inventory method for agribusiness policy analysis will be available later this year.

Additional Reading:

Ender, Gary. *The Agribusiness Policy Inventory: The Tool and Its Use in Policy Analysis and Reform.* APAP III Methods and Guidelines. No. 408, August 1993. (CDIE Reference PN-ABQ-140.)

Policies to Support Agribusiness. What has APAP II Learned? A Seminar Presented by APAP II. USAID, Bureau for Research and Development, Office of Agriculture, September 1993. Videotape (sent to all Missions in 1993).

Ouédraogo, Ismael and Rosemary Hyson. *The Contribution of Agribusiness to National Income and Employment in Jordan, 1987-1991.* APAP II Technical Report No. 131. June 1993. (CDIE Reference PN-ABQ-126.)

Ouédraogo, Ismael, Mark D. Newman and Rosemary Hyson. *The Contribution of Agribusiness to National Income and Employment in North Africa and the Near East, Vols. I-II.* APAP II Collaborative Research Report No. 348. March 1993. (CDIE Reference PN-ABP-380.)

Trends In Agricultural Lending

During the 1980s, external assistance to agriculture in low-income countries declined from about $12 billion to $10 billion (in constant 1985 U.S. dollars). At the World Bank, agricultural lending followed similar trends, while lending for rural infrastructure, education, and health increased. The decline in funding was related to the poor performance of agricultural projects, especially integrated rural development and rural credit projects. It corresponded with a period of low world prices for agricultural commodities and an era when macroeconomic and industrial protection policies discriminated against agriculture in many countries.

The lessons of the 1980s led the World Bank to adopt a new approach, focusing on the whole agricultural sector, not just agricultural projects. Within the agricultural sector, the Bank's focus is on limiting the role of government, increasing the role of the private sector, and sequencing these changes so that policy reforms in various related sectors (agriculture, trade, industry) are synchronized. Capacity building is a part of establishing and promoting the public/private partnership.

Analytical and financial assistance from donors can promote the many changes needed. Changes include the liberalizing of markets for farm products and inputs, for example, the phasing out of subsidies, the introduction of user fees for publicly provided services, the privatizing of marketing and agricultural services, and the redefinition of public functions. In addition, donor assistance can help remove legal and institutional barriers to market entry.

Other areas for donor assistance include increasing the participation of rural communities in public expenditure decisions, improving women's access to education, credit, and extension, strengthening institutions that manage common property resources, promoting property rights reform, and testing land reform measures.

Additional Reading:

von Braun, Joachim. *Aid to Agriculture: Reversing the Decline.* Washington, D.C.: The International Food Policy Research Institute, October 1993.

World Bank. *Agricultural Sector Review.* Agricultural and Natural Resources Department, July 1993.

APAP III Links Training and Research in Ecuador

Can the policy analysis skills of agronomists, veterinarians, economists, statisticians, and computer operators be improved simultaneously? A recent training course in Ecuador, offered through a buy-in to APAP III, indicates that they can. The four-week course, entitled *Agricultural and Natural Resource Policy Analysis,* was developed by Carl Gotsch at the Food Research Institute, Stanford University. Course materials were translated into Spanish in Ecuador. Using the course materials, James Fitch, an agricultural economist, taught the course to 24 staff members in July. The training provided a common ground for diverse employees to learn together and prepare for subsequent research assignments.

The course materials are based on procedures (including the Policy Analysis Matrix), that have been adapted to microcomputers through the use of spreadsheets and other readily available software packages. Fitch adapted the curriculum to Ecuador's needs. "The well-developed course materials and the use of the computer facilitated learning," said Fitch. "In the beginning, some participants were frustrated because they had no prior training in economics and lacked experience with spreadsheets. But working in groups enabled participants to use their skills to help each other."

Presentations by participants were an integral part of the training. Some prepared case studies to apply concepts learned in the course to current issues in Ecuadorean agricultural policy. Others covered topics such as econometric procedures at the request of participants who had no training in this area. "Virtually all of the participants learned concepts and procedures that they can now apply at work," explained Fitch.

David Flood and Ramon del Salto, Directors of the Agricultural Sector Reorientation Project in the Ministry of Agriculture, requested the training to support Ecuador's ongoing structural reforms. In a second phase of the buy-in, APAP III will provide technical assistance to staff conducting studies in three areas: rice marketing, the oil seed and feed grains sector, and trade liberalization. The skills developed during training will facilitate these research efforts.

Structural Adjustment and Women Farmers

Many structural adjustment programs (SAPs) include reforms that are intended to have significant impacts on agriculture. But do they? Evidence from several reviews suggests that results are mixed and that food production grew slowly or not at all in many adjusting countries. Rekha Mehra, an agricultural economist at the International Center for Research on Women argues that agriculture's slow response to economic reform may be related to the constraints facing women farmers.

"In many countries, women are a significant proportion of all farmers," says Mehra. "Yet throughout the developing world, women's access to resources and services lags behind that of men. For example, many SAPs provide incentives for investment in high-return cash crops. But farmers need credit to make such investments. In developing countries, access to credit is limited for all farmers, but especially for women farmers." In a study of 38 branches of major banks in India, for example, only 11 percent of borrowers were women.

Women farmers are also less likely than their male counterparts to benefit from agricultural extension and have access to new technologies and basic education. Often, women's rights to land are restricted, limiting their incentive to take risks and adopt new crops.

Time constraints may also affect women's ability to respond to agricultural reform incentives. "Women's responsibilities include household production (childcare and cooking) as well as farm production and marketing," notes Mehra. "These dual obligations can keep women at the limits of their physiological capabilities, leaving virtually no time or energy to respond to agricultural reform incentives." When SAPs cause food prices to rise, women must work even harder to meet their responsibilities for supplying household food needs.

What can donors do to address the constraints that prevent farmers from responding to policy reforms? Mehra challenges economists to recognize the differential effects of SAPs on men and women farmers. She offers four suggestions for encouraging maximum response from women farmers. First, ensure that women's roles in farming (the crops grown, tasks performed, and total labor obligations) are taken into account in designing agricultural projects. Second, improve the responsiveness of agricultural extension services to women's needs by hiring more female staff and targeting information to women farmers at times and in ways that reach them most effectively. Third, provide women with labor-saving technologies and complementary inputs and services for the crops they grow and the tasks they perform. Finally, improve women's access to institutional credit. Numerous credit programs have demonstrated that women are creditworthy and that institutional barriers, such as lack of title to land, can be circumvented in the short run through group lending, guarantee schemes, and other means.

Additional Reading:

Mehra, Rekha. "Can Structural Adjustment Work for Women Farmers." *American Journal of Agricultural Economics.* December 1991, 73:1440-1447.

Price Reform in Latin America

Policymakers can improve agricultural growth rates, increase the availability of foreign exchange, and create jobs by reforming policies that affect agricultural prices. This finding emerges from an econometric model created by Krueger, Schiff, and Valdes in a study of the political economy of agricultural price intervention in Latin America. The study of agricultural price policies in Argentina, Brazil, Chile, Colombia, and the Dominican Republic is part of a larger research effort sponsored by the World Bank.

Government interventions to affect prices take many forms. Export subsidies and price fixing are examples of direct intervention; tariffs and exchange rate misalignments are examples of indirect interventions. In the countries studied, discrimination against agriculture usually came from indirect pricing policies rooted in a national strategy of industrialization based on import substitution. The authors estimate that in some countries, agricultural prices would have been 30 percent higher in the absence of intervention.

The study suggests that direct intervention has an anti-export bias; imports are protected while exports are not. Price intervention hurts producers and correlates with low agricultural growth rates and reduced overall economic growth. In the countries studied, governments have been unable to obtain positive revenues from direct price interventions.

The study identifies several important requirements for price reform in Latin American countries. First, *indirect price interventions must be removed* by changing a wide range of policies underlying import-substitution strategies and adopting macroeconomic and sectoral policies that support a market-driven economy. Such a dramatic change requires pressure from many sectors, not just the agricultural sector.

Second, in the non-agricultural sectors, *resources must be available to encourage investment and growth.* Economic performance in agriculture is related not only to price incentives but also to economic performance in the rest of the economy.

Third, *general tax policies must be reformed.* For example, customs duties on exports need to be replaced by other sources of revenue, such as value-added taxes and income taxes.

Finally, *income redistribution policies may be required* in countries where price reforms remove benefits from low-income families. The four requirements illustrate why price reforms are difficult to implement.

Additional Reading:

Kreuger, Ann, et al. *The Political Economy of Agricultural Price Intervention in Latin America.* San Francisco: ICS Press. 1992. Copies of the study are available from the International Center for Economic Growth, 243 Kearny Street, San Francisco, CA 94108. Fax 415 986-4878.

Seminar on Agricultural Policy Reform in Africa

On June 8, Bill Levine and Nick Kulibaba of Abt Associates presented a seminar in Washington on *Improving the Effectiveness of Agricultural Policy Reform in Africa.* They outlined findings from research conducted under APAP II on the process of agricultural policy reform in seven African countries: Cameroon, Côte d'Ivoire, Ghana, Madagascar, Mali, Malawi, and Zambia. The research was funded by USAID's Bureau for Africa. In their overview, Levine and Kulibaba illustrated the importance of taking account of the behavior and effectiveness of political actors and institutions. They also discussed guidelines and training materials developed to help donors and host country officials address political and social factors during the reform process.

"The lessons may seem obvious," said Kulibaba. "But reform experience indicates that the lessons are not being applied."

USAID discussants Jerry Wolgin and Tom Olson indicated that the studies provide insight and practical guidance to Agency staff and could contribute to the policy reform process in Africa and elsewhere. Approximately 30 people from both inside and outside the Agency attended the seminar.

Additional Reading:

Kulibaba, Nicolas and Catherine Rielly. *Improving the Effectiveness of Agricultural Policy Reform In Africa: Synthesis.* APAP II Collaborative Research Report No. 360. September 1993. (CDIE Reference pending.)

Other reports are available for each of the seven country studies.

GATT Agreement...

(Continued from Page 4)

suggestions on the content of this publication or ask specific questions by contacting David Wilcock, APAP III Guidelines and Methods Advisor (fax: 301 652-3839 or Internet E-mail: David_Wilcock @dai.com).

Additional Reading:

Food and Agriculture Organization. *Uruguay Round Agreement: A Preliminary Assessment.* Rome: FAO Commodities and Trade Division, March 1994.

U.S. Department of Agriculture. *Agricultural Provisions of the Uruguay Round.* Washington, D.C., January 1994.

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See article on page 1 for details.

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APAP III
NEWSBRIEFS

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APAP III Assists Policy Reform in Malawi

APAP is playing a central role in supporting USAID efforts to liberalize Malawi's agricultural economy. In the process, an economy characterized by pervasive governmental control is being replaced by one directed by market forces. In spite of its reputation for promoting successful economic policies, Malawi's economy is highly regulated, with profitable agricultural activities closed to most of its own population. Malawi also remains one of the poorest countries in the world.

Policy Reforms to Increase Equity and Efficiency

A major policy reform effort began in late 1991 under the USAID-supported Agricultural Sector Assistance Program (ASAP). In the spring of 1994, an APAP team led by Scott Simons of Development Alternatives coordinated and developed a package of policy adjustments with the Government of Malawi, the private sector, and donors.

Policy reforms focused on increasing equity and efficiency in Malawi's agriculture sector through liberalization of agricultural output and input markets, and the reform of agricultural institutions. Until recently, restrictive production and marketing quota systems denied smallholders considerable earnings from growing cash crops. Cash crop benefits went instead to elite estate owners and government parastatals. ASAP reforms redirect government policies, giving opportunities to the small farm sector

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APAP III Begins Work on Senegal Rice Policy Reform

In February 1994, USAID/ Senegal signed an agreement with the Government of Senegal to assist in liberalizing rice importing, marketing, and pricing. The Rice Sector Adjustment Program (RSAP) will improve agricultural policy analysis capacity and provide technical assistance and commodities to the Ministry of Agriculture's Agricultural Policy Unit. APAP sent a three-person team to Senegal last December to initiate technical assistance in policy analysis and staff training.

For the past twenty years, Senegal has faced a classic food policy dilemma, that of juggling diametrically opposed consumer and producer interests. By standard measures of comparative advantage, much of the rice produced in Senegal is not competitive, particularly since the type of rice that dominates the market (100 percent broken) is generally the cheapest on international markets. However, the Government of Senegal and the donor community have invested massively in the Senegal river valley for two decades, creating new irrigated land.

In order to encourage domestic production of rice, official paddy prices were kept fairly high in world price terms. At the same time, consumer prices were fixed at levels far above the CIF (cost, insurance, and freight) price. The government used subsidies to maintain pan-territorial and pan-seasonal pricing on all imported rice and about 50 percent of the domestic rice harvest. A portion of the very high protective tariffs went to assist some consumers and domestic rice producers through a set of cumbersome and inefficient cross-subsidies.

During the past decade, the overvaluation of the CFA (until January 1994) contributed to widening the price gap between the CIF and producer paddy prices. Politically, the situation seemed acceptable because the tariff margins were large, providing revenue for subsidies, economic rents, contributions to the government's budget, and contributions to off-budget expenditures. The average marketing margin for both imported and domestic rice was far greater than it would be in a competitive market situation.

Measures to liberalize the rice subsector were proposed and avoided over a ten-year period until 1994, when the Government of Senegal agreed to the RSAP. This decision was spurred by the devaluation of the CFA, effectively doubling the cost of imported rice and eliminating the large tariff surpluses. The RSAP package contains three groups of reforms: progressive elimination of all government controls on rice prices; total withdrawal of state organizations from farm-level rice purchasing and milling; and drastic downsizing of the government's importing/ marketing organization, to end its active participation in Senegalese rice markets.

To assist the government in making these difficult changes, USAID agreed to provide substantial amounts of general bud-

(Continued on Page 8)

How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/EG/AFS.
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/EG/AFS).
3. Send PIO/T to G/EG/AFS indicating when services are required and what level of effort is required.
4. Finalize team and schedule after proposal is received from APAP III Contractor.

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Guidance for Comparative Advantage Analyses

As USAID missions help host governments integrate into rapidly developing world markets, comparative advantage is a key consideration. In a new APAP guide entitled *Guidelines on National Comparative Advantage and Agricultural Trade*, William Masters, assistant professor of agricultural economics at Purdue University, explains practical methods for conducting comparative advantage analyses.

"No country can afford to take its pattern of comparative advantage for granted," writes Masters. "Decision makers in national governments and international agencies must be aware of what factors determine that pattern, and be able to measure whether a particular program or project is consistent with national circumstances."

Masters defines comparative advantage as "an activity's marginal contribution to national income (social profits)," and competitiveness as an activity's "marginal contribution to the net income of its owner or manager (private profits)." (This is the same distinction that economists use to draw between the economic analysis of a project and the financial analysis.) Applying the concepts in project design or policy reform requires choices. How is comparative advantage to be measured? What data are relevant?

Most ways of measuring comparative advantage require large amounts of data and complex analyses. But policy makers may need information urgently to estimate the value of new investments or the consequences of policy changes. To address this need, Masters assesses a number of simplified measures of comparative advantage and compares them in terms of accuracy and significance.

Each of the simplified measures compares the costs and benefits of alternative activities, at market prices and current levels of social opportunity costs. The possible measures include indicators of policy effects and indicators of comparative advantage. Masters assesses three indicators of policy effects that all compare private benefits using actual market prices (often subject to change through policy changes) and social opportunity costs (essentially world prices). The nominal protection coefficient (NPC) focuses on particular products; the effective protection coefficient (EPC) compares net value added for all domestic factors; the producer subsidy equivalent (PSE) compares net producer income levels.

"No country can afford to take its pattern of comparative advantage for granted."

In addition, Masters assesses three indicators of comparative advantage that use the same data but different computational formulae: the net social profit per acre or per ton (NSP) of a project or activity corresponds to the total PSE, but includes social opportunity costs only; the domestic resource cost (DRC) and the social cost-benefit ratio (SCB) rank alternative activities in a unit-free, proportional way.

Masters concludes that, for most purposes, the social cost-benefit (SCB) ratio provides the most appropriate measure of comparative advantage. It allows very different activities to be compared across sectors and across countries, but relying on a single number can mask some of the underlying determinants. The Policy Analysis Matrix (PAM) provides a way to organize all the data needed to calculate PSEs, NSPs, DRCs, and SCBs, and make an activity's comparative advantage fully explicit.

In practical terms, it is also important to consider how comparative advantage analysis can best be carried out and by whom. Traditionally, many developing countries have used a single planning ministry to guide resource allocation in all sectors. This approach may have disadvantages for the agricultural sector where important price and non-price factors change continually. Assessing comparative advantage in agriculture requires daily access to information on the whole production chain, from input suppliers to farmers, processors, and traders.

Another practical problem is which data to use. "The real challenge of comparative analysis is in finding appropriate data," says Masters. "Everyone can use the ideas and formulae discussed in the guidelines, but actually measuring quantities and prices requires substantial background in data collection and analyses." There are no simple rules for estimating quantities and prices.

Finally, practitioners should use these analytical tools carefully, not as part of a simplistic approach to eliminating all government subsidies. "There is ample scope for national governments to improve economic performance by shifting to more cost-effective interventions," says Masters. "These include primarily steps to open international trade and provide more domestic public goods. Key public goods in agriculture include research and education to raise skill levels, market price information and regulation to maintain competitive pressure, and enforcement of grades and standards to inform consumers about product quality."

Additional Reading:

Masters, William A. *Guidelines on National Comparative Advantage and Agricultural Trade.* APAP III, forthcoming 1995.

Impacts of the GATT Uruguay Round

Editor's Note: In the last issue of Newsbriefs, we presented an overview of the main provisions of the agricultural agreement negotiated under the GATT Uruguay Round. In this and future issues, we present updates on how the provisions of the agricultural agreement and the emergence of the World Trade Organization affect key agricultural policy issues in developing countries.

In January 1995, the World Bank held a two-day conference to review initial evidence on the potential impacts of the GATT Uruguay Round final agreement (signed in Marrakech, Morocco in April 1994) on developing countries. Seventeen papers were presented by a multinational group of leading trade and development specialists. A number of important conclusions emerged from the presentations and debates.

Predictions for Increased Trade Flows

The top modelers of impacts on global trade in key commodities (mostly using highly complex, data-hungry Computable General Equilibrium or CGE models) agree on several trends. First, the aggregate increases in world agricultural trade attributable to the Uruguay Round will be smaller than originally predicted (but still in the order of $25 to $75 billion over ten years) because reforms in key sectors, such as agriculture, are less extensive than originally assumed. However, world trade will be accelerating substantially over the next ten years, with or without the GATT Uruguay Round. The key question for developing countries is how they can participate in this increased trade and benefit from economic growth stimulated by increased exports.

The lion's share of the increased trade will go to developed countries (European Union, North America, Japan, Australia, and New Zealand) which already control at least two-thirds of world trade. The next biggest chunk of benefits will go to the middle income *tigers* of Asia. Increases to trade in Latin America will be smaller. Finally, very small or zero gains will go to the countries of Sub-Saharan Africa.

The Uruguay Round will not lead to significant increases in global food prices because decreases in export subsidies and domestic tariff levels are smaller than expected. (Increases of 2 to 20 percent for different commodities had been predicted earlier.) This means that Uruguay Round agricultural trade reforms should have a neutral impact on food security in the poorest developing countries.

Strengths and Limitations of the Agricultural Agreement

The accomplishments of the agricultural agreement can be viewed both positively and negatively. On the positive side, this is the first time that the world trading community has been able to impose any multilateral restrictions on the conduct of agricultural trade. Now GATT member countries are obligated to convert all non-tariff barriers to tariffs ("tariffication") and state (or "bind" in the language of GATT) maximum possible levels for those tariffs that will be reduced over time. For many developing countries this exercise will highlight the cost of protectionist policies and may lead to additional reforms.

Other rules create a solid platform for additional multilateral trade reform and set out a clear blueprint for unilateral government change in agricultural trade policies. There are rules on minimum market access, on the amount agricultural exports that can be subsidized, and on the types of domestic subsidies to agriculture that are permissible. The ten-year phase-out of the Multi-Fiber Agreement will increase world trade in textiles and may have substantial impacts on specific developing countries that have or plan to diversify from agricultural production.

On the negative side, increases to world agricultural trade will be smaller than anticipated. One reason is *dirty tariffication*, the setting of new *bound* tariff ceilings at levels far above current applicable rates, thus ensuring the option of little real tariff reduction over time. By committing to very high tariff ceilings (maximum levels), countries can officially comply with requirements to reduce tariff ceilings while maintaining actual tariffs at or above previous levels.

Also, minimum access commitments will provide (with some notable exceptions) few new opportunities for developing countries to automatically expand their exports to protected markets. Finally, while trade and production-distorting export subsidies (mostly in the European Union and the United States) will be reduced, the reductions are far smaller than had been originally proposed. These limitations were foreseen by reformers as part of the long, slow process of trade reform. The key was to get the rules on the books. Much more significant reform levels can and will be negotiated in the future.

Impacts on Africa

Initially, analysts predicted that the agricultural agreement would have large negative consequences for Sub-Saharan Africa. Areas of concern were the negative impacts of higher food costs for net food importing countries and loss of market share in key agricultural exports. Now, with more complete information on what countries are

actually going to do, these dire predictions have been set aside.

World prices in widely-traded foodstuffs are not likely to increase just because of the Uruguay Round. African countries as a block are not likely to gain substantially from reductions in tariff barriers to their exports since most of those barriers (particularly in the European Union and in the United States) were already very low to begin with. As preferential quotas in the European Union are converted to tariffs, many African countries are likely to lose market share because they will have to compete with non-African exporters who will have access to the European market for the first time.

In preliminary analyses, five Sub-Saharan African countries are likely to suffer a 3 to 10 percent loss in export revenues to the European Union; some of this erosion may be made up through new export opportunities to other portions of the world. The big question is whether African exporters are flexible enough to take advantage of these changing patterns in world market opportunity.

Future Opportunities

For developing countries, a central message of the conference was that the biggest growth opportunities will come from actions to liberalize trade regimes and commodity-specific, domestic marketing policies. This must be done carefully. It may require collaboration between the state and a dynamic private sector (see article about Asian growth on page 8) or creative policy solutions (see article about price band policies on page 10).

Additional Reading:

A list of conference papers and single copies of papers presented are available from Nellie Artis at the World Bank, 1818 H. Street, N.W., Room 2-015, Washington, D.C. 20433, fax 202 676-1341. The conference, entitled The Uruguay Round and the Developing Economies, was held Jan. 26-27, 1995. Selected titles include: Goldin, Ian and Dominique van der Mensbrugghe, *Uruguay Round Reforms: Emphasizing Agricultural Reforms*; Harrold, Peter, *The Impact of the Uruguay Round in Africa: Much Ado about Nothing?*; Hathaway, Dale and Merlinda Ingco. *Agricultural Liberalization and the Uruguay Round.*

Democratic Initiatives and Agricultural Policy in Haiti

During a recent assignment in Haiti, an APAP III team consisting of Tracy Atwood (G/EG/AFS) and Bill Levine (Abt Associates) observed directly the linkages between democratic initiatives and economic growth. The team responded to a request from USAID/Port-au-Prince for assistance in developing an agricultural sector assessment and action plan for the Aristede government.

The potential for economic growth remains high. To maintain stability, democratic institutions and coherent agricultural policies must be established.

Major John Brown, who is responsible for the U.S. Army's Civic Action liaison with USAID, met with the APAP team and a Land Tenure Center team. Major Brown stressed the importance of developing effective agricultural policies and programs in order to stabilize and expand the United Nations' democratic governance initiatives. He invited the teams to join him in the field to meet with civic action units seeking to implement such initiatives.

The teams visited a U.S. military unit, part of the United Nations forces responsible for the Artibonite region. The region, known as the *rice bowl* of Haiti, has an irrigation system that has enabled farmers to harvest up to three rice crops a year. However, landownership in the region has been in dispute for many decades and has resulted in extensive violence among rival claimants.

Major Mark O'Neill commands U.S. troops in the Artibonite region. He stressed the need for the central and local governments to establish a physical presence in the region. Also needed are agricultural policy changes, improvements in markets and infrastructure, and actions to resolve Artibonite's longstanding land disputes. The potential for economic growth remains high. To maintain stability, democratic institutions and coherent agricultural policies must be established.

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Investing in Agricultural Development: A Win-Win Proposition

Editor's note: The following commentary is reprinted from IFPRI Report, a newsletter of the International Food Policy Research Institute, in Washington, D.C. The authors are Per Pinstrup-Andersen (director general of IFPRI), Rajul Pandya-Lorch (special assistant to the director's office), and Mattias Lundberg (research analyst).

As many developed countries including the United States, Canada, Germany, and Japan, seek to expand trade through exports, they need to take another look at Bangladesh, Ethiopia, and other developing countries. Developing countries make up the largest potential market in the world, but that potential must be developed. The poorer the country, the poorer the market. Research has conclusively shown that countries whose economies are growing import more goods and services, both agricultural and nonagricultural, thus creating employment and exporting opportunities for their trading partners. When governments invest in agricultural research and development, they are investing in economic growth and market expansion. Exporting countries, both developed and developing, stand to benefit tremendously from enhanced trading opportunities created by expanded markets in developing countries.

In order to grow, most low-income developing countries must develop their agriculture. Investment in agricultural research to develop improved technologies is essential for agricultural growth. Agricultural growth is strongly linked with growth in other sectors of the economy. In the past 20 years, the countries that achieved the most rapid agricultural growth also had the most economic growth, while the countries that experienced real declines in agriculture also experienced negative economic growth rates. Evidence from developing countries indicates that a one-dollar increase in income within agriculture creates incomes of more than a dollar in the rest of the economy.

The faster a country's economy grows, the more it imports. On average, between 1970-75 and 1986-91, countries whose economies were growing quickly imported nearly 40 percent more per capita than countries with slow economic growth. Countries with the most rapid growth rates in gross domestic product consistently imported more agricultural products than countries that grew relatively slowly—about 20 percent more in the early 1970s to about 75 percent more in the late 1980s. In addition, the time lag between a change in income and a corresponding change in imports is very short.

In the United States, for every US$1 billion in additional exports, over 21,000 jobs are created.

As incomes increase, most countries import more agricultural as well as nonagricultural products. IFPRI research on some 100 developing countries shows that during the 1970s and 1980s, only two countries experienced a decline in total imports when incomes increased, and only four a decline in agricultural imports.

Concerns of developed country farmers that support of developing-country agriculture will reduce export markets are misplaced. Countries with rapid agricultural growth import more agricultural products. An IFPRI study finds that 16 developing countries with the most rapid growth in staple food production between 1961 and 1979 doubled their net food imports. Countries with rapid agricultural growth between 1970 and 1980 increased agricultural imports by 47 percent. Increased per capita agricultural production in 65 developing countries during 1970-82 did not result in decreased agricultural imports. Moreover, assistance for international agricultural research for developing countries has transferred improvements in technology back to farmers in developed countries: for example, almost two-thirds of the wheat grown in the United States was developed by internationally funded agricultural research in developing countries.

Economic development and increased incomes also lead to changes in the kinds of goods imported because of changes in tastes and increased demand for better quality and more variety. There is increased demand, for instance, for higher-value foods such as wheat and livestock products, many of which have to be imported because not all countries are able to produce enough to meet demand. Imports of coarse grains for feed are rapidly growing in the developing world in response to increased demand for meat. And as incomes rise, individuals value time differently, leading them to demand more easily prepared and processed foods, many of which have to be imported.

As developing countries import more, they create jobs in the exporting countries. In the United States, for every US$1 billion in additional exports, over 21,000 jobs are created. For every $1 billion in additional farm exports, about 25,000 to 30,000 jobs are created.

Development aid for agriculture in general and agricultural research in particular is a win-win proposition. It helps developing countries grow while creating export markets for donor countries. Although donor countries may not be able to ensure that they will capture all the benefits from expanded export opportunities, development assistance builds commercial ties between donors and recipients, raising the likelihood that developing countries will buy their imports from the donor country.

New Lessons on Agricultural Development

In a speech last September, Hans Binswanger, senior policy advisor at the World Bank, reviewed agricultural development experience over the past 40 years. Speaking at the annual meeting of the Agricultural Economics Association of South Africa, Binswanger noted that in the 1950s, traditional smallholder agriculture "was considered to have almost no potential for development." The prevailing view was that farmers would not respond to economic incentives, that large farms were needed to achieve efficiency, and that the agricultural sector could provide both capital and labor for industrialization. Development theory held that by modernizing agriculture and facilitating urban growth, rural poverty would be reduced.

"These views have been thoroughly discredited by research," writes Binswanger. "Yet they also provided the ideological justification for patterns of agricultural policies and programs which have been highly detrimental to rural populations, especially the poor." The misguided policies included excessive agricultural taxation, urban bias in development expenditures, subsidies and tax privileges for the rural elite, land titling that eliminated the rights of previous occupants, and subsidies that protected producers in the developed world against international competition.

Countries differ greatly in the extent to which they adopted the misguided policies. Binswanger assessed numerous studies that elaborated country experience and found four broad patterns of development.

Patterns of Development

"A few countries which either did not use or abandoned the implied policy mixes early, such as Taiwan, Indonesia, Malaysia, Thailand, or China have had spectacular successes in agricultural growth and rural poverty reduction. Others such as India or Kenya, have abandoned parts, but not all of the implied policy prescriptions, but at least provided substantial support to their smallholder sectors. These countries have had acceptable rural growth rates and some rural poverty reduction."

"Others such as Brazil, Colombia or South Africa, have heavily subsidized their modernizing commercial farm sectors and experienced rapid agricultural modernization. In the process they have prematurely evicted workers from their agricultural sectors, only to find them piling up in rural and urban slums. Many countries where discredited policy recommendations have not been abandoned at all have experienced spectacular failures of agriculture to grow rapidly, as many African countries or Argentina, with catastrophic results for the rural poor."

Lessons

Binswanger concludes that broad professional consensus exists in a number of areas. This consensus suggests that the following lessons be applied to ongoing development efforts. First, avoid discriminating against agriculture in foreign exchange, trade, and taxation. (Tax agriculture in the same way that the urban economy is taxed.)

Second, to be economically efficient and to reduce both rural and urban poverty, work to create an open economy that is employment intensive and oriented toward smallholders.

Third, avoid actions that provide privileges or reduce competition in output, input, and credit markets. (Such actions are expensive for both consumers and taxpayers.)

Fourth, where land distribution is inequitable, engage in land reform efforts. "Constraining land rental and insisting on expropriation without compensation has a perverse impact on the rural poor," writes Binswanger. But research indicates that "centralized ministries or parastatal bureaucracies are not good at implementing land reforms."

Fifth, invest in the economic and social infrastructure of rural areas and in health, education and farm support programs. "Concentrating these investments into urban areas is not less costly and misses an important opportunity," continues Binswanger.

Sixth, mobilize the rural population to participate in development by decentralizing administrative, fiscal, and political systems, and involving the private sector. "A special effort is required in the design of decentralized mechanisms so that the poor can effectively participate," writes Binswanger. "Otherwise rural elites of any color will appropriate most of the benefits of the rural development programs."

"These lessons have been acquired with much pain for poor and nonpoor citizens of the developing world," concludes Binswanger. "They have been synthesized with much effort.... They can only be ignored at a high social cost—for economic growth, for the fiscal balance, for the environment, for the rural and urban poor, and for social peace."

Additional Reading:

Hans P. Binswanger. *Agricultural and Rural Development: Painful Lessons.* Simon Brandt Address to the Agricultural Economics Association of South Africa, Pretoria, South Africa, September 21, 1994.

The Dynamics of Rapid Asian Development Reappraised

Korea, Taiwan, Singapore and Hong Kong have often been cited as development success stories. Their high rates of economic growth and enormous increases in manufactured exports provide a model that other nations want to emulate.

Originally, analysts attributed the success of the four countries to the liberalization of trade and the reform of exchange rates. But a recent review of development experience suggests a broader explanation. In a paper published by the Organization for Economic Cooperation and Development (OECD), Colin Bradford, Jr., (currently Assistant to the Administrator, Bureau for Policy and Program Coordination and Chief Economist, USAID), examines data over the past 30 years and finds that the public policies that supported export strategies have been underestimated or ignored.

"The widely accepted explanation of East Asian growth as being trade and market driven derived from a standard theoretical formulation which assumed that competitive labour, capital and good markets were fully operative in East Asia," writes Bradford. "This formulation argued that using trade liberalization to align domestic market prices with world market prices would achieve efficiency in resource utilization." By allowing the country to pay less for imported goods, resources and income would be released for additional production, both domestic and export. Reforms in the exchange rate would create equal incentives to produce import substitution goods and exportables. If markets were competitive, these conditions would generate a growth in exports.

"The alternative explanation...," continues Bradford, "assumes that disequilibrium and imperfect competitive conditions prevail in labour, capital and goods markets. The role of government policies was not only to compensate for those distortions but to bias incentives towards exports." Government policies encouraged investments in export industries, permitting economies of scale and productivity changes. As a result, industries focused on increasing their outputs and world market share. Thus, the pattern was one of "growth-driven trade," rather than "trade-driven growth."

Bradford identifies three non-economic dimensions that facilitated this pattern. First, perceived threats to national security enhanced the political commitments of governments and promoted mobilization towards economic goals. Second, the national political leadership, the civil service, the private sector and the polity worked together, with common priorities. Third, the cultural emphasis on the group over the individual supported collaboration and consensus.

Technology also played a role in economic change. For example, the governments in Korea and Taiwan maintained deliberate strategies to upgrade technological capacities and incorporate improved technology in selected industries.

In efforts to understand the development process, the economic literature has moved from a focus on trade liberalization and exchange rate reform (late 1970s to mid-1980s), to an emphasis on macroeconomic and industrial policies (mid to late 1980s), to the current focus on microeconomic factors and technological innovation. Bradford concludes that the paradigms of the past are less useful than a systemic approach to policy. Both micro and macro policies are important. Both markets and governments have roles to play. Human and institutional factors are involved also. Rather than adopt a model from other countries, policy makers must selectively address the elements that appear most applicable to their particular setting.

Additional Reading:

Bradford, Colin I., Jr. *From Trade-Driven Growth to Growth-Driven Trade: Reappraising the East Asian Development Experience.* Paris: OECD, 1993.

APAP III Begins Work on Senegal Rice Policy Reform

(Continued from Page 2)

getary support and technical assistance to the Ministry of Agriculture. A joint team from the Ministry's Agricultural Policy Unit and APAP refined plans for the first two years of assistance.

Technical assistance will be provided in five areas: 1) verification and documentation that policy conditions have been met; 2) monitoring the impacts of the reforms on consumers, producers, market channel participants, and evaluating the overall reform effort; 3) conducting complementary special studies on key policy issues in the subsector (for example, the appropriate scale of rice milling technology and options on border protection measures); 4) providing staff in the Ministry's Agricultural Policy Unit with a set of training seminars, focused on the rice reform program, but illustrating general agricultural policy analysis techniques; and 5) assisting in the design and production of a variety of information packages or media events to explain the changes and the opportunities they bring to different stakeholders.

Additional Reading:

Wilcock, David et al. *Senegal Rice Policy Reform Situation Report.* APAP III, February 1995.

A Role for Policy Change in the Sahel

The facts are well known. During the past 40 years, the Sahelian population has increased rapidly (from 18 million in 1950 to more than 40 million in the early 1990s). Traditional production systems have failed to keep pace with growing populations. Environmental resources are being depleted at an alarming rate.

Recently, a team of experts undertook a detailed examination of the population, environment and development nexus in the Sahel. The multidisciplinary, multinational team (Nexus), sponsored by Club du Sahel and CILSS reviewed dozens of research papers and drew on the more than 20 years of Sahelian experience of senior team members to achieve a broad understanding of existing trends and their implications. Their findings illustrate the complexities of sustainable development and the importance of managing policy changes affecting both agriculture and natural resources management.

During the next 30 years, the Sahelian population will grow from its current level of 45 million to about 100 million. This level of growth is inevitable, even if fertility is reduced, because the next generation of women who will have children is already born. During the same period of time, more and more people (projections suggest 50 percent) will become urban dwellers. This transition will call for new systems of production.

"Subsistence agriculture is not viable in the long-term," said Asif Shaikh, President of International Resources Group and team leader for Nexus. "Programs and technologies to protect agricultural lands will buy time, but farmers must use external inputs to make production sustainable. Since the use of external inputs requires participation in the cash economy, the basic rationale of rural production is changing—from subsistence production to investment in agriculture, from self-sufficiency to commercial exchange, from extensive land use to intensive management."

"Right now these changes are occurring unevenly," continued Shaikh. "Some farmers are building contour dikes or using fertilizer as an important step toward commercial agriculture. Others are improving natural resources management as a way to build capital so they can move out of agriculture. In areas where some land has been improved and some has not, conflicts over resource access and control are rising. Public policy can do a lot to promote equal access and opportunity."

Transitions in rural areas are intimately linked to transitions in urban areas. Where will the resources to support increased populations come from? Where will the jobs for urban dwellers come from? There are glimmers of hope in the informal sector, but levels of productive employment in urban areas are not keeping pace. "Lack of economic opportunity breeds frustration," explained Shaikh. "Political instability may be the greatest threat to development and the environment."

USAID support for policy reform provides the incentive for governments to act.

Development budgets in the Sahel are highly dependent on donor funding. In Niger, for example, donors provide more than 96 percent of the funding for the Ministry of Agriculture. An enormous number of individual donor projects exists, but each operates individually. An overall strategy is needed to ensure that development resources are being allocated to strategic priorities and to communicate consistent incentives to rural populations.

In addition to protecting endangered resources in the short run, development efforts must also address the causes of resource degradation. Some projects are doing this. In Madagascar, Niger, and The Gambia, for example, USAID is supporting basic reforms in policies that affect resource use incentives. USAID support for policy reform provides the incentive for governments to act. Eventually, the reforms themselves generate increased government revenue. The challenge is to manage the process of change; the recipe for doing so is still being written.

Additional Reading:

Shaikh, Asif and Serge Snrech. *Managing Change: The Population, Environment and Development Nexus in the Sahel.* Washington, D.C.: International Resources Group, 1993.

In Memory of William Goodwin

On November 30, 1994, Dr. William R. (Billy) Goodwin passed away less than two weeks before his 49th birthday. Bill was the Project Officer for the final months of APAP I and the first two years of APAP II. Like everything he engaged in, his period of stewardship of APAP II was remarkable for his commitment, breadth of ideas, and unflagging optimism. He will be deeply missed by all who knew him.

Bill is survived by his wife Diedre and three children. A memorial fund has been created to assist the family and provide a trust for his children's college education. Those wishing to contribute can address checks made out to the William R. Goodwin Memorial Fund, Acct. # 221307000, at the Lafayette Federal Credit Union, 3535 University Blvd. West, Kensington, MD 20895.

APAP III Developing Guidelines for Food Security Policy Inventories

Food security remains a key issue in many developing countries. Under its core program, APAP III is developing a guideline on conducting food security policy inventories. An inventory-based analysis helps missions and host-country governments understand the full spectrum of factors that affect food security by answering several questions, including:

- Which policies improve or worsen food security?
- What are the main impacts of these policies?
- Which policies should have priority for reform or further research?

USAID missions are involved in many developmental efforts that affect food security, including macroeconomic and agricultural policy reform, development of analytical capability, investment promotion, food aid and commodity imports, training, agricultural research, and construction of infrastructure. Both agricultural projects and policy reforms can have major impacts on food security.

The heart of the inventory analysis is a compilation on relevant policies. Each policy statement includes: formulating institution; implementing institution; policy group (e.g., fiscal, financial, trade); intended scope of policy (e.g., economy-wide, sectoral); statement of policy; differences between intended policy and implementation; impact of policy on food security; suggested alternatives to existing policy; and suggested further research. A summary of the relevant policies is often organized in a matrix (by policy group and scope of the policy) for convenience.

A food security inventory covers all policies that have a significant effect on food security. Usually it covers a broad range of policies, but it may target particular issues, for example, regions or subsectors. Similarly, the inventory may focus on specific aspects of food security like production, consumption, or self-sufficiency. A key output of the inventory exercise is a preliminary assessment of the impacts of the policies studied.

Conducting a policy inventory provides an excellent opportunity to consult with individuals who will be affected by interventions or reforms and whose support may be needed for their accomplishment. By involving local consultants, the exercise can build analytical capacity and glean insights on what people know about policies and their day-to-day impacts. Thus, a policy inventory can provide the foundation for constructive food policy analysis and policy reform.

The guidelines will be completed by October 1995. Requests for assistance in conducting a food policy inventory should be directed to David Schroder, APAP III Project Officer in the Global Bureau. Technical questions may be sent directly to Bill Levine or Gary Ender at Abt Associates (Internet: bill_levine@abtassoc.com or gary_ender@abtassoc.com).

Price Band Policies in Latin America

Several Latin American countries have initiated price band policies to stabilize domestic prices of cereals and to protect the domestic farm sector from large international price swings. Chile introduced price bands in 1984; other countries used Chile's experience as a model for price band policies introduced during the early 1990s. This Latin American experience is particularly relevant in an era of agricultural trade reform because the elimination of quantitative restrictions and variable levies under the GATT Uruguay Round will open domestic markets to potentially destabilizing swings in world market prices.

Establishing a price band involves setting a floor and ceiling price for a commodity and arranging for import duties to vary so that import prices fall within that band. For example, when the import price falls below the band floor, additional tariffs are levied; conversely, when the import price exceeds the band ceiling, tariffs are reduced. No action is needed when the import price falls within the band.

Price bands have become part of the process of creating regional free trade blocs that maintain comparable domestic farm prices and external tariffs. For example, Guatemala, El Salvador, and Honduras agreed to coordinate price band policies in 1991. Later, Nicaragua and Costa Rica joined this agreement.

To calculate band prices for widely-traded commodities, analysts use the spot prices on major international reference markets, such as the Kansas City or Chicago Boards of Trade. For example, Venezuela collects 60 monthly average prices, eliminates the 15 highs and the 15 lows, and averages the remaining 30 observations to obtain a "stabilized long-term average price." This stabilized price, minus a value equal to one standard deviation, plus the value of freight and other costs, becomes the floor price. Other countries use slightly different methods; for example, Peru does not eliminate the extreme prices in making its calculations.

"The ultimate goals of price band policies could be to increase production and raise farm incomes," writes Ramesh Sharma, Commodity Policy Specialist at the Food and Agriculture Organization. But the stabilizing influence of price band policies is difficult to isolate and very few studies have attempted to assess their impact. In Central America, price band policies appear to have stabilized the relative prices of individual grains. But a change has occurred in the mixing of grains for animal feed; maize and sorghum

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APAP III Assists Policy Reform in Malawi

(Continued from Page 1)

and providing assistance for these farmers to succeed as business entities.

Also, ASAP reforms aim to remove regulations that prevent private traders from participating in agricultural marketing. A third area of focus is institutions. ASAP reforms propose to reorient parastatals so they concentrate on social activities and spin off commercial functions for competition within the private sector.

Consensus in a New Democracy

Although Malawi's first open democratic elections in May of 1994 led to a change of government, the liberalization agenda in agricultural policy remained largely unaffected. Implementation was slowed as the new government settled in. The delay threatened several key reforms targeted to effect the agricultural season beginning in late 1994. In October and November 1994, Scott Simons returned to Malawi to address these constraints.

One example was expansion of the intermediate buyers program (IBP) for Malawi's tobacco exports. IBP helps to break control of lucrative cash crop exports by privileged estates and parastatals so that benefits can be distributed more widely to small farm producers. Under IBP, intermediate buyers are permitted to purchase tobacco from small producers and perform market intermediary functions of initial processing, aggregation, transport, and sale. Negotiations led the government and the private sector to address numerous concerns. In addition, affected parties worked to draft revised regulations that were adopted and implemented by the government.

Policy changes for liberalizing fertilizer distribution had also reached an impasse. Devaluations of the Malawian currency (kwacha) affected both the value and replacement costs of current fertilizer stocks. Also, ambiguity existed over the changing roles of parastatals and private sector distributors. Simons consulted with government and parastatal officials and made recommendations for addressing fertilizer stock issues and liberalizing fertilizer distribution regulations. Liberalization recommendations were quickly implemented and stock issues are being studied in preparation for upcoming replacement purchases of fertilizer.

Implementation of Policy Reforms

Achieving the full impact of reform requires a sustained focus on reform objectives and attention to building and maintaining consensus among key players. USAID/Malawi is working through APAP to provide this focus over the next several years.

USAID and the Government of Malawi will establish an Economic Policy Support Unit that will coordinate implementation of the ASAP reform program and ensure that the complex and sensitive policy agenda stays on track. In order to work effectively with private sector groups, numerous government ministries, and various donor organizations, the unit will be based outside of both government and donor facilities. Senior counterparts from private sector, government, and donor organizations will coordinate with the unit.

APAP III will provide a senior agricultural economist to work in the unit and expert consultants for specialized studies. Analytical tasks of the unit will be to refine and revise specific policies to address overall reform objectives within the evolving economic and political environment of Malawi. The ultimate responsibility of the unit will be to develop consensus among important players in Malawi in order to ensure that reforms are implemented expeditiously. The unit will also monitor progress toward liberalization and collect data for assessing impacts of reforms.

Additional Reading:

Simons, Scott, B. Longy, A. Maurer, V. Vantreese, and G. Olney. *Analysis of Policy Options and Impacts for Phase II of the Agricultural Sector Assistance Program*, APAP III, April 1994.

Price Band Policies in Latin America

(Continued from Page 10)

(protected by price bands) have been largely replaced in animal rations by wheat, which has not been subject to a price band.

During times of transition, when economies are being liberalized, price bands may serve a vital role. Sharma believes price band policies will continue to be used. In his view, "it is important that the rules be made more automatic, transparent, consistent, and less distortionary to commodities and/or industries not directly addressed by them."

Additional Reading:

Sharma, Ramesh P. "Price Band Policy in Latin America." *Cereal Policies Review 1993-94.* Rome: Food and Agriculture Organization, Commodities and Trade Division, 1994.

APAP Bibliography Available

A new bibliography presents selected publications produced since APAP began in 1983. Included are technical papers, collaborative research reports, methods and guidelines representing APAP's work in more than 30 countries around the globe. Most publications can be ordered from USAID (using the reference numbers provided). Recent publications are available from Abt Associates at a cost of $12. per volume.

The nine-page bibliography is available electronically. Send Internet e-mail requests to: apap3@abtassoc.com

Seminar on Egypt's Agricultural Policies

In 1994, under a buy-in with USAID/Cairo, an APAP III team assessed the impact of Egypt's policy environment on agricultural services and industries. Field work involved an extensive review of secondary materials, including laws and regulations, and interviews with entrepreneurs and policymakers. Gary Ender, team leader, presented an overview of the findings in a seminar in Washington in November.

"Understanding the policy environment is an important first step in organizing complex information about economic and agricultural policies," reported Ender. "The agricultural policy inventory method enabled us to summarize policies and assess how they affect employment, trade, investment, and technology transfer in agricultural enterprises. Our work was part of a larger effort by USAID/Cairo to work with the Government of Egypt on a range of activities related to agricultural services and industries."

One of Egypt's most pressing problems is employment. Although the government has changed its policy of guaranteeing employment to all university graduates, government offices and public enterprises remain overstaffed. Conditions of employment in the public sector set a tone that affects the private sector too, decreasing labor productivity and hampering economic growth.

Laws restricting the hiring and firing of employees discourage entrepreneurs from making new investments and acquiring new technology. "The objective of the laws is to protect workers' rights," noted Ender. "But the result is unemployment." Removing the restrictions could create jobs and stimulate economic growth.

The APAP team found that many important pricing reforms have been made (including the liberalization of the exchange rate), but other policies are constraining progress. USAID/Cairo and the Government of Egypt are currently reviewing the team's numerous recommendations for improving the policy environment for agroservices and agroindustries.

Additional Reading:

Ender, Gary, et al. *An Assessment of Policies Affecting Agribusiness in Egypt Using the Agribusiness Policy Inventory Method.* 1994.

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APAP III
NEWSBRIEFS

Agricultural Policy Analysis Project ● Phase III ● Sponsored by United States Agency for International Development (USAID), Bureau for Global Projects, Field Support and Research, Center for Economic Growth, Office of Agriculture and Food Security (G/EG/AFS)

APAP III Plans Agricultural Policy Reform Workshops

The Africa Bureau has asked APAP III to implement a number of two-day workshops for USAID Mission staff, host-country nationals and counterpart policy analysts and decision makers. The workshops are an outgrowth of a series of case studies that were funded by the Africa Bureau's Office of Sustainable Development (AFR/SD/PSGE). The case studies, entitled *Improving the Effectiveness of Agricultural Sector Policy Reform in Africa*, were completed under APAP II.

One objective of the workshops is to improve understanding of the political and sociocultural factors that contribute to the success or failure of agricultural policy reforms in Africa. A second objective is to develop a set of guidelines and materials that enhance the ability of donors and host country officials to design and implement agricultural policy and institutional reform projects.

Three workshops are planned, one each in western, eastern and southern Africa. AFR/SD/PSGE will cover the costs of the training staff, tuition and materials. USAID Missions will be expected to cover travel and per diem expenses of participants.

Each workshop will have a maximum of 20 participants—USAID staff, including foreign-service nationals, host country counterparts, and selected technical assistance team members who are working on policy reform efforts. The training will be conducted by Dr. William T. Levine, APAP III Project Director and Mr. Charles J.D. Stathacos, Senior Associate, Abt Associates, Inc. Both have extensive training experience and participated in the case studies.

To receive further information when it becomes available, please send an email to APAP III (apap3@abtassoc.com).

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Agricultural Growth Multipliers In Africa

To what extent can increases in African farm income generate additional economic growth? A study organized by Chris Delgado at the International Food Policy Research Institute (IFPRI) set out to answer that question for four countries in Africa—Burkina Faso, Niger, Senegal and Zambia. The general objective was to help policymakers understand the linkages between agricultural and nonagricultural sectors of the economy so they can take actions to stimulate and sustain economic growth.

"The IFPRI study quantifies the economy-wide impact of an increase in farm income," explained Valerie Kelly, the principal researcher for Senegal. Other researchers were Chris Delgado for Burkina Faso, Jane Hopkins for Niger, and Peter Hazell for Zambia. Each country study draws on detailed sets of expenditure data collected by different IFPRI projects. The studies were conducted in collaboration with local research institutes in each of the countries studied.

The IFPRI study estimated growth multipliers using a fixed price semi input/output model that explicitly modeled household consumption and intermediate input demand relationships across different sectors of the economy. The estimated multipliers indicate how much additional net income growth can be generated in a particular locality by net new production of local goods and services following an external stimulus that increases farm income.

The analysis examined the expenditure patterns of rural households, particularly the share of expenditure allocated to locally-produced (nontraded) and imported or exported (traded) goods. The model assumes that demand is constrained by low incomes. If incomes increase (bringing new money into the economy) and demand for local goods increases, then underutilized resources (for example, local labor) are brought into production to generate additional economic growth.

"Results show that African growth multipliers are larger than previously thought," said Kelly. "Past estimates of growth multipliers for Africa have been in the 1.3 to 1.6 range. The IFPRI study found growth multipliers in the range between 2 and 3." The analyses show that a large share of incremental income is spent on locally-produced, nontradable goods and services (67 percent in Burkina Faso and Zambia, 47 percent in Niger, and 25 percent in Senegal). Included are expenditures for nontradable foods, such as fresh meat, vegetables, and dairy products.

The data sets used were more detailed than those used in former studies. In addition, some of the assumptions used in the past to classify goods into tradables and nontradables were changed to better reflect African realities. For example, growth linkages work in Asia considered basic foods such as wheat and rice to be tradables; in Africa, the principal cereals, millet and sorghum, are not traded internationally, and are therefore more appropriately classified as nontradables.

The study suggests that

(Continued on Page 9)

How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/EG/AFS.
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/EG/AFS).
3. Send PIO/T to G/EG/AFS indicating when services are required and what level of effort is required.
4. Finalize team and schedule after proposal is received from APAP III Contractor.

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APAP Assists the Government of Macedonia

In June and July 1995, an APAP team traveled to the Former Yugoslav Republic of Macedonia to assist the government in developing a new policy framework. Their work was part of the preparatory work for a proposed World Bank project to support private farmers.

Agriculture was the only growth sector in Macedonia in 1994 and its role is extremely important. The government is beginning the transition to a market economy and working towards the integration of its agricultural policy within Europe and the World Trade Organization (WTO). Currently, Macedonia is restricted by the United Nations sanctions against Serbia, one of its largest trading partners, and the Greek-imposed blockade that prevents access to a deep water sea port.

The APAP team included Ismael Ouedraogo, Abt Associates, Inc., and Christopher Shaw, Associates for International Resources and Development. They gathered data and conducted analyses on six commodities — wheat, sunflower seed, sugarbeet, fluid milk, fertilizer and table grapes.

Key analytical tools used in the study were the nominal protection coefficient (NPC) and the producer subsidy equivalent (PSE). The NPC estimates the level of protection of domestic producers of a given commodity by comparing domestic producer prices with border prices. The PSE estimates the payment required to compensate producers of a particular commodity for the loss of income resulting from the removal of a given package of policy measures.

The team found high NPCs for wheat (2.18), milk (1.77), cheese (2.88-3.91), sugarbeet (1.71) and fertilizer (1.24), indicating a high level of protection. NPCs were negative for sunflower seed (0.44) and raw sunflower oil (0.71), indicating that sunflower production is competitive relative to world markets. NPCs could not be calculated for table grapes, but a pattern of successful exports suggests that they are competitive on world markets.

PSEs for wheat were larger than those of the European Free Trade Association, the European Union or the United States. PSEs for milk and sunflower seed were lower. This means that the general level of subsidies and protection is relatively high for wheat and relatively low for milk and sunflower seed.

The team recommended that the current level of protection be brought down gradually to levels that render Macedonian agriculture competitive in world markets. Guaranteed prices based on cost of production should be eliminated, but farmers still need price signals to guide production decisions. An effective market information system is needed. Until it is developed, the government should provide reference prices based on a moving average of world parity prices.

The team recommended that the government revise the trade regime to comply with WTO requirements. Import quotas, variable levies and export subsidies should be converted to tariffs, or preferably phased out to promote competitiveness in agricultural production.

The government's current agricultural strategy calls for 100 percent food self-sufficiency. The team recommended that the cost considerations of food self-sufficiency be assessed (particularly for wheat), to allow the country to benefit from the production of commodities of low unit cost and from agricultural exports.

Currently, the government of Macedonia gathers social sector information routinely, but has little information on the private sector, especially private farms. The team recommended that the government conduct a statistical survey to provide baseline data on agricultural production and socioeconomic variables in the private sector and determine long-term agricultural comparative advantage. Promising commodities include livestock and early season fruits and vegetables.

Additional Reading:

Ouedraogo, Ismael S. and Christopher L. Shaw. *Agricultural Subsidies and Protection for Selected Commodities in the Former Yugoslav Republic of Macedonia.* APAP III, forthcoming 1995.

Lessons on Agricultural Policy Trade Reforms

With the establishment of the World Trade Organization (WTO), the rules for agricultural trade have changed. By reducing subsidies to domestic production and exports, the new rules allow comparative advantage to determine production and trade patterns.

In a keynote address to the Agricultural Policy Conference in Cairo in March 1995, John Mellor, President, John Mellor Associates, Inc., identified four subsidies that are still allowed and that have implications for the comparative advantage of developing countries. They are investments in technology generation and application, income transfer payments to farmers, food aid, and payments to assist in developing health and sanitation regulations.

Technology

The World Trade Organization (WTO) places no restrictions on investments in research to improve technology. In developing countries, even modest investments in adaptive research can have substantial multiplier effects. Similarly, investments to improve the institutional environment for research can enhance the productivity of scientists and investments in setting clear priorities can ensure that research dollars are focused in areas that promote a country's comparative advantage. Investments in infrastructure and rural transport can benefit specialization and trade, reducing the costs of agricultural production.

Income Transfers

Although production subsidies are not allowed under the WTO, direct income payments may be made to farmers. Income transfers can be used to help keep labor in agriculture and slow the movement of resources out of agriculture.

Food Aid

Food aid, a form of export subsidy that is allowed under the WTO, has obvious humanitarian benefits. Industrialized countries may allocate cereals surpluses to food aid, thus helping to keep cereals prices in developing countries relatively low. (Food aid also reduces farmers' incomes.)

Health Regulations

In order to take advantage of new trade opportunities, health and sanitation regulations must be met. As the WTO addresses such issues, rules of behavior and appeal will be elaborated. These rules will be very important to all countries, By investing in related improvements in the agricultural research system and the public sector regulatory system, developing countries can contribute to both the definition and the implementation of health and sanitation regulations and ensure that they are adequate, fair and enforceable.

Lessons

Mellor concluded his paper with a reference to developing countries where policy reform has been implemented successfully. Three characteristics are prominent. First, countries with high agricultural growth rates have economies that are open to trade. Their openness facilitates specialization and improves their ability to exercise comparative advantage. Second, successful countries specialize in exporting a small number of commodities. They benefit from economies of scale. Third, countries with high agricultural growth rates have strong agricultural research systems, strong public sector support systems, and strong investment in rural infrastructure. These strengths provide the basic engines of growth, reduce transaction costs, and improve comparative advantage.

Additional Reading:

Mellor, John. *Lessons on Agricultural Policy Trade Reforms in the Developing and Industrialized Economies.* Paper presented at Agricultural Policy Conference, "Taking Stock: Eight Years of Egyptian Agricultural Policy Reforms," March 26-28, 1995.

Food Security, Food Aid, and the Policy Environment for Agribusiness

The Government of Haiti faces a question common to many developing countries: how can food security needs be addressed in the short run (to ensure the survival of both the government and the population) while moving forward with long-term development? A supplementary report to the Haiti agribusiness assessment conducted by APAP III (see page 5) examines this question.

In the short run, donors are helping to address Haiti's immediate food security needs by providing food aid. This short-term solution may undermine long-term development initiatives and sustainable food security in three ways. First, food aid may substitute for locally-produced food in regional markets, reducing farmers' incomes and incentives to produce.

Second, the continuous provision of food aid may change consumption patterns, increasing the demand for imported food and decreasing the demand for traditional, locally-produced food. For example, in Haiti, over the past three decades, the number of calories per person coming from imported wheat has risen. Food aid facilitated this change in food preferences and food aid continues to provide wheat products that Haitians cannot afford to import commercially.

Third, food aid creates uncertainties that complicate the management of agribusinesses. Planning is difficult when agribusinesses are unable to find out when food aid shipments will arrive in-country, what commodities will be provided, or what target areas will receive the shipments.

Over time, food aid must be phased down and Haitian food security policy must promote both increased productivity in agriculture and growth in agribusiness exports. Agribusiness may be the engine of Haiti's development. When agribusinesses process, export or market domestically the products that Haitian farmers produce, they provide increased incomes for Haiti's farmers and new employment opportunities for Haiti's people. Understanding this connection helps donors and the Government of Haiti to plan for the long run and to put in place food security policies that foster agribusiness development, strengthen markets, and increase agricultural productivity.

Additional Reading:

Abbott, Richard et al. *Haiti Agribusiness Assessment, Volume II Supplementary Reports.* APAP III, 1995.

APAP Conducts Agribusiness Sector Assessment in Haiti

In March 1995, an APAP team conducted an agribusiness sector assessment in Haiti. Working closely with the Economic Growth Office of USAID/Haiti, the eight-person team developed an action plan to address constraints in the agribusiness sector.

"Export-oriented agribusinesses offer the opportunity to generate both employment and income in Haiti," said Richard Abbott, team leader. "Agriculture employs nearly 70 percent of the work force, but incomes are low. Increased exports could increase incomes in rural areas and stimulate local economies."

In the late 1980s, about 60 firms were exporting or processing agricultural products in Haiti. But from 1991-1993, the Organization of American States imposed an embargo that severely restricted imports and exports. "The embargo deprived Haiti of both the markets for its agricultural goods and the inputs needed to produce them," continued Abbott. "Some agribusiness companies survived by going into other lines of business. Others ceased operating or continued operations at reduced levels. We reviewed the existing constraints and proposed several interventions for USAID or other donors to consider." The interventions called for recapitalizing Haitian agribusiness, strengthening foreign trade and investment, and increasing credit and extension services to farmers.

Recapitalizing Haitian Agribusiness

The APAP team recommended that donors provide up to $5 million in grant or loan funds to establish an operating capital loan program. The program would provide loans over a 12-24 month period to enable experienced agro-industrial firms to increase their level of activity. Potential beneficiaries include exporters (of mango, sisal, vegetables and ornamental plants), animal feed manufacturers, poultry processors (for local markets) and importers and distributors of agricultural inputs.

To increase imports of inputs needed to expand agribusinesses, the team recommended that USAID enter into an agreement with the ExIm bank to guarantee a fixed percentage of the risk of non-payment by Haitian importers for U.S. goods. Guarantees would apply for inputs such as fertilizer, agricultural chemicals, machinery and vehicles.

Since loan officers in Haiti's commercial banks and financial institutions have never been trained to evaluate loans for agribusinesses, they are reluctant to invest in agricultural enterprises. The team recommended that banking consultants provide training to increase their capacity to do agricultural lending.

Strengthening Foreign Trade and Investment Linkages

The team recommended that donors support the creation of a trade and investment promotion unit. The unit would provide a clearinghouse for information on Haitian agribusiness enterprises and investment opportunities, a point of contact for foreign business persons visiting Haiti, and advocacy assistance on issues relevant to agribusiness. The unit could also serve as a focal point for efforts to establish or strengthen trade associations.

To encourage U.S.-Haiti joint ventures, the team recommended that USAID provide grants to investors who demonstrate a long-term commitment to Haitian agribusiness. The grants would reduce the costs of overcoming constraints. Examples include grants to help introduce improved seed, to improve the delivery of crops to processors, or to organize a credit system for retailers of agricultural inputs.

Increasing Credit and Extension Services to Farmers

Haiti's four main dealers in fertilizer, seeds and agricultural chemicals operate a distribution network. In the absence of an effective public sector farm extension service, this network could assist farmers with credit for purchasing inputs or obtaining extension services on crop cultivation techniques. The team recommended that USAID provide financial and technical support to strengthen the input dealers' network.

"All of these actions will contribute to increased food security in the short term," said Abbott. Other investments will require two or more years to show impact. Included are investments in road infrastructure, coffee rehabilitation, rice farming and sugar cultivation and policy changes that provide for clear title to water and land, improvements in port management and ease of movement across the land borders with the Dominican Republic.

Additional Reading:

Abbott, Richard, et al. *Haiti Agribusiness Assessment.* APAP III, 1995.

Private Sector Support in Mozambique

A recent evaluation of USAID's Private Sector Support Program (PSSP) in Mozambique documents that significant changes have occurred in the agricultural and petroleum sectors of that country since the initiation of the program in 1989. A four-person APAP III team, led by Donald Brown from Development Alternatives, conducted the analysis in January 1995. The analysis built on an evaluation conducted in 1991 and used secondary data primarily.

The team found that PSSP has been an important contributor to the joint efforts of the government of Mozambique, the World Bank, the International Monetary Fund, and other donors in reorienting the direction of the Mozambique economy towards market-based sustainable growth. Liberalization of agricultural prices has progressed to cover nearly all agricultural products. The government retains a tendency to administer prices, but people are more and more willing to trust the market process. The development of a market information system, through technical assistance from Michigan State University, is facilitating the liberalization of prices and providing a tool for both making and monitoring agricultural pricing policy.

State farms had been an enormous drain on Mozambique's budget. Divestiture is now almost completed, but many problems await resolution, for example conflicting land claims, land access issues for farmers who are commercializing, and conflicts relating to urban spread and access to water. Addressing land tenure issues and resolving them equitably are important to assure both food security and political tranquility in Mozambique.

The Commodity Import Program (CIP) provided significant quantities of tractors, small trucks, and other farm equipment. This contribution helped reestablish farm production and improved the movement of people and products to and from market centers. The CIP also improved the supply of agricultural inputs. Policy dialogue promoted sector efficiency through the privatization of parastatals handling agricultural inputs and services.

USAID policy dialogue has contributed (with the World Bank, IMF and other donors) to the elimination of exchange rate distortions and the improvement of private sector access to foreign exchange. In the long run, the availability of foreign exchange will depend on increasing export earnings, particularly from agriculture.

Liberalization of agricultural prices has progressed to cover nearly all agricultural products.

PSSP's impact on private marketing channels affected primarily the urban areas of Maputo and Beira, their related greenbelts and rural markets, and the marketing of cashews. In Maputo and Beira, a functional free market trade in food grain and other foodstuffs has developed to replace the rationing system. Private sector wholesale and retail trade in food grains, beans, and other non-perishable agricultural products has been reestablished, largely superseding the government purchasing agent.

Retail trade has also been liberalized and expanded as small-scale itinerant traders supply consumer goods to rural areas and scour the countryside for farm products to retail in an increasing number of open-air markets. Temporary purchases of white maize and other products by private voluntary organizations are encouraging greater private sector retail trade.

Food aid, provided by the United States and other donors, was handled in ways that contributed to the development of private trading in grain. Until 1990, state-owned milling and wholesaling enterprises were the sole recipients of program food aid. When these public firms failed to make all of their counterpart local currency payments, donors decided to allocate part of the maize to private millers. In 1991, private mills handled 20 percent of food aid; in 1992, they handled about 80 percent of food aid. In subsequent years, all commercial food aid was allocated to the private sector.

As part of an effort to open up markets within the country, PSSP has contributed to the establishment of private marketing channels for cashew. Cashews have traditionally been Mozambique's most important export crop. Marketing boards have been dismantled. Special licenses are no longer required. Geographic monopsonies have been eliminated and the 30 percent export tax has been reduced (and will be eliminated in 1997-98). Marketing channels have now been established in most of the country, but additional actions are needed to eliminate unjustified barriers to market entry and to encourage competition.

USAID is proposing an emergency project in Nampula province to replant cashew trees destroyed by Cyclone Nadia in 1994. The new project will provide farmers with 10 trees per family, offer logistical and administrative support to three private companies involved in cashew marketing and processing, and support the provincial cashew extension service.

PSSP's policy agenda included petroleum importation and marketing because of the need to assure adequate fuel for transportation and agricultural activities. Mozambique imports all its petroleum fuels

refined. USAID has been active in the policy dialogue, contributing to significant policy reforms in the importation, pricing and marketing of petroleum products.

Technical assistance for PSSP was provided by Cornell University, Michigan State University, and the University of Wisconsin Land Tenure Center. Technical assistance emphasized the economic analysis of food and price policy issues, surveys of small farmer productivity and household food security, the expansion and refinement of a nationwide agricultural market information system, documentation and analysis of state farm divestiture and emerging land security issues, analysis of land and property laws, and workshops to stimulate awareness and informed discussion of price and land policy issues at leadership levels. PSSP activities included on-the-job training, and degree and non-degree courses for a small number of Mozambican professionals. These individuals are now prepared to address Mozambique's ongoing work in private sector development.

Additional Reading:

Brown, Donald et al. *Mozambique Private Sector Support Program Evaluation.* APAP III, 1995.

Guidelines on Agricultural Market Performance

Markets can be neither totally free nor totally controlled. The public sector is always involved in creating and maintaining markets and in the legal and institutional rules by which they operate. The public sector also provides much of the transportation and communications infrastructure. When should the state go beyond this level of support? What are the appropriate roles of the public and private sectors in agricultural markets?

A new APAP guide offers assistance. The guide, entitled *Guidelines on Agricultural Market Performance*, presents analytical methods to assist in assessing market performance in developing countries.

Markets are at the core of the structural transformation from subsistence to commercial production. Improvements in marketing systems help farmers to commercialize and raise their productivity. Improved markets can expand the distribution of the benefits of economic development. Since consumer prices reflect both production and marketing costs, more efficient markets can lead to reductions in consumer prices.

But the laws, policies and institutions that comprise efficient markets may require nurturing and public enforcement. Effective decision making requires a thorough understanding of existing markets and careful planning for change.

Five sections of the guide address central issues. Included are a pragmatic approach to assessing the performance of markets, an explanation of some of the differences between agricultural markets and markets for industrial products, and suggestions for determining who should take action and what action should be taken. Suggestions are based on analyses of the functions of a competitive market and the rationales for government intervention.

The guide defines and discusses both market failure and policy failure. It presents a set of relatively simple analytical methods for assessing market performance. Careful assessment and diagnosis are important parts of designing successful reform programs.

In addition, the guide reviews the agricultural policy reforms initiated in more than 20 countries around the world during the past decade and extracts specific lessons about market performance. Included is a multi-country comparison of differences between adjustment experiences in Asian and African countries.

Additional Reading:

Ender, Gary and David Wilcock. *Guidelines on Agricultural Market Performance.* APAP III, forthcoming 1995.

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apap3@abtassoc.com

Conference Reviews Agricultural Reforms in Egypt

During the mid-1980s, the Government of Egypt, with assistance from USAID, initiated a number of agricultural policy reforms and began strengthening market-based incentives. Policy reforms included the removal of government controls on prices and cropping areas, the elimination of constraints on private sector processing and marketing of farm products and inputs, and the removal of subsidies on farm inputs.

A major accomplishment (of recent reforms) is the reduction in Egypt's food gap.

In March 1995, a conference in Cairo reviewed the reform experience to identify issues, options and priorities for further reforms in the 1990s. The conference, entitled *Taking Stock: Eight Years of Egyptian Agricultural Policy Reforms*, was chaired by Dr. Youssuf Wally, Deputy Prime Minister and Minister of Agriculture and Land Reclamation in collaboration with the Principal Bank for Development and Agricultural Credit and USAID. Participants included cabinet ministers, ambassadors, governors, high-level government officials, representatives of international organizations and university presidents and professors.

Several papers documented the benefits of agricultural policy reforms. A major accomplishment is the reduction in Egypt's food gap (the difference between food requirements and what the country produces). In the years before reform, Egypt's food gap grew rapidly. In 1982, a team of international experts predicted that Egypt's food gap would reach 26 million tons by the year 2000. In 1994, after policy reforms, the experts revised their prediction to only five million tons. This reduced need to import food will save Egypt about one billion dollars.

The revised estimates recognize the dramatic increases in yields that have occurred as a result of policy reform. Comparing the 1980-86 and 1987-92 time periods, yields for wheat increased 44 percent, for maize 23 percent, and for rice 17 percent. The explanation lies in farmer response to price changes. Reforms included the removal of the system of official prices and procurement quotas that had kept farmgate prices artificially low. As farmgate prices increased, farmers adopted new high yielding varieties and applied better management techniques. They also shifted resources to crops offering higher returns. Farmers' net incomes increased 23 percent in spite of a decline in world prices for major crops.

Farmers' net incomes increased 23 percent.

Consumer prices have also increased, a change that is very difficult for Egypt's poor who spend 64-70 percent of household income on food. Between 1987 and 1992, the nominal price of grains and starches tripled while wage rates actually declined. In the long run, policy reforms will stimulate economic growth, reduce poverty and improve food security for the poor. In the short run, rising food prices, reduced employment and lagging wage increases have increased their vulnerability. Targeted food subsidies are being considered to alleviate these effects.

Participants made a number of recommendations relating to agricultural policy. They urged the government of Egypt to continue the process of liberalizing the agricultural pricing and marketing system and to privatize major agro-industries as quickly as possible. They also recommended that the government allocate increased funds for research, because research is the driving force behind agricultural growth and development.

Additional Reading:

Khedr, Hassan, Rollo Ehrich and Lehman Fletcher. *The Egyptian Agricultural Policy Reforms: An Overview.* Paper presented at Agricultural Policy Conference, "Taking Stock: Eight Years of Egyptian Agricultural Policy Reforms," March 26-28, 1995.

APAP Bibliography Available

A new bibliography presents selected publications produced since APAP began in 1983. Included are technical papers, collaborative research reports, methods and guidelines representing APAP's work in more than 30 countries around the globe. Most publications can be ordered from USAID (using the reference numbers provided). Recent publications are available from Abt Associates at a cost of $12.00 per volume.

The nine-page bibliography is available electronically. Send Internet e-mail requests to: apap 3@abtassoc.com.

IFPRI's 2020 Vision

In June, the International Food Policy Research Institute (IFPRI) sponsored a conference entitled *A 2020 Vision for Food, Agriculture, and the Environment*, in Washington, D.C. Participants included leaders from donor agencies, governments and international organizations. IFPRI's 2020 Vision "is a world where every person has economic and physical access to sufficient food to sustain a healthy and productive life, where malnutrition is absent, and where food originates from efficient, effective, and low-cost food and agricultural systems that are compatible with sustainable use and management of natural resources."

The conference recommended sustained action in six areas, including action to "develop effective, efficient, and low-cost agricultural input and output markets." To respond in this area (which coincides with APAP III's mandate), conference participants recommended that the governments of developing countries take a number of actions.

First, governments should continue phasing out the inefficient public enterprises involved in agricultural markets and create an environment conducive to private participation and competition. The goal is "to provide efficient and effective services to all producers and consumers."

Second, each developing country government should identify its role in agricultural markets and strengthen its capacity to perform these roles.

Third, governments should remove policies and institutions that favor large-scale, capital-intensive market enterprises over small-scale, labor-intensive enterprises.

Fourth, developing country governments should develop and maintain the market infrastructure, such as roads, electricity, and communications facilities. These public goods may be funded through direct public investments or through effective regulation of private-sector investment.

Fifth, governments should develop and enforce standards, weights and measures, and regulatory instruments essential for the effective and efficient functioning of markets.

Sixth, governments should facilitate the development of small-scale credit and savings institutions and provide technical assistance and training to create or strengthen small-scale, labor-intensive competitive rural enterprises in trade, processing, and related marketing activities.

Finally, developing country governments should facilitate private-sector seed multiplication and distribution through the necessary regulations to assure quality control, competition, and access to improved seeds by small farmers.

The international community should assist developing countries with these activities by providing technical advice and selective financial support.

Details on this and other conference findings are included in the final report, available from IFPRI, 1200 Seventeenth Street, N.W., Washington, D.C. 20036-3006. Telephone: 202 862-5600; Fax: 202 467-4439; email IFPRI@CGNET.COM.

Additional Reading:

International Food Policy Research Institute. *A 2020 Vision for Food, Agriculture, and the Environment: The Vision, Challenge, and Recommended Action.* IFPRI, 1995.

Agricultural Growth Multipliers in Africa

(Continued from Page 2)

increased demand for nontradable cereals can contribute to economic growth if government policies and investments foster increased output. "Public sector support to smallholders, for example through research or infrastructure development, is essential to provide the initial income impetus," said Kelly. "But eventually, commercialization will enable African economies to function as fully integrated market economies and will reduce the scope for demand-led growth. African countries must learn to fully benefit from the growth potential of these linkages when the opportunity presents itself."

"Results show that African growth multipliers are larger than previously thought."

"Right now, growth in agricultural exports can provide the widespread and recurring income needed for economically sustained rural growth," explained Kelly. "The potential is apparent in countries that have recently devalued their currencies. Following devaluation, producer prices of agricultural export crops increased, permitting a broad segment of the rural population to realize higher incomes. Spending from this incremental income can set the multiplier process in motion."

"Microenterprise development projects are an important investment in improving the supply response of nontradables," said Kelly. "But they are unlikely to generate sustained

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Agricultural Growth Multipliers in Africa

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growth in tradable incomes of the magnitude that can be obtained through agricultural exports. This is because the amount of income earned from microenterprise tradables is generally very small and it is not widely available across all segments of rural society."

What can policymakers and program planners do to promote an elastic supply of nontradable food products? The IFPRI study has three suggestions. First, adopt policies that enhance technology development to increase the productivity of both export and food crops. Second, support programs to ensure the effective transfer of technologies, for example, improved input supply and credit systems. Third, initiate activities that support marketing and reduce transaction costs, for example, improvements in price information systems, removal of unnecessary regulations, or strengthening of transport infrastructure.

The IFPRI study concludes that much of Africa can have substantial demand-led growth, but an income source must be available to jumpstart the process. That income source must be associated with comparative advantage and must affect the incomes of a large number of people. Smallholder export crops or livestock are the most likely candidates in Africa.

Additional Reading:

Delgado, Christopher, Jane Hopkins and Valerie Kelly. "Agricultural Growth Linkages in Sub-Saharan Africa." Washington, D.C.: IFPRI, 1994.

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APAP III
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Agricultural Policy Analysis Project ● Phase III ● Sponsored by United States Agency for International Development (USAID), Bureau for Global Programs, Field Support and Research, Center for Economic Growth, Office of Agriculture and Food Security (G/EG/AFS)

FAO Symposium on Food Security Exposes Serious Differences

Last October, as part of its 50th anniversary celebrations, the Food and Agriculture Organization (FAO) invited about 1,200 international specialists to Quebec, Canada, to participate in a symposium entitled, *People at the Heart of Development: Food Security through Knowledge*. Participants included government officials, research scientists, farmers, representatives of nongovernmental organizations (NGOs), men and women in agribusinesses, extension experts, university students and faculty, and representatives from United Nations organizations. Commitment to sustainable food security was strong, but serious differences emerged on what steps are needed to achieve change.

The symposium addressed three themes: Managing Natural Resources, Managing Markets, and Managing Know-how and Technology. Following the symposium plenary, led by Edgard Pisani, President of the Arab World Institute, participants separated into three workshops to address each of the three themes. Participants in each workshop were challenged to find 15 solutions to the various issues presented and ultimately, to select up to five solutions deemed most important. These solutions were subsequently reported to a follow-on meeting of over 100 Agriculture and Cooperation for Development Ministers.

Given APAP III's theme of "Making Markets Work Better," Project Director Bill Levine attended the Managing Markets workshop. The workshop was chaired by Robert L. Thompson, President of Winrock International Institute for Agricultural Development.

The Managing Markets workshop debated ways to create more

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African Development: The Challenges Ahead

In recent years, some African countries have achieved enormous economic success, while others have endured huge setbacks. What is the secret of success? When Michel Camdessus, Managing Director of the International Monetary Fund, asked President Museveni of Uganda this question, the President answered: "First, eliminate inflation. Second, eliminate inflation."

Camdessus recounted this exchange in a recent address to the Society for International Development in Washington, D.C. He noted that Museveni's response illustrates one of the basic conditions for development. In order to compete internationally, countries must first create economies that function well domestically.

Camdessus outlined three challenges facing African countries as they move toward full participation in the international economy. The first challenge is globalization. Countries that integrate into the global economy can benefit from large capital inflows, higher investment, improved technology and expanding export markets. Countries that are unable to integrate into the global economy risk marginalization.

The second challenge is the slow pace of economic growth in Africa. Growth rates have improved in some countries, but in others, civil strife and other political developments have caused economic stagnation.

The third challenge is to do a better job of building on success by sharing ideas and experiences among African countries and mobilizing support both within Africa and in the international community. This third challenge led Camdessus to question Museveni and others on the secret of their success.

Establishing an environment of domestic economic security requires much more than the elimination of inflation. It requires reducing fiscal deficits, making hard decisions about unprofitable public enterprises, providing basic infrastructure, and supporting health, education and appropriate social programs.

Strengthening domestic economies also requires the establishment of institutional frameworks that inspire the confidence of both domestic and foreign entrepreneurs. Examples include the provision of public services that are reliable, regulatory systems that are equitably enforced, and a professional judiciary that is independent.

Economic certainty about future macroeconomic policy is also important. Policies must be reasonably consistent and moving steadily towards reform. If the pace of change is too slow, reform may be viewed as reversible and economic activity may languish. African leaders must work to build consensus within their countries and promote economic certainty.

With a strong domestic economy, sound economic policies, and good governance, economic initiatives have a good chance to prosper. Camdessus highlighted the importance of regional economic activities in increasing linkages among countries in sub-Saharan

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How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/EG/AFS.
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/EG/AFS).
3. Send PIO/T to G/EG/AFS indicating when services are required and what level of effort is required.
4. Finalize team and schedule after proposal is received from APAP III Contractor.

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Sectoral Adjustment and Food Security

During the past 15 years, many African countries have undertaken agricultural sector adjustment. In a paper presented at the annual meeting of the American Anthropology Association in November 1995, David Wilcock, agricultural economist at Development Alternatives, Inc., examined the experience of three countries—Morocco, Kenya and Senegal. In each country, adjustment involved a reduction of government control over the pricing, marketing and importing of staple food commodities (wheat in Morocco, maize in Kenya, and rice in Senegal).

Wheat in Morocco

The system for marketing cereals in Morocco was set up during the colonial era to benefit French colonial farmers, and passed to Moroccans largely intact at independence in 1956.

In 1987, the second agricultural sector adjustment loan agreement between the World Bank and the Government of Morocco called for the liberalization of cereals importing and domestic marketing and pricing. Although the $225 million loan has been totally disbursed, only one of three conditions has been met by the Government of Morocco—and that condition, only partially. Cereals marketing and pricing between farm gate and consumers have been deregulated, but only for the three cereals (durum wheat, maize, and barley) that were already being marketed largely in the private sector. The domestic marketing of soft or bread wheat is still tightly controlled.

The other two conditions are scheduled for implementation in May 1996. The first allows the private sector to freely import all cereals and replaces import quotas and variable levies on cereals with tariffs (to be consistent with reform in world agricultural trade rules). The second involves the elimination of subsidies paid to millers for the production of a cheaper wheat flour loosely targeted on the country's poor. USAID-funded field research had revealed that at least half of the subsidies were being paid to political favorites and market participants as rents and not reaching the poor.

Why has the reform program been implemented so slowly? All the major groups (government agencies and private firms involved in wheat trading, storage, and milling) involved with the marketing system for bread wheat (except consumers, whose voice is not well organized) were opposed to the reform program because it challenged their vested interest in the existing system. Their opposition has softened in recent years as some of the private wheat millers have realized that they could do a better job producing high-quality products that consumers desire and, in so doing, increase their market share by squeezing out inefficient mills that have been surviving on the subsidy system. The wheat millers association is now the principal group pushing for reform. Government agencies involved in the controlled marketing system continue to resist change.

Maize in Kenya

Maize marketing institutions in Kenya were set up during the colonial era with substantial subsidies and a controlled production and marketing environment to produce maize for export. Over time, Kenyan consumers have learned to prefer maize over sorghum and millet, the traditional staples. Reform efforts focused on the removal of controls on local prices and on allowing the movement of maize from one area of the country to another. District-level movement controls had added enormously to maize marketing margins and had developed into a system that generated substantial illicit income for local police and other officials.

The Kenyan government remains cautious with regard to food security policy changes. Maize price and movement controls have been removed. The National Cereals and Produce Board, a parastatal, continues to operate, but has agreed to intervene in the maize market only at market prices. To private investors, the policy environment remains relatively unattractive.

Rice in Senegal

Rice is a traditional crop in Senegal, produced in irrigated areas along the Senegal River and by smaller, traditional, rainfed farms in the southern Casamance region.

Reforms began in the late 1980s, in response to multidonor negotiations related to agricultural sector reform. Input and production subsidies were reduced over time. Government control over rice prices has been largely eliminated. The regional irrigation authority for the Senegal River valley has withdrawn from farm-level paddy purchasing and processing. The government's rice marketing and importing company has been downsized, has reduced its operations, and is slated to close in early 1996. Importing will be open to the private sector in 1996.

In 1994, the devaluation of the CFA franc facilitated reform. Before devaluation, the Government of Senegal imported rice at about half the Dakar wholesale price and obtained revenue from border taxes to pay for an internal rice subsidy

system and many off-budget expenses (for example, the financing of presidential elections). After devaluation, the government began subsidizing rice imports, to avoid raising the price by more than about one-third. When revenues ceased, government support for reform escalated.

Impacts on Food Security

Overall, reform programs in the three countries have had limited impact on food security, in part because the implementation of reforms is incomplete, and in part because reforms have not focused on questions of food availability and access. During the period of reform, each of the commodities has remained available in domestic markets (the first part of the food security equation), but at prices that are above world prices.

None of the reform programs directly addresses the ability of the populace to purchase food, the second part of the food security equation. Morocco and Senegal decided to keep domestic grain prices above world prices (through the use of higher protective tariffs) in order to stimulate local production, and both countries offered some consumer price subsidies in an attempt to compensate the poor. These subsidies are now being eliminated because they are inefficient and not well targeted.

Experience in Morocco, Kenya and Senegal suggests that reforms may increase or stabilize a country's self-sufficiency in food without necessarily ensuring that the needy portion of the population has access to adequate food. Further, reforms may increase the cost-efficiency of the cereals subsector without making the food system more secure in terms of access by the poorest consumers.

In coming years, governments can influence food security through tariff policies that adjust the level of border protection for local cereals. When the current liberalization programs are completed, country experience with alternative tariff policies merits further investigation.

Seminar on the Role of Agriculture in Economic Growth

What are the linkages between agriculture and other sectors of the economy? How does increased agricultural productivity spill over into other sectors? In a December seminar, Peter Timmer, Harvard University, and Steven Block, Tufts University/Abt Associates, presented findings from a recent study that examined these questions. The study developed a simulation model of economic growth in Kenya and identified new types of intersectoral linkages through which agriculture may contribute to economic growth. More than 50 persons from USAID and other agencies attended the seminar.

The results for Kenya indicate that the growth multiplier from agriculture is substantial and that strategies to promote agricultural growth can have large payoffs in terms of economic growth. According to the econometric simulation model, the agricultural growth multiplier is 1.64 (an additional dollar of income in the agricultural sector generates an additional 64 cents of income, mostly nonagricultural). The growth multiplier from nonagriculture is 1.23.

Previous literature focuses on market-based mechanisms, such as agriculture's contribution to foreign exchange and its provision of food for domestic consumption. The Timmer/Block study identifies various nonmarket mechanisms by which agriculture contributes indirectly to growth. One nonmarket mechanism is the learning by doing that occurs in both government and industry. "The skills learned in managing agricultural development eventually spill over into management of the rest of the economy," said Timmer.

"Agriculture must remain at the core of economic development strategies in most poor countries,"

A second nonmarket mechanism is the learning by doing that occurs in households when they gain greater control over resources. Resource allocation becomes more efficient, providing an important source of output growth.

"Agriculture must remain at the core of economic development strategies in most poor countries," said Timmer. "Market failures have led to the undervaluation of agriculture in many countries. And undervaluation led to underinvestment. Agriculture has a central role to play in supporting and sustaining economic growth."

Additional Reading:

Block, Steven and C. Peter Timmer. *Agriculture and Economic Growth: Conceptual Issues and the Kenyan Experience.* Cambridge, MA: Consulting Assistance on Economic Reform, Harvard Institute for International Development, 1994.

Agricultural Trade Under NAFTA: Mexico & the United States

Editor's note: The following article is based on a report that Abt Associates Agribusiness Consulting Practice prepared for a trade association client. Team members were Mark Newman, Mechel Paggi and Krista Berk. The report is not available for public distribution.

The North American Free Trade Agreement (NAFTA) was signed by the United States, Mexico and Canada and implemented on January 1, 1994. NAFTA covers all agricultural trade between the United States and Mexico, but only some agricultural trade with Canada (because Canada declined to participate fully in agricultural trade liberalization).

NAFTA aims to achieve free trade in agricultural products between the United States and Mexico within 15 years. The schedule varies for different products, depending on how sensitive they are. For example, hogs and pork, potatoes and apples have a ten-year transition period with a tariff rate quota and snapback provisions if trade surges.

During 1994, the first year of the agreement, the value of U.S. agricultural exports to Mexico increased 25 percent (to $4.5 billion), with corn, beef, pork, poultry, fresh and processed fruits, vegetables and products, oilseed products and nuts showing the largest gains. The value of U.S. agricultural imports from Mexico increased 5 percent (to $2.9 billion).

In December 1994, an economic crisis led to the devaluation of the peso. Massive outflows of capital from Mexico to pay for imports contributed to the crisis. Opponents of trade liberalization cite this crisis as proof that NAFTA doesn't work. But even after the devaluation, trade between Mexico and the United States continues to thrive.

From 1980-87, Mexico had been completely closed to most U.S. agricultural exports. In the early 1990s, in anticipation of NAFTA, trade barriers were sharply reduced and U.S. agricultural exports grew rapidly.

During the first six months of 1995, U.S. agricultural exports to Mexico were down 28 percent and imports from Mexico were up almost 40 percent. Prospects for future trade are good. Mexico has implemented an austerity plan that has increased taxes, cut government spending and decreased the value of the peso by about half. With these measures and support for short-term liquidity from the United States and international financial institutions, Mexico is back on the road to economic recovery.

The lessons from NAFTA can assist USAID to support agribusiness development and can inform the regional efforts to liberalize trade that are springing up all over.

The Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and NAFTA have put in place a process that will lead to more open markets and major export growth if all trading partners follow through on their commitments. One area of concern is sanitary and phytosanitary regulations which may serve as nontariff barriers in some markets.

New provisions for regional approvals of food safety have important market and competitive impacts. For example, the U.S. Department of Agriculture has proposed allowing Mexican avocados to enter 19 northeastern states from November through February for the first time since 1914. The proposal recognizes that the avocado seed weevil has been eradicated in the growing region of Mexico, even though it still exists in the country. Regional approvals create new opportunities for currently restricted products to move in both directions across the border between the United States and Mexico.

The experience of NAFTA's first two years is promising. NAFTA is facilitating export growth and providing a useful policy framework within which ongoing trade problems can be addressed. The lessons from NAFTA can assist USAID to support agribusiness development and can inform the regional efforts to liberalize trade that are springing up all over.

APAP Bibliography Available

The APAP bibliography presents selected publications produced since APAP began in 1983. Included are technical papers, collaborative research reports, methods and guidelines representing APAP's work in more than 30 countries around the globe. Most publications can be ordered from USAID (using the reference numbers provided). Recent publications are available from Abt Associates at a cost of $12.00 per volume (free to USAID direct-hire personnel).

The nine-page bibliography is available electronically. Send Internet e-mail requests to: apap3@abtassoc.com.

Latin America's Export Boom: Impacts and Opportunities

In a book entitled *Bittersweet Harvests for Global Supermarkets*, Lori Ann Thrupp, senior associate at the World Resources Institute, examines the recent surge in agricultural exports from Latin American and Caribbean countries, assesses the benefits and liabilities, and identifies certain policy changes that could make nontraditional export strategies more equitable and sustainable.

During the past decade, many countries have expanded agricultural exports to include new crops such as fresh fruits, vegetables, flowers, nuts and oils. Typically, the new exports are more valuable than traditional exports. For example, while international prices for grain range from $75 to $175 per metric ton, prices for fresh fruits and vegetables average $500 per metric ton.

The new exports are commonly known as nontraditional agricultural exports. Their growth rates are impressive. Between 1985 and 1992, the value of nontraditional agricultural exports from Central America increased by an average of more than 17 percent per year. In South America (excluding Brazil), annual growth rates reached 48 percent. For specific crops in selected countries, growth rates were even higher.

International agencies and national government institutions have supported the expansion of nontraditional exports. The World Bank and the U.S. Agency for International Development have encouraged trade liberalization and structural adjustment and have promoted the growth in exports and the private sector. National governments have revised policies to facilitate exports, offer fiscal and pricing incentives, and provide other supports.

Research indicates that the rapid growth in nontraditional exports has many benefits. Production increases in labor-intensive industries have created hundreds of thousands of jobs, especially for women. Agribusinesses have reaped profits. Related firms in transport, packaging and marketing have grown and prospered. But there are risks. Prices fluctuate seasonally and as consumer preferences change. Exchange rates and inflation increase uncertainty. Competition can be fierce, creating conditions that drive smaller producers out of business, while large, capitalized producers survive.

Donors and governments should work to create a policy environment that migates the adverse social impacts of agricultural exports, supports local food needs, and addresses environmental concerns.

Thrupp identifies other difficulties. Vast amounts of pesticides are being used on the new crops and many workers are suffering health problems. In flower production, for example, women workers report high miscarriage rates, recurrent headaches, and dizzy spells. Pesticide use can have economic consequences too. Producers are penalized if pesticide residues fail to meet the standards of the importing country. According to Thrupp's analysis of data from the U.S. Food and Drug Administration, more than 14,000 shipments from Latin America and the Caribbean failed to meet standards between 1984 and 1994; the total value of these shipments exceeded $95 million.

Further difficulties arise from the inequitable distribution of benefits from nontraditional exports. In most countries, the main beneficiaries are large companies and most export promotion efforts have assisted large, capitalized producers. Some small farmers, working through cooperatives or farmers' associations, have benefitted, and more could grow export crops if they had access to credit, technology, and information.

Thrupp's recommendations address environmental and social concerns and call for action to make export strategies more equitable and sustainable. Six actions have specific relevance for policy decision makers. (Thrupp identifies related actions for producers, consumers, workers, nongovernmental organizations and agrochemical companies, too.)

First, donors and governments should promote participatory approaches and incorporate a broader range of political perspectives into policy dialogue and problem solving. Sustainable solutions to environmental-economic conflicts require that environmental, health, smallholder and agroecology groups participate in decision making on agricultural development issues.

Second, donors and governments should work to create a policy environment that mitigates the adverse social impacts of agricultural exports, supports local food needs, and addresses environmen-

tal concerns. Included are the removal of incentives for overuse of pesticides, better enforcement of pesticide policies, and the incorporation of environmental and social provisions (for example, labor laws) in trade agreements such as the North American Free Trade Agreement.

Third, donors and governments should support sustainable agricultural technologies and practices, including Integrated Pest Management practices, organic practices and crop diversity.

Fourth, donors and governments should provide policy support for both the local production of basic food supplies and export production.

Fifth, donors and governments should promote opportunities to empower disadvantaged agricultural producers and workers. Included are the enforcement of labor laws and worker health protection, and support for smallholder organizations.

Sixth, donors and governments should support research to monitor the impacts of nontraditional exports and improve understanding of their potential, and to identify innovations to address environmental and social factors in export strategies.

Additional Reading:

Thrupp, Lori Ann, with Gilles Bergeron and William F. Waters. *Bittersweet Harvests for Global Supermarkets: Challenges in Latin America's Agricultural Export Boom.* Washington, D.C.: World Resources Institute, 1995. (Copies may be obtained from World Resources Institute, P.O. Box 4852, Hampden Station, Baltimore, MD 21211, for $19.95 plus $3.50 for shipping. Telephone 1-800 822-0504.)

What is a Nontraditional Agricultural Export?

Traditional agricultural exports from Latin America include coffee, bananas, cotton, beef, and sugarcane. Nontraditional exports include fresh fruits and vegetables, flowers, nuts and oils. In general, new exports are defined as nontraditional if they have not traditionally been produced in a particular country, or were previously produced only for domestic consumption.

Most nontraditional exports depend on high-intensity production and have high value. For this reason, some experts prefer to use the term high-value exports. The term nontraditional is relative. The same crop may be a traditional export from one country and a nontraditional export from another.

APAP III Studies Intraregional Trade in West Africa

APAP III is studying intraregional trade in horticultural products in West Africa. The studies are funded by the Bureau for Africa, Office of West African Affairs, Club du Sahel/Regional Development Office. Two parallel studies are underway, one directed by John Holtzman, Abt Associates Inc., and the other led by Lynn Salinger and Abdoul Barry, Associates for International Resources and Development (AIRD).

In the first study, researchers are reviewing relevant literature and available secondary data, including recent donor-funded activities in horticultural production, marketing, processing and trade. The focus is on selected West African countries, particularly Ghana, Côte d'Ivoire and Senegal. In Ghana, Seth Vordzorgbe, a local consultant, is examining trade flows from Francophone countries in West Africa to major Ghanaian markets, such as Accra and Kumasi. Consultants in Abidjan and Dakar will undertake similar studies. Findings from the three countries will be presented and discussed at a regional workshop in mid-1996 and used in devising an action plan for stimulating intraregional trade in horticultural products.

The second study focuses on marketing costs and margins for seven agricultural products that are grown in one country and exported to another within the region. The products are onions, potatoes, dried fish, millet, palm oil, papayas, and maize.

Researchers are collaborating with the West African Enterprise Network (WAEN). WAEN plans to use the findings to encourage governments in the region to reduce various constraints to intraregional trade.

APAP III Assesses Ethiopia's Safety Net Program

In response to widespread concerns over worsening poverty, the Government of Ethiopia initiated a $50 million Safety Net Program in 1993. Revenues from U.S. food aid (PL 480 Title III) provided part of the financing. Over a six to nine month period, the overall effort offered temporary support to targeted groups in six programs, each of which was managed separately. The programs addressed retrenched workers, demobilized soldiers, displaced and returning citizens, orphans, aged and handicapped, poor farmers, and the urban poor.

Recently, an APAP III team assessed the achievements of the program and presented recommendations for the structuring of future safety net programs. The team's evaluation is based on site visits, interviews with program administrators and beneficiaries, and the examination of records detailing how funds were used. Members of the team were Shlomo Reutlinger, Barry Riley, Jemal Mohammed, Nuri Kedir and Getahun Tafessa.

Barry Riley presented a seminar at USAID in February to discuss the findings of the evaluation. He reported that most of the programs achieved their objectives, targeting needy populations appropriately and keeping distribution costs low. Virtually all of the budgeted funds reached intended beneficiaries. Programs benefited from the decentralization of management and the willingness of the central government to allow district and local governments to make decisions about how to disseminate funds.

One of the most effective programs was directed at poor farmers. It used the resources of existing institutions and the voluntary mobilization of the community to distribute inputs and improve agricultural production. In Amhara, for example, peasant associations were asked to identify farmers who met certain criteria. National guidance called for assistance to about 26,000 farmers, but regional authorities thought a larger benefit package should be provided to fewer farmers. After a process of local debate, oxen, seeds and tools were provided to 5,000 farmers as loans, with repayment over five years. As repayments are made, loans will be provided to other farmers on a continuing basis.

The program for the urban poor incorporated a labor-intensive public works program to rehabilitate infrastructure and housing and improve water pipelines and marketplaces. One town provided jobs for 2,000 laborers from poor households to build sidewalks. A local observer told the team enthusiastically that the sidewalks had changed the character of the town, making it more like a city. During the rainy season, walking on sidewalks was preferable to walking in the mud, and in all seasons, sidewalks separated pedestrians from the traffic, increasing safety and reducing accidents. After the safety net program ended, municipal resources were allocated to continue sidewalk construction, using the same workers.

Ethiopia's safety net programs demonstrate a relatively cost-effective way of addressing poverty.

Programs for displaced and returning citizens facilitated the peaceful reintegration of hundreds of thousands of people into their communities. In Tigray, for example, the Democratic Women's Association managed several projects. They offered loans of about $100 to 2600 women to establish petty trading endeavors. Repayment rates have been extremely high and loans continue to be offered to poor women in the area.

The program for orphans, aged and handicapped was intended as a giveaway. When the team visited recipients, they found that many had used the funds to buy necessities such as clothing or food, or pay school fees. But others had started small businesses, or given the money to a family member who had started a business. One business, operated from a home kitchen, had grown so quickly that the owner was applying to a bank for a bigger loan, to start a bakery.

The retrenched workers program was designed to assist workers released from public service. It was the only program designed as an ongoing effort; other programs operated for less than one year. Released workers over 45 years of age, with more than 20 years of service, were required to retire, with pension. Other released workers could join the safety net program, receiving one-time cash payments or the opportunity to join a *share company*, an infant industry engaged in private sector production or trade.

To date, few workers have chosen to receive cash payments. Since *share companies* are not yet financially viable, the overall success of the program could not be assessed. In the team's view, the retrenched workers program was different from other programs in objective, scope, and implementation and deserved separate evaluation in the context of the government's privatization policy and programs.

The team questioned the balance in the distribution of resources among programs. The retrenched workers program received 40 per-

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OPPORTUNITIES FOR TRAINING

Program on Macroeconomic Policy and Management

Offered by: The Harvard Institute of International Development (HIID) at Harvard University, Cambridge, Massachusetts, U.S.A.

Dates: June 24 - August 2, 1996 (Applications due April 19, 1996)

Content: The program focuses on macroeconomic issues in developing and transitional economies, including adjustment and stabilization programs. Through lectures, case study analysis, computer exercises and policy simulation games, participants will improve their knowledge and applied skills in many aspects of macroeconomic management. Goals of the program are 1) to enhance and broaden the conceptual framework used by macroeconomic managers and analysts, 2) to improve their skills in the design and management of economic policy, and 3) to develop capacity for applying practical analytical tools to the solution of common policy problems. The program is designed for analysts and policy makers, including public servants, consultants, journalists, teachers of public policy, and staff of donor organizations.

Faculty: Staff from HIID, other Harvard instructors, and visiting faculty who have worked throughout the world on macroeconomic policy and related sectoral and trade policy.

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Fourth Annual Short Course on Global Trade Analysis

Offered by: Center for Global Trade Analysis
Purdue University, West Lafayette, Indiana, USA

Dates: August 3 - 9, 1994 (Early registration recommended)

Content: The Global Trade Analysis Project (GTAP) is designed to facilitate multi-country, economy-wide analyses of issues relating to trade, technology, resources and the environment. GTAP has a global data base, a standard applied general equilibrium modeling framework, and software for manipulating the data and implementing the standard model. Goals are to 1) introduce the standardized framework and data base, 2) provide hands-on training with software tailored to global trade analysis, and 3) provide opportunity to interact with economists working on global trade and resource use issues and become part of an international network. (More than 100 researchers on five continents now use GTAP.) Examples of applications include analyses of the Uruguay Round agreement, Asia-Pacific free trade, the distribution of gains from technical change, environmental policies, and the impact of economic growth on patterns of production and trade.

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For more information, select "upcoming events" at the GTAP Web site: http://www.agecon.purdue.edu/gtap

FAO Symposium

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efficient and effective markets. Three questions framed the debate:

- Will greater liberalization of markets at the global level promote food security at the national level?
- Do local people with know-how have access to the tools they need to ensure that there is sufficient supply to meet demand?
- How do we accommodate the growth of urban demand and maintain food security?

From the outset, representatives of NGOs framed the debate by expressing skepticism regarding market liberalization and a distrust of classical and neo-classical market approaches to resolving food security issues. Indeed, a clear gap emerged between FAO-chosen presenters and the majority of workshop participants. Presenters included business executives such as Graham Freeman, President of Ault Foods Limited (Canada), farmers such as Graham Blight, President of the International Federation of Agricultural Producers (France), economists such as Michel Petit of the World Bank, and development specialists such as Hans W. Popp, Deputy Director of the Swiss Directorate of Agriculture. For the most part, their presentations were consistent with current economic analyses and implementation strategies of USAID and the multilateral development banks.

NGO participants, who represented a majority of attendees, listened politely to these presentations, but in the ensuing roundtable discussions, proposed several solutions whose implications directly challenged the positions forwarded by proponents of market liberalization. These included the continuation of protectionism, support of all collective forms of organization aimed at increasing economic leverage (even production systems based on the family unit), and the elimination of excessive subsidization while continuing to provide assistance to agriculture. Ultimately, the solutions proposed by a majority of workshop participants were:

- Acknowledge that the market is not always able to solve food security problems. Protectionism should be allowed for poorer countries.
- Redefine the government's role to have it focus on creating a favorable environment for increasing food security (public infrastructure, education, laws, making information available to the public).
- Give precedence to local food production resources before turning to international trade and importing food.
- Foster the development of community organizations based on active local participation, particularly that of women, in a spirit of decentralization.

As the debate continued, the gap between economists and their NGO counterparts seemed to widen. Both groups were committed to sustainable food security, but their views of how to achieve change were radically different. Economists asked: "Don't you (NGO representatives) understand the economic consequences of what you are proposing? Your solutions amount to turning back the hands of time." Their NGO counterparts responded: "Can't you see what your blind commitment to free market economics solutions will do to the food insecure? You are dooming the poor to eternal poverty."

The FAO Symposium did not find consensus between the two views. *Newsbriefs* welcomes comments from readers. Stay tuned!

African Development

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Africa. Several regional initiatives are operating now. Other opportunities for regional solutions exist, including regional transportation networks, regional universities, and the harmonization of domestic policies to facilitate cross-border transactions.

Camdessus noted that commitment to regional economic integration and development is strong among African presidents, but tenuous at lower levels of government. Broader commitment is essential to the success of regional solutions.

Camdessus called on the international community to forge constructive partnerships with African countries to support reform, expand their markets, prevent national conflicts, and get domestic economies moving.

COMMENTS INVITED

Newsbriefs invites your comments on articles in this issue, or on other topics related to agricultural policy analysis.

Send comments or submissions electronically to apap3@abtassoc.com.

Leveraging USAID Assistance to Macedonia

Agricultural policy analysis begun under a USAID/Skopje-funded buy-in to APAP III is continuing under the preparation phase of a World Bank structural adjustment loan/credit. USAID/Skopje continues to support the analytical effort and has extended the original analysis of import commodities to include several export commodities.

The analysis concerns the level and incidence of subsidies and protection in the agricultural sector in the context of Macedonia's transformation to a market-oriented economy. Budget subsidies obligated in 1994 accounted for 93 percent of the Ministry of Agriculture's total budget, 7 percent of the central government revenue, and 9 percent of agricultural gross social product.

Under the USAID/Skopje-funded buy-in, a team of local and expatriate analysts led by Dr. Ismael Ouedraogo of Abt Associates calculated nominal protection coefficients (NPCs) and producer subsidy equivalents (PSEs) for wheat, milk, fertilizer, sugar beets, and sunflower. The NPC is conceptually straightforward: it compares domestic and world prices adjusted for marketing costs (import or export parity prices). Although the world price may in some cases be somewhat distorted, it is the opportunity cost that the country faces. With the exception of sunflower products, all the commodities analyzed received positive protection. The NPCs (for commodities other than sunflower) ranged from 1.24 to 3.91.

The high level of protection found by the team led the World Bank to incorporate the modification of various policy instruments into the terms to be negotiated under the upcoming structural adjustment loan/credit. The overall objective is to increase the efficiency of the agricultural economy, while protecting vulnerable groups and addressing issues of political feasibility. Dr. Gary Ender of Abt Associates is conducting analyses to determine:

- The fiscal implications of existing agricultural subsidies, including any hidden subsidies;
- Which individuals or groups are hurt by the removal of a particular agricultural subsidy;
- The implications of agricultural subsidies with respect to joining the World Trade Organization and entering the European Union market;
- How the effects of subsidy removal on vulnerable individuals or groups can be offset;
- What general actions are appropriate for utilization of resources freed up by reducing or eliminating subsidies; and
- The need for a strategic food reserve and parameters for its operation.

Abt's analysis will identify and recommend which policy reform steps, including studies, the government should take, with priorities. The team will specify how to implement each step, develop a reasonable timetable for implementation, and provide justification for each step. The team's analysis is linked to those of two other teams examining general trade policy and the privatization of social sector farms.

Ethiopia's Safety Net Program

(continued from page 8)

cent of the resources even though the workers receiving assistance were relatively better off that people in other programs. Overall, program budgets were grossly inadequate; the programs only reached about three percent of the poor who were in need of assistance.

The programs demonstrate that giving small amounts of money to the poor can have a pay off. Many recipients started businesses that continue to generate income. And many local areas used the funds to create revolving loans that will continue to support local enterprises. Ethiopia's safety net programs demonstrate a relatively cost-effective way of addressing poverty and provide a model that some Ethiopian communities have sustained.

Additional Reading:

Reutlinger, Shlomo, Barry Riley, Jemal Mohammed, Nuri Kedir and Getahun Tafessa. *Assessment of the Impact of Ethiopia's Safety Net Program.* APAP III, forthcoming 1996.

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APAP III

NEWSBRIEFS

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Malawi: Progress with Liberalization

In the liberalization of its agricultural economy, the Government of Malawi has made substantial progress, removing agricultural subsidies, freeing prices, eliminating most marketing restrictions, and initiating the privatization of state-owned entities and assets. USAID's Agricultural Sector Assistance Program (ASAP) encouraged the reforms by providing financial incentives. APAP III has provided short-term teams to conduct specific analyses and long-term assistance to assist in coordinating the reform program. Scott Simons, a senior agricultural economist from Development Alternatives, Inc., has been working in the Government of Malawi's Economic Policy Support Unit since 1994.

Input Markets

"During the past two years, the most important reforms in input marketing have been implemented," explained Simons. "Subsidies to seeds, fertilizers and other inputs have been removed. Prices have been liberalized and marketing restrictions have been eliminated. Although a state-owned enterprise continues to sell fertilizer and seeds, it is mandated to sell at full replacement cost; the Government no longer fixes input prices."

When restrictions on fertilizer importation were removed, a number of private firms began importing fertilizer into Malawi. In 1995, private imports provided approxi-

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Editor's note: This issue of Newsbriefs highlights experience with policy reform in Malawi, a country that is facing the challenges of moving from an autocratic to a democratic government, and from a state-run to a market-based economy. Agriculture continues to play a critical role in Malawi's development. According to a recent World Bank report, agriculture accounted for more than 31 percent of GDP in Malawi in 1994 and employed 87 percent of the labor force. Malawi's experience may be helpful to other countries proceeding along a similar path.

mately half of the fertilizer supply; in 1996, they are expected to provide 75 percent. National legislation has liberalized seed import restrictions too.

With the elimination of state monopolies on input supply to the smallholder sector, several private input distributorships have started up. Private retail trade has expanded rapidly throughout the country.

"The next change will be revising fertilizer buffer stock policies," reported Simons. "We really don't need the same stock because transport links to other countries are reliable now." Over the next few years, buffer stock fertilizers will be sold to private traders to create an interest-bearing cash reserve. APAP III plans to assist in monitoring these changes.

Output Markets

With the exception of maize and tobacco, agricultural output marketing is free of policy restrictions. The Government of Malawi no longer sets producer prices or consumer prices for agricultural commodities. It does intervene to stabilize maize prices through a price band, but USAID is working with the Government to make the price band progressively less invasive and to transform the maize Strategic Grain Reserve into interest-bearing cash reserves that can be used for price stabilization. With the assistance of APAP, government maize transactions are being conducted primarily through public tenders (rather than exclusively through a state-owned enterprise).

"With the recent decontrol of prices, private trade has grown quickly, even for maize," reported Simons. "The most rapid expansion of output trading has been with tobacco marketing under the Intermediate Buyers (IB) program." Approximately 2700 IB traders are participating in tobacco marketing, providing more competitive prices than those previously offered by the state-owned enterprise when it held a monopoly. "This change has improved conditions for estate sector tenants and laborers too," explained Simons. "If estates offer unfavorable terms, they risk losing their crop to the IB channel."

Until 1991, burley tobacco, a lucrative crop, was grown only on large estates. Policy reforms have provided smallholders with equal opportunities for tobacco production and production is shifting to the smallholder sector. In 1996, smallholders will produce about 25 percent of Malawi's burley tobacco.

"Licensing reforms are also making a difference to trade in agricultural commodities," said Simons. "Multiple licensing requirements have been eliminated. Traders can trade domestically and import or export agricultural goods with a normal business license. A special license is required only for the export of maize."

State-Owned Enterprises

The Government of Malawi has initiated an ambitious program of privatizing state-owned entities and assets in the agricultural sector. USAID provided start-up assistance to a Privatization Commission, headed by Malawi's Vice President. A delegation of Commission members traveled to Zambia to observe privatization activities. "Both the problems encountered and the progress made by Zambia provided valuable lessons for Malawian officials,"commented Simons.

USAID provided funds for the creation of an Index of State-Owned Enterprises. Data gathering revealed that the Government owns almost 50 enterprises that operate in the agricultural sector. In-depth studies of these enterprises are being conducted to determine whether there remains any role for such enterprises.

A study of the Agricultural Development and Marketing Corporation (ADMARC), the largest and most powerful state-owned enterprise, showed that most of its social functions (activities it performs on behalf of government) are already being performed by the private sector. Remaining social functions can be performed by

(Continued on Page 8)

How Missions Access APAP III Services

1. Communicate interest/plans to utilize APAP services to G/EG/AFS.
2. Develop scope of work for buy-in or OYB transfer (with assistance from G/EG/AFS).
3. Send PIO/T to G/EG/AFS indicating when services are required and what level of effort required.
4. Finalize team and schedule after proposal is received from APAP III Contractor.

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Malawi: Parastatal Privatization Plans

In May/June 1996, an APAP III team assessed the functions of the Agricultural Development and Marketing Corporation (ADMARC) in Malawi and developed a strategy and action plan for its privatization. The team consisted of Richard D. Abbott, Abt Associates Inc., and Roger J. Poulin, Development Alternatives, Inc. Mr. Abbott was responsible for the analysis of the commercial functions of ADMARC and Mr. Poulin dealt with its social and developmental activities.

Commercial Functions

The team recommended the conversion of ADMARC's cotton and tobacco operations into two separate companies that would be privatized following one year's operation under the supervision of the Privatization Commission. The Privatization Commission was established in 1994.

Cotton

"ADMARC's cotton purchasing, ginning, and export activity is potentially profitable," reported Abbott, "but it is burdened by high overhead costs. We recommended that cotton trading activities be spun off from ADMARC and established as a separate company at the beginning of the 1998 fiscal year. In the interim, we recommended that local business consultants create a restructuring plan to identify the facilities, equipment, staff, management and working capital required to make it a sustainable and competitive business enterprise."

The restructuring plan would be presented to the Privatization Commission for action, namely the appointment of a general manager and board of directors to take charge of the new company for a limited time and establish a profitable operation, preferably within one year.

Tobacco

Although liberalization measures have opened the tobacco market in Malawi, ADMARC continues to dominate in the buying of dark-fired tobacco from smallholders. High overhead charges burden ADMARC's tobacco trading account, but audited financial statements indicate that profit margins, before allowance for overhead, are quite respectable (61 percent in 1995 and 40 percent in 1996). The team recommended that a separate tobacco marketing company is potentially profitable, provided it is free to select only those marketing facilities it needs to be competitive.

Procedures recommended are similar to those recommended for cotton. First, ask independent consultants to conduct an analysis of facilities, staff and equipment required to create a sustainable, competitive enterprise. Second, present a restructuring plan to the Privatization Commission, create the new company, and supervise its operations for about one year to establish a profitable operation.

Marketing Infrastructure

The team recommended that ADMARC's extensive network of depots, parent markets, and unit markets, together with regional and divisional headquarters, be privatized over a five-year period.

"Our proposal is that a separate property management company be spun off from ADMARC and all properties be transferred to the books of the new company," explained Abbott. "We believe a restructuring plan is needed with evaluations of the market value of all properties, proposals for a management team and procedures for disposition of the properties." The newly created cotton and tobacco companies would have the right of first refusal in the purchase or lease/purchase of marketing facilities before they are put on the market.

Social Functions

The team recommended a phase-out over two or three years of ADMARC's maize marketing and input sales functions, and the disposal to the private sector of all its market facilities. In remote areas, the team proposed that the Government (not ADMARC) retain a role in marketing and input sales for a limited time.

"Although ADMARC's new commercial orientation has been in place for two years, there are lingering questions about the impact of ADMARC's withdrawal from rural areas," explained Poulin. "How will maize marketing be carried out? What impact will the changes have on farmers and consumers? What will happen in remote areas with low levels of market development? Will adequate supplies of inputs be available to smallholders?"

The team's findings provide reassuring answers to these questions and support the phased withdrawal of ADMARC from maize marketing. "Private traders already account for a high proportion of the maize traded in rural areas. They have the capacity to buy maize, move it over long distances and store it," the team reported. "In fact, available data suggest that ADMARC's unprofitable activities in maize marketing have discouraged private sector entrance into rural markets. Once the public sector withdraws, we believe the private sector can rapidly expand its level of activity."

Remote rural areas present a slightly different picture. In some regions, ADMARC has been the only buyer of marketable surpluses, and the only supplier of farm inputs. ADMARC's departure from these remote areas would result in some increase in private trader acti-

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Malawi: How Free Input Distribution Affected Liberalization

To alleviate the effects of drought during the 1995-96 agricultural season, the Government of Malawi instituted a Supplementary Inputs Program (SIP) to distribute free fertilizer and seeds to smallholders in selected regions. The SIP was designed to reach about 40 percent of smallholders in the country. Distribution was handled by the Agricultural Development and Marketing Corporation (ADMARC), a parastatal.

What impact did this free distribution of fertilizers and seeds have on Malawi's developing private trade and distribution systems? USAID/Malawi asked APAP III for help in answering this question. Ashok Chakravarti, consultant to Abt Associates, interviewed both major input suppliers and small traders to gain an understanding of impacts.

The SIP was initiated at a time when private distribution systems were expanding. Until 1991, all fertilizers and seeds intended for smallholder use were distributed domestically by ADMARC. At the beginning of the 1995-96 season, ADMARC continued to dominate input distribution, but several private input suppliers and hundreds of small traders were increasing their market share. The small traders often combined input marketing with other business activities.

Free fertilizer distributed under SIP represented only 14 percent of total fertilizer use during the 1995-96 agricultural season. In contrast, the hybrid maize seed distributed free constituted 51 percent of total consumption.

Major Input Suppliers

Chakravarti interviewed key individuals in major input supply firms that are involved in production, import and wholesale distribution.

During the 1995-96 season, the private sector emerged as a major supplier and distributor of fertilizers in Malawi, with a significant increase in the total volume of commercial sales (from 26,100 metric tons in 1994-95 to 69,200 MT in 1995-96). This substantial increase was a direct result of the recent liberalization of the fertilizer market. SIP inputs may have displaced some commercial sales of fertilizers, but quantitative estimates are difficult to determine. Overall, major fertilizer suppliers remain optimistic about future opportunities and are proceeding with plans to expand production and distribution networks.

Free distribution of inputs during the 1995-96 season displaced some commercial sales, affected prices, and discouraged some entrepreneurs from entering trading activities.

Malawi has only two companies that produce and distribute hybrid maize seed wholesale. The combined commercial sales of these two companies declined from 5,308 MT in 1994-95 to 3,770 MT in 1995-96. The totals reflect sales made through all distribution channels and therefore reflect decline in the retail market too. The decline suggests that free distribution through the SIP absorbed some of the potential retail demand. Resale of SIP hybrid maize seeds caused retail prices to fall in several markets and resulted in substantial unsold stocks remaining with distributors at the end of the season. The companies indicated that the free distribution of seed discouraged their business expansion plans.

Small Traders

Chakravarti interviewed about 120 retail traders operating in 20 markets. Trading in fertilizer and seed was primarily an extension of existing business activities. A majority of the traders were grocery store owners who had diversified into input trading.

Of the 120 traders, 60 were operating in areas where free inputs were distributed; the other 60 were traders in non-SIP areas. More than 90 percent of the traders were operating in areas that were also being served by ADMARC. Almost 80 percent were independent traders; the remaining 20 percent represented large retail chains.

Since 1995-96 was the first year of trading in fertilizer for most businesses, no comparison with previous years was possible. In areas served by SIP, about 75 percent of traders interviewed reported that the resale of free fertilizers had an impact on their markets. The traders had mixed views on prices; about half reported no impact and the other half provided evidence of price declines. About 60 percent of traders reported that SIP had a negative impact on sales, but most felt that the distribution of free fertilizer to first-time users would generate demand in the future. Large numbers of traders stated that SIP had deterred them from starting fertilizer marketing in 1995-96.

Comparing maize seed sales in 1994-95 and 1995-96, a few traders in non-SIP areas reported increases in sales volume and no traders reported declines. In SIP areas, where free distribution took place, about

(Continued on Page 8)

Food Security in Malawi

How has Malawi's transition from a centrally-regulated economy to a market-oriented economy affected the food security situation in the country? Do changing policies support both food security and the transition to a market economy?

In April and May 1996, an APAP III team examined these questions. The team consisted of Donald G. Brown and Shlomo Reutlinger, from Abt Associates Inc., and Anne M. Thomson, from ISTI. The team reviewed relevant research documents and interviewed key staff in the Government of Malawi, donor community, and private and parastatal sectors. Their report will serve as a catalyst, stimulating dialogue on food security and enhancing understanding of the actions the Government can take to promote food security without undermining the momentum towards a market economy.

Don Brown presented the team's findings at a USAID seminar in July. "Food security is an income issue, not a production issue," he noted. "Food production is an important variable affecting food availability in the market, but food security in households refers to the ability to access and use food." Food security is defined as enough food consumption by all people at all times for a healthy and productive life.

The team examined the dynamics of three basic elements that are needed to assure food security within a population—a viable marketplace, growth of a productive economy, and fostering of household income. Using a market approach, they focused on issues of supply, demand, and market responsiveness to food security needs.

In Malawi, the food insecure include smallholders, estate workers/tenants, and the urban poor. Most poor smallholders have few assets, use low levels of purchased inputs, and have low access to credit. Many poor households are headed by women and are less likely than two-adult households to earn cash income from off-farm employment. Nearly all poor households have difficulty meeting their food requirements from their own production. Their main problem is lack of resources. Estate workers and urban poor have a similar lack of resources.

"Recent policy changes are creating opportunities for smallholders to grow cash crops," explained Brown. "Maize production is not keeping pace with population growth, environmental degradation is reducing soil fertility, and deaths from AIDS are increasing dependency rates. To promote food security and economic growth, ways must be found to increase household productivity, both on and off the farm."

Traditional public sector market interventions benefit a small number of food-insecure households, but generally exclude the poorest households. For example, price stabilization may address transitory food security, but does not assure food security at the household level, because many poor households depend on their own production and barter and are thus outside the market.

"Safety nets are essential for some households that are extremely vulnerable," noted Brown. "In the

Assessing Food Security: A Market-Based Approach

A market-based approach to food security focuses on how market conditions lead to change in demand and supply for food. As supply fluctuates, prices rise and fall accordingly, assuming fairly fixed short-term demand for food. Over time, people adjust demand in accord to relative prices. By following price and quantity movements, a policy maker can obtain a fairly clear picture of overall food availability.

For a government to address transitory food insecurity issues, it needs much more than information of impending changes in the national food gap. Information by regions on production and prices of various commodities is required. In Malawi, much of this information is already collected and now needs to be interpreted for appropriate action.

past, Malawi's response to drought has been reactive rather than proactive. For example, the Government has released food from storage at the time of emergency. A proactive approach would be to plan ahead by encouraging crop diversification, small-scale irrigation, and effective use of early warning systems."

Supplying food to the poor in a drought, either through a food-for-work program or directly, is a de facto income transfer. Ideally, efforts to help the poor in times of drought should enhance efforts to deal with the chronic problem. Transitory and chronic food insecurity are linked.

The team reviewed approaches to support and enhance food security for Malawi. The Government can intervene in markets, directly or indirectly, encourage market development, and promote income redistribution.

Market Intervention

"After 30 years of government intervention as the standard response to food security problems, many government officials distrust market approaches," explained Brown. "But experience demonstrates that government intervention can be a liability when it undermines the ability of the population to provide for its own well-being."

Many examples illustrate how government intervention can distort market development. Panterritorial pricing discourages traders and transporters from entering the market when the prices do not reflect real transportation costs. Restrictions on maize exports encourage illegal border trade, resulting in lower prices for producers, higher prices to consumers, and loss of revenue to government. Similarly, giving out free packages of fertilizer and seed through a parastatal retards the development of a private input market.

In the team's view, direct or indirect market intervention to support food security is usually a mistake. Market intervention by the state is not sustainable, and is dependent, ultimately, on donor financial support. This support, in turn, bolsters dependence. Ongoing government intervention perpetuates an inefficient economic structure with a distorted allocation of resources. In times of drought, some intervention may be essential—but it should be provided in a way that enhances long-term efforts to improve food security.

Market Development

A basic premise of the team's report is that chronic food security can be solved only through increasing productivity and through

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Assessing Food Security: The Food Gap

The food gap is a measure of the discrepancy between food supply and food demand. Supply is usually a measure of national food production; sometimes commercial imports are included too. Demand is a measure of the nutritional requirements of a country's population, usually some estimate of levels of consumption. Food gap calculations are used to estimate short-term import requirements or desired changes in food stocks held by government. They are also used to identify policies that could diminish food insecurity, for example, policies that could lead to the expansion of the production of selected crops.

Food gap projections are based on assumptions regarding food demand (estimated per capita energy requirements for projected age and sex distributions) and food supply. Estimates are based on change expected in area planted and yield of specific crops.

Food gap analysis misses the basic food security problem—poverty. Estimated food requirements generated by a food gap analysis assume that everybody in the population gets his or her due share as determined by nutritional criteria. Reality is hardly this way. Distribution of food is more likely to be governed by market forces, including distribution of income, assets and prices, than by considerations of nutrition.

The APAP team examined a recently completed food gap analysis completed for Malawi for the years up to 2005. The team found that a food security policy that focused on filling a national "food gap" is likely to be less effective than policy focused on filling the "income gap" of the food-insecure population.

Statistical Analysis of Slow Growth in Africa

In a 1996 discussion paper, Jeffrey D. Sachs and Andrew Warner, both of the Harvard Institute for International Development, analyzed data relevant to the sources of growth in African economies. Compared to other developing economies, African economies scored low on both the policy and structural variables most associated with national growth in other parts of the world. The three most important policy variables identified in the analysis were measures of openness to trade, market efficiency, and national saving rates. The three most important structural variables were measures of initial income, physical access to port facilities, and natural resource abundance.

Using regression analysis, the authors quantified the relative contributions of the selected variables to each country's growth in real GDP per economically active population, 1970-89. Taking all factors together, Sachs and Warner found that the regression estimates appear to explain most of Africa's slower growth. Comparing African countries with other developing countries identified as "fast growers," the researchers found that the most important differences were in openness to trade (African protectionism) and Africa's lower savings rate.

To stimulate economic growth, trade liberalization is important. African economies that adopted open trade in the 1970s (Botswana and Mauritius) and mid-1980s (Morocco and Tunisia) have outperformed the rest of Africa by a wide margin. Analyses suggest that trade liberalization could raise average growth rates by 0.7 percent per annum in formerly closed economies. Two other policy variables—efficiently functioning markets and higher savings rates—were strongly associated with higher economic growth. For example, the authors estimate that improvements in market efficiency could increase growth in African economies by 0.9 percent.

Structural conditions in many African countries may continue to impede growth, even with policy reform. Sachs and Warner note that 14 countries (representing about one-third of Africa's population) are landlocked; to increase economic growth, they will need efficient, low-cost transport to coastal facilities.

Overall, the Sachs and Warner analysis provides some statistical support to propositions that strategies for economic growth in Africa must be firmly based on policy reform, including the liberalization of foreign trade and domestic markets, and greater mobilization of domestic savings. The analysis suggests that actions to increase the openness of African economies will have a payoff in economic growth.

Additional Reading:

Sachs, Jeffrey D. and Andrew M. Warner. *Sources of Slow Growth in African Economies.* Cambridge, Mass.: Harvard Institute for International Development, July 1996.

World Bank Study of Reform Efforts

In a recent report, the World Bank assesses how state-owned enterprises (SOEs) influence the economies of developing countries and examines in detail the reform efforts of 12 countries.

The assessment of divestiture in developing countries, 1980-1993, finds that large SOE sectors impede economic growth. Usually, they are less efficient than private firms and receive subsidies that reduce public spending in critical areas, for example, for education and health. The study found that many poor countries have large, costly SOE sectors that they cannot afford.

On the basis of case studies in 12 countries, the report states that the "evidence [is] ... clear that reducing the role of bureaucrats in business and improving the performance of the remaining SOEs can bring a country substantial economic gains. Yet reform has been slow and seldom successful." Not surprisingly, the initial level of employment in SOEs relative to total employment in the economy is often a good indicator of how difficult reform will be.

The study's measures for successful reform related to the performance of the enterprises themselves, including financial returns, productivity, and savings-investment deficit. The specific conclusions were that successful reformers (countries making reforms) divested more, hardened SOE budgets, reformed the financial sector, and introduced more competition (through liberalized trade, eased restrictions on entry, and the unbundling of large enterprises). Both successful and unsuccessful reformers tried to improve the incentive structure by changing the relationship between SOE managers and the government.

The study gives specific recommendations for the use of foreign aid to assist state-owned enterprise reform. These recommendations are structured around whether the country is ready to reform its SOEs. To assess whether a country is ready to

reform, the report provides three conditions for readiness—political desirability, political feasibility, and the credibility of the government (especially in making reform promises).

When the government is not ready for SOE reform, foreign assistance can help lay the groundwork by providing information on the net benefits from reform and by encouraging and assisting reform in other areas, for example, reducing fiscal deficits and trade restrictions, and reforming the financial sector.

If the government is ready but may have difficulty finding private buyers because its international credibility is low, donors could offer investment guarantees to help attract private investment.

In borderline countries, upfront actions by the government to demonstrate readiness are particularly important. In all assistance, donors should prepare flexible designs to allow for the possibility that the country's readiness to reform may change or be overestimated.

Additional Reading:

World Bank. *Bureaucrats in Business: The Economics and Politics of Government Ownership.* New York, N.Y.: Oxford University Press, Inc., 1995.

Malawi: Progress . . .

(Continued from Page 2)

other mechanisms. The study proposes the rapid privatization of ADMARC's commercial activities and a phased withdrawal over several years from other activitives.

"The momentum of Malawi's policy reform process is established," said Simons. "The changes are exciting to see. They are increasing equity and efficiency in Malawi's agricultural sector and writing a new chapter in Malawi's history."

Malawi: Parastatal . . .

(Continued from Page 3)

vity, but traders are unlikely to be able to offer producer prices as high as ADMARC's and input prices as low as ADMARC's. As the departure of ADMARC is occurring, it will be necessary for the Government to compensate for imperfectly functioning markets. However, the problem is best addressed directly by the Government, not through a parastatal.

The team found that agricultural inputs are increasingly being sold by private traders. The trend is strongest for hybrid maize seed; the largest supplier is now selling most of its seed through private retailers. For fertilizer, ADMARC remains the largest distributor, but suppliers began shifting to private traders last year. Except for remote areas, ADMARC no longer plays a critical role in the supply of farm inputs to smallholders.

Action Plan

The team outlined an action plan for its recommendations, including a public information campaign preceding the termination of ADMARC's local maize trading operations, a phase-out of ADMARC's national maize marketing activities and farm input marketing over the next two years, and a plan for disposal of physical facilities, to be completed by the year 2000.

For remote areas, the action plan recommends that specific areas where marketing is a constraint be identified, and that the Government contract with ADMARC to continue operating its markets in these areas for two more years, with prices reflecting real transportation and marketing costs.

Additional Reading:

Abbott, Richard D. and Roger J. Poulin. *The Future of ADMARC: A Policy Analysis.* APAP III, 1996.

Malawi: How Free Input. . .

(Continued from Page 4)

half of the traders reported that the resale of hybrid seed had a significant negative impact on prices and sales.

Unsold stocks at the end of the season were a commonly reported problem. A small proportion of traders reported that the SIP seed distribution had a positive impact on their 1995-96 sales because of the small quantities distributed and the new interest generated in hybrid seed.

Conclusion

Malawi has an active and dynamic private sector that is marketing both fertilizer and hybrid maize seed. Free distribution of inputs during the 1995-96 season displaced some commercial sales, affected prices, and discouraged some entrepreneurs from entering trading activities.

Nevertheless, unless market disruptions occur, a majority of input market suppliers, both large or small, indicate that they intend to expand their networks and sales volume to service both estates and smallholders in the forthcoming season.

Additional Reading:

Chakravarti, Ashok. *Malawi Supplementary Inputs Program: An Assessment of the Impact on Input Markets.* APAP III, 1996.

APAP Bibliography Available

The APAP bibliography presents selected publications produced since APAP began in 1983. Included are technical papers, collaborative research reports, methods and guidelines representing APAP's work in more than 30 countries around the globe. Most publications can be ordered from USAID (using the reference numbers provided). Recent publications are available from Abt Associates at a cost of $12.00 per volume.

The complete bibliography and a list of recent studies are available electronically (apap3@abtassoc.com).

Sustainable Financing Initiative

APAP III is providing technical assistance to the Sustainable Financing Initiative (SFI), an effort to promote new financing mechanisms to support agricultural research and natural resources management in Africa. SFI is supported by the Office of Sustainable Development in the Africa Bureau of USAID (AFR/SD) and by the World Bank's Special Program for African Agricultural Research (SPAAR) and its multidonor secretariat (MDS).

SFI aims to help African institutions strengthen and diversify their financial bases and manage their programs in a sustainable manner. Field support activities began in 1995 when AFR/SD sponsored a workshop in Maastricht, The Netherlands. Leaders of African institutions, donor representatives and technical experts reviewed experience in other parts of the world and developed preliminary SFI workplans. Although financing mechanisms and fund raising strategies differ for each institution, core elements are strategic planning, institutional reform, new legal arrangements, coalition building, and management of the change process.

SPAAR and the multidonor secretariat have been working closely with a number of African institutions to establish SFI plans. APAP III is providing implementation assistance. Initial assistance focuses on three organizations, the Southern Africa Center for Cooperation in Agricultural Research and Training (SACCAR) in Botswana, the Network for Environment and Sustainable Development in Africa (NESDA) in Côte d'Ivoire, and the Council for Scientific and Industrial Research (CSIR) in Ghana. Derick Brinkerhoff, Abt Associates, visited all three organizations in June to review SFI workplans and assist in planning for technical assistance. In August, he worked with SACCAR to address revisions to its financial management system. Lessons learned from work with SACCAR, NESDA, and CSIR will be extended to other institutions and the wider donor community.

Food Security . . .

(Continued from Page 6)

growth in the national economy. The answer to food insecurity is reduction of poverty through development.

Food insecurity in Malawi is related to income and poverty. Solving the problem of food insecurity requires increasing household income through greater productivity in the economy. This productivity can come from transforming the economy from one based on subsistence to one based on exchange. Such a shift requires lowering the risk inherent in market exchange, particularly in the food market, to enhance the availability and lower the cost of food to households.

Important elements needed in the food market include low transaction costs within the marketing system, expanded differentiation of food available to consumers, especially the poor, and assured availability of food on the market. Also important are increasing viable investment opportunities for small holders, the establishment of a viable land market, the expansion of the truck fleet (especially low-capacity trucks), and improvements in the quantity, quality, and dissemination of market price information.

Income Redistribution

Long-term solutions to Malawi's food security problems require both market development and a more equitable distribution of income and resources. Politically and economically, income redistribution is extremely difficult, but the present highly skewed distribution of assets and income may threaten the development of a competitive, open marketplace.

Additional Reading:

Brown, Donald G., et al. *Malawi: Food Security in a Market-Oriented Economy.* APAP III, 1996.

Welcome and Farewell

Welcome to George Like, Project Officer for APAP III. George worked recently with the USAID Mission in Panama and is assigned now to USAID's Office of Agriculture and Food Security in the Global Bureau. Previous assignments include work in El Salvador, Guatemala, Belize, and Indonesia. For Missions interested in using APAP services, George is the person to contact (see page 2).

Farewell to David Schroder, APAP's previous Project Officer, who provided enthusiastic support during the past three years. David's new USAID assignment is Cairo, where he is a Human Resources Development Officer.

Agricultural Policy Reform Workshops in Africa Rescheduled

Workshops on "The Political Economy of Agricultural Sector Policy Reform," will be offered in Africa during the first several months of 1997. The workshops are sponsored by the Africa Bureau's Office of Sustainable Development, Division of Productive Sector and Environment (AFR/SD/PSGE). They are designed to provide participants with an improved understanding of the political and socio-cultural factors that contribute to the success or failure of agricultural policy reforms in Africa and to offer practical tools and methods for analyzing the initiation, implementation and sustainability of agricultural policy reform.

The workshops evolved from a series of studies undertaken in Africa by APAP. They are based on the assumption that *proposals for reform and predictions of outcomes imply a series of assumptions about the behavior and effectiveness of political actors or institutions and how they may react in a given set of circumstances.*

Several two-day workshops are planned with a maximum of 20 participants each. The first three will be regional in scope and will take place in Addis Ababa, Abidjan, and Gaborone. Initial workshops will be offered in English. Depending on demand, subsequent courses can be offered in French.

Participants will include USAID direct-hire staff, foreign service nationals working for USAID, host country counterparts and representatives from the research and academic communities, selected technical assistance team members working on policy reform in Africa, and international and host country representatives of non-governmental organizations (NGOs).

Training will be provided by the APAP staff who conducted the original studies. They will include William Levine, Carol Adoum, Ismail Ouedraogo, Catherine Rielly, and Charles Stathacos.

AFR/SD/PSGE will cover the costs of the training staff, tuition and materials. USAID missions and other participant organizations will be asked to cover travel and per diem expenses of participants.

As soon as dates have been finalized, AFR/SD/PSGE and APAP III will inform all USAID missions in Africa. In order to facilitate planning, APAP III is seeking expressions of interest from missions, NGOs and donors interested in sponsoring participants. Please contact APAP III via E-mail (bill_levine@abtassoc.com) or fax (301 652-3839).

APAP III Works Worldwide

Since its inception in 1993, APAP III has worked in numerous countries around the globe, including:

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