

AGENCY FOR INTERNATIONAL DEVELOPMENT
PPC/CDIE/DI REPORT PROCESSING FORM

P.N.-ABD-222
62672

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number 936-5477	2. Contract/Grant Number DHR 5447 - Z - 00 - 7074	3. Publication Date
--	--	---------------------

4. Document Title/Translated Title
Operational Guidelines for the Rapid Appraisal of Parastatally Dominated Agricultural Marketing Systems

5. Author(s)
1. Deloitte Haskins & Sells
2.
3.

6. Contributing Organization(s)
Abt Associates, Washington, D.C. and Deloitte Haskins & Sells

7. Pagination 29	8. Report Number Draft Document	9. Sponsoring A.I.D. Office S&T/RD
---------------------	------------------------------------	---------------------------------------

10. Abstract (optional - 250 word limit)
The following document is the first draft of a companion to "Operational Guidelines for Rapid Appraisal". While covering much of the same ground as the original and more detailed Operational Guidelines, this second document has a more limited aim in that it focuses on a single, specific type of marketing system; those that are parastatally controlled or dominated.

11. Subject Keywords (optional)

1.	4.
2.	5.
3.	6.

12. Supplementary Notes

13. Submitting Official Gerard Martin / Project Director	14. Telephone Number 202-362-2800	15. Today's Date July 13, 1989
---	--------------------------------------	-----------------------------------

.....DO NOT write below this line.....

16. DOCID	17. Document Disposition DOCRD [] INV [] DUPLICATE []
-----------	--

PN-AGD-222

OPERATIONAL GUIDELINES
FOR THE
RAPID APPRAISAL
OF
PARASTATALLY DOMINATED AGRICULTURAL
MARKETING SYSTEMS

OPERATIONAL GUIDELINES
FOR THE
RAPID APPRAISAL
OF
PARASTATALLY DOMINATED AGRICULTURAL MARKETING SYSTEMS

TABLE OF CONTENTS:

1.	INTRODUCTION	1
1.1	Background	1
1.2	Considerations for Parastatal Appraisals	2
1.3	Parastatal Rapid Appraisal Objectives	3
2.	PHASE I - PREPARATION	5
2.1	Initial Visit	5
	2.1.1 Determine the Appropriateness of the R.A. Approach ..	5
	2.1.2 Determine the Feasibility of the R.A. Approach	7
	2.1.3 Assess Compatibility with AMIS Requirements	11
	2.1.4 Logistical Preparations for Team Deployment	12
2.2	Preparation and Presentation of the RA Budget	12
2.3	Preparation of Study Workplan and Materials	13
3.	PHASE II - PRELIMINARY ANALYSIS	16
3.1	Mobilization for Field Work	16
3.2	Institutional Review	17
	3.2.1 Parastatal Objectives and Role	17
	3.2.2 Operational Environment	18
	3.2.3 Management Efficiency	18

3.2	Operations Analysis	19
3.3.1	Performance Analysis	19
3.3.2	Financial Cost of Operations	20
3.3.3	Economic Efficiency	20
3.3.4	Policy Effectiveness & Key Constraints	21
3.4	Preliminary Analysis and Conclusions - Report	21
4.	PHASE III - FORMULATION OF RECOMMENDATIONS	23
4.1	Determining Directions for Change	23
4.1.1	Identification of Alternative Structures	24
4.1.2	Political & Legislative Considerations	24
4.1.3	Degree & Direction of Recommended Change	26
4.2	Distribution of Benefits and Costs	26
4.2.1	Economic & Financial Justification for System Changes	26
4.2.2	Anticipated Benefit-Cost Distribution	27
4.3	Preparation of Recommendations	27
4.3.1	Preparation and Presentation of the Draft Strategy ..	28
4.3.2	Recommendations for Further AMIS Interventions	28
4.3.3	Recommended Implementation Strategy	29
4.3.4	Final Report	29

1. INTRODUCTION

The following document is the first draft of a companion to "Operational Guidelines for Rapid Appraisal". While covering much of the same ground as the original and more detailed Operational Guidelines, this second document has a more limited aim in that it focuses on a single, specific type of marketing system: those that are parastatally controlled or dominated.

1.1 Background

Parastatally controlled or dominated systems may be defined as those systems in which a significant influence is exerted by a totally or majority state owned agency or corporation. This influence may occur through the agency's purchase or sale of all or a majority of the product concerned or through government granted rights to establish prices, grades, transportation procedures, export conditions and similar market determinants. It should not be thought that dominant influence can not exist where the agency is only a minor buyer or seller in the market.

Significant de facto if not de jure parastatal operations may also exist where the organization is not a legal entity of the government. Such cases may arise where, for political or other reasons, a private sector or non-profit organization (often a producers' association) is granted effective powers to act on the government's behalf.

In either case, the crucial element of parastatal operations centers upon the power of a single agency to influence or control agricultural product or input markets by means beyond those available to a normal (non-monopolistic) commercial or cooperative enterprise.

During 1960s and 70s many LDC governments replaced private sector control of agricultural markets with parastatal monopolies. The publicly stated rationale for such government intervention in the market ranged from ethnic or ideological objections to private trading operations to more economically justifiable goals such as price stability or overcoming poor market operations. Additional, often unstated, motives have included subsidising food consumption in urban areas, controlling food aid and the counterpart funds generated by sales, controlling foreign exchange revenue, and inter alia, providing concessional prices to politically attractive farm areas.

Parastatal control of agricultural marketing systems has generally proved unsuccessful (at least in terms of the official objectives), and

price support and subsidy policies have often risen to levels where governments face massive drains on revenues to maintain them. More recently, therefore, many developing world governments have come under increasing external and budgetary pressures to improve parastatal marketing system performance, often through privatization.

The AMIS project, focusing as it does upon the improvement of agricultural marketing systems, can not afford to ignore the widespread existence of parastatally operated or dominated markets. Yet such systems present significant differences from those in which the private sector plays the dominant role. The following paper is derived from the experience of Deloitte Haskins & Sells in a number of projects involving parastatal marketing systems in different parts of the world. It provides parameters identified by DH&S as being significant to the structure and functioning of such systems and suggests a framework within which parastatal systems can be evaluated as part of the Rapid Appraisal methodology put forward in the AMIS project.

1.2 Considerations for Parastatal Appraisals

The Rapid Appraisal of parastatally dominated systems differs significantly from those of free-market operations in a number of ways:

- Market efficiency and characteristics are established by a single entity.
- Typically, parastatal entities are required to meet separate and often conflicting objectives (e.g. social equity vs. market efficiency) that render performance evaluation difficult. Effective policies may differ significantly from nominal policies.
- Desire for system changes (and hence interest in Rapid Appraisal) often arises from major operating deficits of the parastatal. This may lead to ideological vs. economic conflicts among national decision makers.
- As a result of its (explicitly or implicitly) government authorised position, modifications in parastatal operations can only occur through specific government commitment to change.
- Government amenability to proposed changes will be influenced by the political power of those expected to gain or lose as a result. Key elements will include parastatal employees (often civil servants), producers and urban consumers.

- The lack of alternative marketing system elements may be a major constraint to extensive restructuring of parastatal operations. Due to the overwhelming dominance often exercised by parastatals, few other organizations or firms may exist with sufficient capital, infrastructure or human skills to adequately replace existing parastatal functions. Those that do exist may be politically unacceptable on nationalist, ideological or ethnic grounds

As a result of these differences, constraints to efficient market operations tend to be markedly different in parastatally dominated systems than in those approximating more closely to the many-buyers/many-sellers model of the classical market. Constraints in parastatal systems are rarely technical or infrastructural in nature, or even educational, as is often the case for free-market systems. Instead, elements such as definition of objectives, managerial efficiency, accountability and financial control, and effective use of human resources are often paramount.

The analysis of parastatal systems, therefore, whether in rapid appraisal or by other means, tends to focus upon institutional and administrative evaluation, the determination of financial and economic costs and benefits, and the assessment of political realities.

Because any analysis of parastatal operations will share many investigative and analytical aspects in common, it is possible in these guidelines to be more specific as to tasks required than is the case in the more generalized "Operational Guidelines". This greater specificity is reflected in a more tightly structured layout for rapid appraisal in the following pages.

1.3 Parastatal Rapid Appraisal Objectives

It should be emphasized that these guidelines are not intended to provide a blueprint for ideologically based attempts to rid the world of government controlled institutions, whether in marketing or elsewhere. The objectives of any parastatally dominated system appraisal, rather, must be to address the following issues:

- To clearly demonstrate to the government concerned the real costs and benefits arising from its creation and support of the parastatal and to thus permit the government to consider objectively whether such costs and benefits justify the continuation of the agency.
- To propose, where appropriate, feasible alternative ways in

which the social or other objectives of the government could be met in a less costly and more efficient manner.

- To recommend, where appropriate, ways in which the operations of the parastatal could be improved within their present terms of reference.

Governments may have objectives (social or otherwise) that are best achieved through the existence of parastatal marketing system operations. In this case, therefore, the focus for recommendations must be upon increasing the efficiency of existing system operations. More often, however, parastatals continue to exist because governments are unaware of their true cost (in economic as well as financial terms) and/or because they fail to see a politically acceptable alternative to the existing approach.

Finally, to be successful, the Rapid Appraisal Methodology must not only address the issues discussed above, but must also provide guidance on necessary further steps in research and implementation that will allow the findings to be of some practical use.

2. PHASE 1 - PREPARATION

The preparation phase of Rapid Appraisal activities differs little, whether the system under consideration be essentially private sector oriented or parastatally dominated. The discussion in the following section, therefore, has been kept intentionally brief.

Those undertaking Rapid Appraisal activities for the first time should refer also to the more general "Operational Guidelines for Rapid Appraisal" where introductory activities are dealt with in more detail.

2.1 The Initial Visit

Due to the major 'buy-in' component of AMIS activities, visits to country missions will generally be undertaken in response to a statement of interest from the Agriculture and Rural Development Division of the mission in question. In responding to a request for possible services, therefore, AMIS staffers must consider a number of factors:

- Determine the appropriateness of the RA approach given the needs of the mission, the host country and the system under consideration.
- Given the appropriateness of the RA approach, determine the feasibility of conducting a Rapid Appraisal in that setting.
- Determine whether the system to be examined fits within the requirements of the AMIS project, in terms of data to be acquired and extension of the AMIS experience base.
- Should all factors appear suitable, attention must finally be given to the logistical framework within which the Rapid Appraisal will take place.

Each of these steps is examined in more detail below.

2.1.1 Determine the Appropriateness of the RA Approach

Not all marketing system constraints are amenable to intervention through a Rapid Appraisal. In some cases sufficient detail may already have been collected or analyzed to permit direct movement into the Applied Research or even Pilot Intervention stages. In other cases, the problem may be not one of system functioning but rather of macro-economic policy, a specific technical issue or production.

Although the overall political and economic environment is always an important concern with parastatal issues, the very nature of parastatal functioning lends itself more often to a systems approach than might be the case for a free market system.

In the "Operational Guidelines for Rapid Appraisal", five key tests for the appropriateness of Rapid Appraisal are given:

1. Is the problem related to a particular commodity, set of commodities or some segment of a commodity sub-system?

With parastatally dominated systems the answer to this question will generally be yes. The problem will deal with that sub-set of commodities and that segment of the marketing system under the control of the parastatal.

2. Are USAID and the host country interested in a diagnostic approach to the problem; that is, is the problem already well defined or is there a need to systematically appraise the situation?

The existence of a considerable body of information and analysis already compiled on the parastatal and its operations may render RA unnecessary. In this case a direct movement to Pilot Interventions or even a full project may be more suitable. Raw data and statistics should not, however, be confused with a systems appraisal.

3. Does the problem require in-depth data gathering and analysis? In other words, is this an Applied Research problem?

Where considerable confusion exists as to the operations, finances and management of an extensive parastatal system, Rapid Appraisal may not be accomplishable in the standard 1-3 month timetable. Although not normally the case, this situation could arise where there has been a major change of national government after war or civil disturbances, resulting in destroyed records, theft, absence of management or other severe problems. In such a case either immediate direct intervention or a more thorough study may be needed (according to circumstances).

4. Can the problem be adequately examined without national surveys or countrywide travel?

Normally, the bulk of information on parastatal operations can be gathered in the capital city with

additional random visits to field installations operated by the parastatal. Geographical spread of parastatal operations is not, therefore, normally a problem.

5. Is there any interest on the part of USAID and the host country in considering a program of in-depth study and/or intervention based upon the study's findings.

Perhaps one of the biggest obstacles in undertaking parastatal Rapid Appraisals may be the difficulty in obtaining implementation of recommendations. It is important, therefore, to assure the commitment of both the mission and the host government in pursuing the issue beyond purely academic levels.

A flow chart is provided in the 'Operational Guidelines' that presents the above determinants in a graphical flow, suggesting alternatives for each stage where the situation does not appear suited to Rapid Appraisal.

2.1.2 Determine the Feasibility of the RA Approach

Even where an RA approach may appear to be indicated, Rapid Appraisal may not be possible due to institutional, financial, technical or operational reasons. Key considerations are listed below:

1. Level and Character of USAID Support.

Due to the 'buy-in' nature of AMIS field activities, local mission support becomes not only important, it becomes an absolute essential. An enthusiastic agricultural officer may desire the undertaking of a Rapid Appraisal but the support of a single person is insufficient. In evaluating the feasibility of using the RA approach, the following aspects must be considered within the mission:

- Cost: Missions will have to bear the full cost of AMIS field activities. These are expected to run from US\$100,000 to \$300,000 per Rapid Appraisal. Further mission costs must also be expected in follow-on activities. Is the mission willing to commit these sums?
- Involvement of Key Mission Personnel: Significant high-level support will often be an essential prerequisite for RA success, especially in the establishment of contacts and in obtaining cooperation from the

parastatal enterprise under review. Does the RA approach have senior level support within the mission?

- Compatibility with Mission strategy: The Rapid Appraisal approach is essentially a diagnostic one. For substantive changes to arise in marketing system practices in the host country, the mission must view not only the RA, but also subsequent actions arising from it, as part of their long-term objectives. This may mean determining if there is a significant commitment on the part of the mission to marketing system improvement and, in particular, those activities related to parastatal operations.

2. Level and Character of Host Country Support.

Although some progress may be possible in dealing with private-sector based marketing systems in the absence of government support, this is an impossibility for parastatal operations, where employees are generally civil servants and often can not speak without authorization. Key areas to evaluate, therefore, include:

- Government Perception of the Problem: The local host government must be in general agreement as to the existence and nature of marketing system problems. Does the host government admit to problems in the current marketing system? Is it willing to consider changes in parastatal operations, if these appear to be beneficial?
- Government Understanding of the RA Approach: Does the government understand the basis and methodology of the RA approach? In particular, does it understand the crucial role that local institutions must play in an effective Rapid Appraisal? Major problems may arise where a government is not fully aware of the objectives, output and limitations of Rapid Appraisal.
- Government Commitment of Resources: Little can be achieved in the analysis of a parastatal system without an existing government commitment to provide the necessary resources. This commitment may be as simple as instructing parastatal officials to cooperate in the work, but may involve assistance in transportation, access to confidential records, and access to the agency's auditors. Government assistance may also be invaluable in obtaining assistance from other local institutions such as research foundations, universities and the Ministry of Agriculture.

3. The Level and Character of Local Institutional Support.

In addition to the cooperation of the parastatal agency, local support from those with a thorough knowledge of the structure and functioning of the agricultural marketing system is essential. Parastatal agencies do not function in isolation and an adequate assessment of their operations requires the placing of the parastatal within a national or regional context.

In the case of parastatals, assistance is generally required from individuals or institutions with expertise in:

- . General agricultural marketing within the country
- . The commodities handled by the parastatal
- . The legal and political aspects of parastatal operations (not only in agriculture)
- . The financial analysis of state corporations in the host country
- . Macroeconomic analysis

In addition, local staff should possess:

- . Adequate academic qualifications
- . Experience of undertaking field research
- . Working knowledge of English, where it is not the mother tongue

Obviously, the appraisal is made easier if such knowledge can be obtained through cooperation with one or two local institutions. Where necessary, however, such support can be obtained from individuals - if available. The financial and administrative aspects of parastatals are of such importance to evaluating their performance that the existence of a local Deloitte Haskins & Sells office can be a major factor, particularly where, as is often the case, the office is auditor to the agency.

Where insufficient local individuals or institutions exist to assist materially in the RA, close consideration must be given as to its feasibility. Perhaps an Applied Research project, allowing more time to develop local resources, would be more appropriate.

4. Availability and Quality of Secondary Data

Obviously, the task of analyzing a marketing system is rendered much easier if adequate secondary data is available. Although, to some extent, the quality of data may be difficult to evaluate until analysis actually commences, there are a number of measures

that should be taken in advance to gain a general picture of data availability:

- . Determine what reports are produced by the parastatal on a regular basis and attempt to obtain sample copies
- . Identify the scope and relevance (particularly in terms of date compiled) of data concerning the marketing system in question held in the mission library and other international agencies active in the country (World Bank, IDB, ADB, CIDA etc.)
- . Determine if other projects or studies have been undertaken with respect to the commodities handled or the parastatal; reports or evaluations may be available outside the country.
- . Ascertain the date of the last audit or management study undertaken with respect to the parastatal - is the document available? Is it thorough? An organization that has not been adequately audited or reviewed for a number of years may not be amenable to the RA approach.

Where serious and major data shortfalls can be clearly seen to exist, questions must be raised as to the feasibility of undertaking a Rapid Appraisal.

5. Seasonality and RA Implementation

Due to its short-term nature, a Rapid Appraisal may not be able to adequately evaluate marketing system problems that are only apparent during particular periods of the year. Consideration must therefore be given to the type of problems to be examined and their relation to the phasing of the Rapid Appraisal. Examples might include:

- . Complaints of inadequacies in field purchasing, transport, or payments to farmers. RA should occur during the harvest period.
- . Complaints of inability to have inputs available during key phases of the cultivation cycle. RA should occur before the commencement of the cultivation period.

- Complaints of managerial inefficiency, overstaffing or general structural unsuitability. RA should preferably occur at the quietest time of the year so as to reduce competition for management time with peak load duties.

Other non-parastatal considerations that can be of importance concern such events as national elections, religious festivals such as Ramadan or a change over in key USAID or government personnel.

2.1.3 Assess Compatibility with AMIS Requirements

It must be stressed that, despite the need to involve and interest USAID country missions in the field element of AMIS activities, the overall objective of the AMIS project is to build up a coherent body of knowledge concerning agricultural marketing system improvement strategies.

Under the terms of the AMIS contract with the S&T Bureau of USAID, field work will be restricted to approximately 20 cases, broken down into 10 Rapid Appraisals, 5 Applied Research studies and 5 Pilot Interventions. Obviously, far more than 10 types of marketing system could be identified in which the Rapid Appraisal approach could be applied. Yet, in order to develop any wide-ranging model of marketing system behaviour, AMIS must collect data from as extensive a variety of marketing systems as possible.

To successfully meet its objectives, therefore, AMIS can not afford to duplicate field work beyond that needed to provide verification of conceptual or theoretical models of system functioning. Unnecessary duplication will reduce the number of other cases that can be examined.

An important element in judging the suitability of any particular case for AMIS intervention must thus be the 'fit' of the case at hand with the longer term needs of AMIS for comparative data.

Before leaving for an inspection visit arising from an expression of mission interest, therefore, the reviewer(s) must have a clear concept of the type of systems in which AMIS is interested and the nature of the material that AMIS would wish to gather as a result of the field work. In some cases, particularly in the later stages of AMIS implementation, even an initial visit may not be worthwhile unless the mission appears flexible in the areas it wishes studied. Certainly little is to be gained from AMIS' perspective by consuming scarce buy-in allocations on conducting a fourth Rapid Appraisal of a newly established fresh produce export marketing system with technical post-harvest problems.

By the time field work gets underway, AMIS will have established a clear listing of priority systems and information requirements. This list, and the experience already gathered from previous field operations, should be referred to both before and during the initial inspection visit. Recommendations to the AMIS office concerning the suitability and feasibility of Rapid Appraisal should specifically explain how the appraisal will contribute to AMIS' overall data needs.

2.1.4 Logistical Preparations for Team Deployment

Although a final decision as to whether to proceed with a Rapid Appraisal may have to await consultations in the AMIS project office in Washington or a high level budgetary session in the country USAID mission, it is expected that the reviewer will have strong indications before his or her departure as to the probability of a positive decision.

Assuming the likelihood is positive, the reviewer can take a number of steps before leaving the country to ease the subsequent study preparation workload. Areas that can profitably receive initial attention at this point include those of staffing, team accommodation and logistics. The following factors should be considered:

- Identify the broad types of skills considered necessary to the success of the Rapid Appraisal (see Section 2.1.2 Point 3).
- Determine which of these skills can probably be provided in-country and obtain C.V.s of the candidate staff (if available) with contact telephone or telex numbers. Determine their cost.
- Evaluate the need for short-term specialist skills in areas such as economic anthropology, human geography, transport, post-harvest processing etc. Determine local availability and cost in these areas.
- Identify possible office space or working area and approximate cost.
- Identify logistical needs and potential solutions, including transport, accommodation, secretarial services, communications and electrical supply.
- Determine the availability of government or parastatally supplied assistance to meet these needs and their cost (if any). Attempt to put costs on the items that would have to be purchased, rented or contracted locally at market prices.

2.2 Preparation and Presentation of the R.A. Budget

It is fully expected that RA cost will have been raised in the course of the discussions undertaken with USAID mission staff during the initial visit. Nevertheless, the presentation of a firm budget will generally be required by the mission before final approval to proceed can be obtained. Immediately after a decision has been made by the AMIS team that the appraisal is worthwhile, therefore, attention should be turned to the preparation of a final budget document. This would normally be undertaken in Washington.

This document need not be elaborate and should normally be structured in much the same manner as any other budget presentation. The constituent elements would normally be:

1. Fees
 - AMIS consortium staff
 - Associated AMIS staff
 - Local Employees
2. Per Diems
 - Expatriate staff in country
 - Local staff while travelling etc.
3. International Travel - Tickets
 - Visas, airport taxes etc.
4. Local Travel
 - Vehicle Rental
 - Domestic Flights, Taxis etc.
5. Expenses
 - Office Accommodation
 - Secretarial or Translation Services
 - Communications (telexes, telephone etc.)
 - Computer rental and supplies
 - Report Preparation
6. Contingency
 - Normally calculated at 8%

Final mission approval for the Rapid Appraisal will normally be dependent upon the acceptance of this budget.

2.3 Preparation of Study Workplans and Materials

Because this manual deals specifically with the Rapid Appraisal of parastatally dominated marketing systems, more detail can be provided as to necessary appraisal tasks than is possible for the more generalised "Operational Guidelines" which covers a wide variety of marketing system types. These parastatal specific tasks are outlined in Sections 3 and 4. Nevertheless, attention must still be given to the

scheduling and layout of appraisal activities within this framework. This activity would normally be carried out in Washington.

Before commencing field work, therefore, an attempt should be made to construct a detailed workplan which assigns personnel and other resources to specific tasks and estimates calendar and person-hour durations for those tasks. Equally importantly, responsibility for tasks and sets of tasks should be assigned to specific individuals in order to establish a clear line of responsibility during the undertaking of the appraisal.

An important element in estimating duration of individual tasks will be data availability and quality. The material collected during the preliminary visit (Section 2.2) should be expanded through searches of data sources in the United States and elsewhere. Areas of weakness should be identified and allowances made in these areas for greater resource usage. Where the products handled by the parastatal are widely traded on world markets, considerable information should be available concerning international price, supply and demand trends and projections. Where available, this data should be obtained and evaluated.

Further contacts should be made with host country institutions and specialists being considered for participation in the appraisal and contract agreements should be reached once full mission approval is received. In some cases it may be desirable for local staff to commence secondary data collection in advance of the arrival of the appraisal team.

Where available, comparative material, derived from other AMIS appraisals or non-AMIS sources should also be examined and relevant material readied for possible use in the study. Examples of useful comparative data may include post-harvest loss rates, staffing levels, management structure and financial controls. It is anticipated that such comparative data will become of increasing importance as the AMIS study continues and data is accumulated.

Finally, attention may be given at this stage to preparing a draft report outline. It should be noted that two reports are envisaged as part of the parastatal appraisal process; the first encapsulating the analysis of current and historical functioning of the (parastatal) marketing system, the second building upon that base to suggest directions for change and recommendations for reform. The task guidelines provided in Sections 3 and 4 can constitute the basis for the two report structures but several suggestions made in the "Operational Guidelines" manual with respect to the introduction to the report are worth repeating.

It is suggested that the final report (containing both of the preliminary reports) should be prefaced by the following sections:

- Executive Summary
- Objectives of the Rapid Appraisal
- The Research Methodology employed and its Limitations
- Definition of the Policy Objectives and Performance Goals Set

Any deviations from the format laid out in Sections 3 and 4 in preparing the reports will depend upon the judgement of the Team Leader and the individual circumstances faced by the team.

3. PHASE II - PRELIMINARY ANALYSIS

3.1 Mobilization for Field Work

Once the foreign participants in the Rapid Appraisal team arrive in the country, a number of mobilization activities must be undertaken before the Rapid Appraisal. These include:

1. Initiate immediate contact with local team members
2. Review logistical arrangements and ensure their adequacy
3. Brief all new team members (including nationals) on Rapid Appraisal methodology and implementation procedures
4. Visit senior-level 'political' contacts to provide formal notice of the arrival of the team and the commencement of field activities
5. Review any secondary data collected in-country since the initial visit
6. Establish a list of key informants, both within and outside of the parastatal
7. Review the preliminary work-plan and amend it as necessary to meet current circumstances
8. Discuss work-plan with Head of the parastatal and, if appropriate, with his/her superior in the Ministry of Agriculture or other government department.
9. Finalize assignment of tasks and responsibilities to different team members together with limits on time and resource usage for task accomplishment

Once these mobilization steps are taken, the main field work itself can be commenced. No attempt should be made to mount major surveys or long-term data collection procedures as both the study time frame (from 4 to 12 weeks) and the personnel availability (normally no more than 3 expatriate researchers and limited in-country support staff) render such efforts infeasible.

This does not mean, however, that no effort should be made to assemble and present the available data in an objective and verifiable manner

(emphasising data limitations where apparent). If data sources are patently unreliable or non-existent then recourse must be made to the recommendation of an applied research study, but it would be self-defeating for this recommendation to be made for every rapid appraisal study undertaken.

It is strongly suggested that a draft of the Phase I analysis be presented to the clients for review and comments before the field team commences on the second, Recommendations phase. This approach ensures initial consensus on weaknesses in the existing marketing system and provides a firmer basis for discussion of Phase II.

3.2 Institutional Review

A crucial element of any Rapid Appraisal of a parastatal marketing system must be the institutional review. Because parastatal systems, unlike those operated by large numbers of private sector participants, are dominated by a single institution, the role, structure and management of the institution is central to the efficiency of the marketing system. Moreover, the institutional review provides the overall framework within which the Operations Analysis (the second element of the preliminary analysis) take place. Three main areas of investigation are necessary in the institutional review; the parastatal objectives and role; operational environment; and parastatal management efficiency. Each of these are discussed in more detail below.

3.2.1 Parastatal Objectives and Role

It is helpful to commence with a clear idea of the nominal role of the parastatal in the marketing system. The term nominal is stressed because the actual or effective role may be very different. Nevertheless, the nominal role provides the basic point of departure for any evaluation.

Key documents may include the act of parliament or presidential decree authorising the original establishment of the parastatal, any subsequent laws which relate to the parastatal and publications of a general nature issued by the parastatal itself. Before turning to actual operations, make a list of nominal objectives, roles and duties of the agency, as laid out in such material.

Previous experience of Deloitte Haskins & Sells in parastatal analysis suggests that a six-way classification system for parastatals based upon activity type as given below forms a useful basis for description:

- . Advisory and promotional boards
- . Regulatory boards
- . Boards stabilising prices without trading

- . Boards stabilising prices on domestic markets by trading alongside other enterprises
- . Export monopoly trading and price stabilising boards
- . Domestic monopoly trading and price stabilising boards

Although it is likely that exceptions will be found to this classification (and that the AMIS project will refine the classification during the 5 years of the project), it is suggested that it provides a useful basis for initial classification and comparison.

Finally, attempt to determine if the nominal role or objectives of the parastatal duplicate or conflicts in any way with activities of other departments within the government or even private sector players.

3.2.2 Operational Environment

A review of the operational environment provides a closer examination of the effective rather than nominal element of parastatal activities and attempts to place such activities within the overall market context. Among the factors to be identified are:

- Overall functioning of the marketing system (products handled, marketing functions performed, structure of producer base and end markets etc.)
- Degree of participation, activities and dominance of the parastatal organization(s)
- Type and nature of non-parastatal market activities and participants

In undertaking this review it will be necessary to talk not only with parastatal employees but also with outside participants or observers of the marketing system in question. The document "Operational Guidelines for Rapid Appraisal" - Step 4, Task 2 - provides a useful analysis of potential market informants and the limitations inherent in the observations of each type (wholesalers, retailers, agricultural economists, exporters etc.)

3.2.3 Management Efficiency

The analysis of management efficiency attempts to define the adequacy of administrative and management control of the marketing parastatal(s). Among other factors that might be reviewed are:

- Relationship of staff training and qualifications to positions and responsibilities held
- Adequacy of financial and audit controls within the organization

- Existence of defined staff responsibilities and duplication of roles
- Staff turnover rates and career development
- Comparative salaries and benefits in relation to equivalent private sector employees
- Rationality of organizational structure in relation to organizational objectives and roles
- Procedures for purchase of inputs and services

Through their background in the provision of accountancy and management consultancy studies Deloitte Haskins & Sells have evolved a standardised methodology for such reviews known as 'E Plus' (Efficiency, Economics and Effectiveness) that has proved successful in developing a rapid picture of organizational efficiency in parastatal organizations. The E Plus system will be described separately.

3.3 Operations Analysis

Once a picture is formulated of the institutional framework and the environment in which the parastatal is operating, attention can be turned to an analysis of the efficiency of operations of the agency. This analysis can be divided into four principal elements; the efficiency of performance of market operations, the financial cost of those operations, the economic efficiency of parastatal operations and, finally, the effectiveness of the agency in meeting its nominal and effective objectives and the constraints faced by the agency. These areas are discussed in more detail below.

3.3.1 Performance Analysis

Operational efficiency of marketing systems is covered in greater detail in a separate AMIS paper authored by Dick Schermerhorn. Reference should be made to this document in preparing an evaluation of marketing efficiency. Key areas for evaluation, however, include:

- Estimated levels and causes of post-harvest losses
- Level and effectiveness of quality control in product
- Costs of product processing handling and delivery (marketing margin)
- Responsiveness of prices to supply and demand or reasons for eliminating such responsiveness (e.g. supply control by the agency)
- Timeliness of delivery of product to market (especially in case of inputs)
- Speed and efficiency of payment to producers
- Spatial relationship of producing areas to destination markets
- Transport systems operation

- Seasonality of production
- Responsiveness of system to consumer demand
- Availability of required infrastructure (storage, processing etc.)

Due to the time consuming nature of data collection for such performance indicators, the maximum use possible must be made of previous studies and existing data in this area.

3.3.2 Financial Cost of Operations

A frequent cause of government interest or willingness to change existing parastatal marketing operations is the high level of financial costs associated with organizational or system support. A clear indication of both the nature and trend of financial costs borne by the government is thus critical in persuading governments of the benefits of system reorganization. Elements to consider include:

- Direct government subsidies to parastatal organizations
- Indirect subsidies through import tariffs and export taxes foregone, subsidies to inputs used by parastatal organizations and subsidised credit lines, among other factors
- Hard currency and local exchange debts accumulated by the parastatal bodies
- Subsidies to processors, retailers or consumers required to maintain the existing system in operation

Access to audited accounts of the parastatal over a number of years and, if possible, the opportunity to talk directly with the auditors, is of considerable importance in successfully completing this task.

All unaudited accounts (and even, in some cases, audited accounts) should be reviewed with great care. An experienced financial analyst or accountant is essential in this role.

3.3.3 Economic Efficiency

This may be the hardest section to complete adequately where basic data is scarce and therefore may be a frequent cause for referring the system for additional applied research studies. Hidden economic costs can be substantial, however, and should not be ignored. The aim of the section is to go beyond direct financial estimates of system operational costs and include elements based upon such factors as:

- Opportunity costs of maintaining or promoting present production ratio (e.g. encouragement to wheat production)

- Economic costs of supporting inefficient market components (e.g. transport or storage systems)
- Costs of changing urban consumption patterns through consumer subsidies
- Macroeconomic policies affecting system functioning such as exchange rate controls, government investment strategies and trade policy.

3.3.4 Policy Effectiveness & Key Constraints

This element may well be of great importance in attempting to rally government support when promoting modifications in existing market systems against the opposition of the inevitable existing entrenched interest groups. Despite their frequently enormous costs, parastatal systems are often ineffective at meeting either the public (nominal) or private (effective) policy objectives of government. By examining both groups of objectives held by government and contrasting them with the reality of system performance, it is often possible to significantly diminish resistance to change (and, equally importantly, to provide politicians with justifications for presentation to their constituencies).

Individual sub-points can not be listed as they depend critically upon the individual system's objectives. The intention, however, is to examine each element of the parastatal's operations, contrasting its objectives with the effectiveness of the parastatal in meeting those objectives and the key constraints which produce the discrepancy.

3.4 Preliminary Analysis and Conclusions - Preliminary Report

By approximately just after the half-way point of the scheduled time allowance for the Rapid Appraisal, the preliminary analysis should be completed. Because the conclusions to be drawn in Phase III of the appraisal (Formulation of Recommendations) depends so crucially on the basic analysis undertaken here, it is considered essential that the Preliminary Analysis be presented to, and discussed with, the key decision makers both in USAID and the host government. There is no point in devoting extensive work to the development of conclusions which are based upon an underlying analysis not accepted by these groups.

A discussion of the findings arising from Phase II may reveal errors in conception on the part of the team or uncover new sources of data previously unidentified. Moreover, the work expended in preparing the preliminary report is by no means wasted; it will form a major section of the final report.

It should be emphasized that the preliminary report presented here should not attempt to make any recommendations for change, and attempts by government or parastatal officials to draw out team members on their forthcoming recommendations should be resisted (except perhaps in the most general sense). Necessary actions may, in some cases, appear obvious, but it is important to obtain acceptance of the initial analysis based upon its own merits, irrespective of what future recommendations may or may not arise from it. For example, a declaration that the analysis implies the liquidation of the parastatal may result in the initial analysis being rejected, despite a general acceptance of its accuracy by government officials.

Remember that it will be much easier to defend and support the final recommendations at the end of Phase III if everyone concerned has agreed to the basic facts of the matter previously.

Where the field analysis reveals that insufficient reliable information exists for the above sections to be adequately answered, the team may have no option but to recommend a more detailed applied research study and the termination of the Rapid Appraisal at this point; valid conclusions can not be drawn where there is no confidence in the underlying data. Except under exceptional circumstances, however, this should not occur unless the initial evaluation (Section 2.1) has been inadequately conducted.

4. PHASE III - FORMULATION OF RECOMMENDATIONS

It is assumed that Phase III of the Rapid Appraisal commences with broad agreement having been received from USAID and the host government as to the validity of the Phase II findings. Where major points of contention still exist, they must be resolved.

The key objective of Phase III is to formulate recommendations that are capable of convincing the host government in particular of both the need and the advisability of change in the existing system. This implies that close attention must be given to the perspective currently held by key decision makers in the government. Their objections to the recommendations should, where at all possible, be anticipated and dealt with in the final report.

In some cases, it may be necessary to prepare two sets of recommendations; those that the teams considers would be optimal under the current situation, and a 'fall-back' position that contains at least the most important of the changes required. In this way, it may be possible to convince decision makers to at least accept (and implement) the second, less painful, set of measures. Care should be taken in using this tactic, however, as the natural tendency, when presented with two options, will be to select the recommendations that are least costly in political terms, even though the complete package may have been 'sellable' if it had been the only option.

Phase III consists of two broad areas of activity - determining the direction for change, and identifying the distribution of benefits - in addition to the preparation of the final report and implementation scheduling. Although these two core activities are presented sequentially below, it would be more correct to view them as simultaneous activities which are largely iterative in nature. That is to say, that although the distribution of costs and benefits depends, of course, on the nature of the change selected, the distribution of costs and benefits equally must influence the direction of change selected.

4.1 Determining Directions for Change

In this activity, the Rapid Appraisal team must draw upon the underlying analysis prepared in Phase II to formulate recommendations for the direction and nature of change required in the system. The activity comprises three principal tasks; the identification of realistic alternatives in terms of organizations or individuals which can assume part or all of the parastatals functions; the analysis of political and legislative requirements and limitations that would apply

to changes in functioning or structure of the parastatal, and; finally, the preparation of the recommendations themselves.

It should be stressed that not all reviews of parastatal marketing systems will necessarily lead to recommendations for organizational dismantling or privatization. Sometimes such measures would not provide an efficient solution, in other cases such measures would be ideologically unacceptable to the host government. This does not mean, however, that improvements are not possible. Considerable gains in marketing system efficiency are often possible through institutional strengthening of parastatal organizations, through modifications in government policies concerning subsidies and prices or through rationalization of parastatal activities. While not perhaps always an ideal solution, such partial measures can be of significant value and should not be ignored.

4.1.1 Identification of Alternative Structures

Where some degree of privatization for the parastatal is under consideration (almost always the case), close attention is needed to the potential of the private sector to assume the divested functions. Among the factors to be considered are:

- Availability of experienced private sector traders and operators
- Availability of capital to establish and operate trading functions within the private sector (including the possible purchase of government assets)
- Political acceptability of foreign investment and participation within the marketing system (foreign investment may be the only readily available source of funds)
- Existence of infrastructure such as transport, storage and processing facilities suitable for private sector operation
- Requirements for government support operations such as market information systems, grading standards and background legislation

As for Task 3.2.2, the determination of this capacity will require considerable activity outside of the parastatal. It is recommended that close reference be made to the "Operational Guidelines for Rapid Appraisal" for assistance in planning and undertaking interviews and data gathering within the private sector.

4.1.2 Political and Legislative Considerations

Parastatal organizations function within a regulatory and legislative framework - frequently built up from a patchwork of different acts and statutes passed over a number of years. Often parastatal management itself is unsure of the exact scope and extent of its legal obligations and responsibilities.

The purpose of this task is to determine the relevant legal and political environment in which the parastatal operates and in particular to focus upon the legislative changes that would be necessary in order to modify the organization's role. Key questions to answer with regard to the legislative environment might include:

- The level at which parastatal reform can be effected (order-in-council, ministerial directive, presidential decree, congressional or parliamentary act)
- The degree of difficulty faced by the government in modifying existing legislation (time frame, majority control of the legislature etc.)
- The existence of related but separate legislation upon which the parastatal is dependent for effective operation (anti-hording or speculation laws, price controls, import control legislation)
- The degree to which the parastatal can be treated separately from other government organizations and ministries (e.g. for pay scales, redundancies, budgeting processes)

It is strongly suggested that the services of a lawyer, practicing in the country in the government legislative field, be obtained to assist in completing this task. Legal procedures and considerations can be extremely byzantine and foreigners (or even nationals not versed in government law) stand little chance of penetrating the realities of the situation.

Although difficult to define precisely, the evaluation of political considerations limiting the government's scope of action is nevertheless critical. Many governments are acutely aware of potential public anger over such measures as the abolition of subsidies on food staples and recommendations that ignore such political facts of life will have little chance of success. Among the political factors that should be examined are:

- Degree of public awareness of the activities and impact of parastatal operations
- Overall policy position of the government with respect to free enterprise activities and state control
- Public and government perceptions of potential private sector participants
- Political strength of existing interest groups (e.g.

parastatal unions, producers, consumers) and their receptivity to changes in the marketing structure

This material, unlike the legal perspective above, is unlikely to appear in the final report in any more than a tangential manner. It is, nevertheless, crucial to the success of the Rapid Appraisal.

4.1.3 Degree & Direction of Recommended Change

This task, drawing upon the analysis in Phase II and the political, legislative and private sector considerations reviewed in earlier activities, presents recommendations for changes within the existing marketing system and represents the nub of the future final report. Issues to be addressed in this section include:

- Type of change recommended
- Extent of change recommended
- Residual role (if any) of the parastatal organization
- Proposed timing of change
- Required government legislation and related action
- External support recommended (e.g. related donor agency projects etc.), if appropriate

4.2 Distribution of Benefits and Costs

The recommended changes must not only be logical, they must also be defensible. Politicians and other decision makers will insist on knowing what the overall benefits of the changes will be and the distribution of costs and benefits through society. The following two tasks address these issues.

4.2.1 Economic and Financial Justification for System Changes

It is expected that a large part of this task will be derived from the economic and financial efficiency analyses undertaken in Sections 3.3.2 and 3.3.3. Those tasks provided estimates of the cost, in economic and financial terms, of current system operations. In this task, those costs must be compared with the (presumably) lower costs arising from the recommended changes. As the methodology and much of the data required will already have been developed, it is anticipated that this task can be accomplished fairly rapidly.

The principal work will centre upon the estimation of system operations once the recommended changes are implemented. Sensitivity analysis is considered essential, for any predictions must contain elements of uncertainty.

The level of overall economic benefit necessary is not an absolute but will depend heavily upon the level of difficulty in effecting the changes and the resulting redistribution of costs and benefits. All that can be said with certainty is that changes that are costly in political terms will require clear evidence of substantial economic gains.

The importance of financial savings will depend upon the size of the current burden being carried by the government and its importance in undertaking the Rapid Appraisal. Where financing costs are high and have been a major factor in the acceptance of the need for change, financial savings may weigh far more heavily in the minds of decision makers than economic ones. The emphasis placed on these two aspects in the final report must, inevitably, rest upon the discretion of the team leader in judging the circumstances of the Rapid Appraisal.

4.2.2 Anticipated Benefit-Cost Distribution

Any change in economic systems will inevitably involve winners and losers. Identifying the distribution of such costs and benefits is essential to a clear understanding of the impact of implementing the recommendations. Under the approach developed by Deloitte Haskins & Sells in past parastatal reorganizations it has been found useful to divide market participants into six major groups:

- Rural Surplus Area Producers
- Rural Surplus Area Consumers
- Rural Deficit Area Producers
- Rural Deficit Area Consumers
- Urban Surplus Area Consumers
- Urban Deficit Area Consumers

Further consideration should also be given to the impact of the changes upon those employed within the parastatal itself. They may constitute a large and vocal group whose importance should not be overlooked.

An analysis of this type is necessary if the concerns of the host government and potential donors are to be answered; it permits prediction of where resistance to change will be strongest (and, conversely, where acceptance will be highest) and aids governments in anticipating political risks associated with the changes.

4.3 Preparation of the Recommendations

This activity represents the culmination of the Rapid Appraisal. It is suggested below that the activity commence with the presentation, in-country, of a draft of the recommendations. Should these be broadly

accepted, the remainder of the tasks can then be completed in the United States.

Four tasks are identified in this activity; preparation and presentation of the draft strategy; recommendations for further AMIS interventions; determination of an implementation strategy, and; presentation of the final report. These are dealt with below.

4.3.1 Preparation and Presentation of the Draft Strategy

This task encapsulates the entire work of the Rapid Appraisal mission, with the exception of implementation recommendations, in its first final form. It should be presented formally to USAID and the government in both English and the local language (if different) and ample time permitted for discussion. In general, it is recommended that the presentation occur at some type of workshop or round table with all key groups represented but individual circumstances may call for a different approach.

Presentation should involve most key members of the team; inability to answer a question because of the absence of the person who undertook that element of the field work will seriously weaken the strength of the presentation. Where possible, clear and easily understandable graphics should be used in a support role. Attempt to avoid getting immersed in minutiae. Where necessary, offer to check on an item and return with a response at a later date.

Often it may be advisable to stage the presentation in two parts. In the first, the team presents their findings and recommendations and answers immediate questions. The second part would occur several days later, and would permit the workshop participants to think more deeply on the issue (as well as consult their staff on points of particular importance).

4.3.2 Recommendations for Further AMIS Interventions

In those cases where system weaknesses and desirable modifications are both readily apparent and limited in extent, a strong case may exist for moving directly into the Pilot Innovation stage of the AMIS project. Under these circumstances, the field team should identify the type of Pilot Innovation recommended together with sufficient details to permit assessment by USAID or government.

Where recommended system changes are wider in scope and involve major dislocations or modifications to current system operation, Pilot Interventions will not be suitable. Two options exist; further investigation of areas not yet adequately understood, through the

medium of an Applied Research project, or, the preparation of a full-scale project.

All the above options should be considered carefully during the preparation of the final report. This task can be undertaken in the United States.

4.3.3 Recommended Implementation Strategy

No matter which of the above courses of action is selected, the Rapid Appraisal team should provide guidelines as to appropriate follow-on activities. Although it is not the purpose of the Rapid Appraisal to prepare a detailed implementation design for system modifications, the implementation strategy should assist government and potential donors by addressing the level of resources which may be required in subsequent steps, the phasing of system changes, and necessary actions for project design work.

4.3.4 Final Report

The Final Report will consist of the Draft Strategy presented in Task 4.3.1, together with any changes made as a result of comments received, plus the future activities recommendations derived from Tasks 4.3.2 and 4.3.3. Copies should be provided in both English and the local language (if different) and circulated according to a previously prepared distribution list.