

crecer

Crecimiento Economico Equitativo Rural

AVENIDA LAS ACACIAS NO 130 COLONIA SAN BENITO SAN SALVADOR TELEFONOS 243 3485 243 3417 243 3212 FAX 243 3630

REPORTE

ECONOMIC POLICY AND CRECER

CHEMONICS INTERNATIONAL, INC

Prepared by
Ron Curtis, Consultant

Through
CHEMONICS-CRECER
CRECER Project, contract No 519-0397-C-00-4154-00
Agency for International Development (USAID)
El Salvador

February 16, 1996

REPORTE

ECONOMIC POLICY AND CRECER

CHEMONICS INTERNATIONAL, INC
1133 Twentieth Street N W Suite 600,
Washington, D C 20036 U S A

Prepared by
Ron Curtis, Consultant

Through
CHEMONICS-CRECER
CRECER Project, contract No 519-0397-C-00-4154-00
Agency for International Development (USAID)
El Salvador

February 16, 1996

TABLE OF CONTENTS

	<u>Page</u>
Section I -- Introduction	2
Section II -- Preliminary Findings	3
A The Design History	3
B Macro Policy Adjustments	3
C Identification of the Intended Beneficiaries	3
D The Re-engineering Exercise and its Impact	3
Section III -- Recommendations	5
A Divisions of the Policy Component	5
A1 The Work with the Ministry of Agriculture	5
A2 The Needs for a Long-term Success	5
B The Role of CRECER Components	5
B1 Institutional Beneficiaries	5
B2 Agricultural Beneficiaries	5
C Clarification of Specific Activities	5
D Team Building Exercise	6
Section IV -- Analysis	7
A Economic policy and the Project	7
B Beneficiaries	8
C Means and Ends	9
D Specified Policy Topics	9
D1 Field interventions	9
D1a Policy and Cooperative Development	9
D1b Organic Labels the Need for Salvadoran Legislation	10
D1c Contract Law	11
D2 Policy changes for the Agricultural Sector	11
D2a Institutional Policies for Agriculture	11
D2b Land Tenure	13
D2c Subsidized interest rates	14
D2d Trade and Commercial Policies	15
D2e Public Investment Policy	16
D2e(1) Physical Infrastructure	16
D2e(2) Education	16
D2e(3) Private Services	16
Section V -- Conclusion	18

Section I -- Introduction

Times moved too quickly for this project concept

Envisioned as a means to continue and intensify fruitful cooperation with the Ministry of Agriculture on specific policy adjustments affecting the agricultural sector, especially on price and agricultural trade policies, the design and approval process lagged considerably. Political forces within El Salvador, complemented by international forces favoring liberalization of economic policies, produced a policy framework in El Salvador which, by in large, placed economic decision-making in the international market place, the favored policy framework for the last half of the 1980's

Economic gains were noted in El Salvador, despite the continuing trauma of the war. With Peace came the opportunity and need for economic reconciliation, the need to look behind the impressive growth at the distribution of the growth benefits. Not surprisingly, the benefits of the new growth were shared unevenly among the population, especially the rural population.

Added, therefore, to the design tasks of the new rural development initiative, CRECER, was the need to provide a means for rural inhabitants to share growth benefits. A series of technical papers identified four areas.¹ These papers identified the barriers to broader participation by rural inhabitants. Judgments were made on which ones could be tackled through an AID project, in addition to the policy agenda already targeted.

¹ ref APAP papers

Section II -- Preliminary Findings

Confusion has followed the design process on the role of the policy component in the project. This confusion can be traced to several factors.

A The Design History

The design history moved the project concept from a continuation of successful policy project to a project focused primarily on strengthening rural institutions. Policy work remains a related but supportive function of the project.

B Macro Policy Adjustments

Macro policy adjustments already in place provide the broad framework for decision-making in the agricultural sector. But this framework requires further refinement, often through specific policy instruments, to enable smooth operational efficiency of other interventions. In the case of the field activities of the CRECER project, the strengthening of private institutions to provide access to rural services for their membership, the macro policy framework *is in place*. However, there remains remnants from the old statist policies which impede operational efficiency or threaten long term survival of the institutions. These remnants need to be eliminated or replaced by policy instruments in tune with current macro policy. Examples of this are discussed below.

Implicitly, the Policy Component has two parts: (1) provide a service role to the field activities (examining and recommending specific policy instruments to facilitate or strengthen implementation), and (2) policies which lead to the modernization of the agricultural sector within the framework of national economic and social policies.

C Identification of the Intended Beneficiaries

Identification of the intended beneficiaries in the Project Paper was carried over into the terms of reference for the contract, they can be and have been interpreted in a manner inconsistent with the technical requirements for implementation. This has resulted in inconsistent and vacillating direction from AID to the contract team.

D The Re-engineering Exercise and its Impact

Additionally, the re-engineering exercise now underway may have contributed to confusion on the appropriate target population for the project. If the rural poor is the target for the cooperative and credit union activities, then the elements of the Work Plan will be different than if the *membership* of the cooperatives is the target. This

confusion is easily cleared up if it is accepted that the rural poor are the targeted beneficiaries of Strategic Objective No 2 (as is currently stated in draft documents) and the membership, as a subset of rural inhabitants, is the intended beneficiaries of the core components. The support provided by the Policy Component to the two field components is directed toward the smaller population.

Section III -- Recommendations

A Divisions of the Policy Component

The Policy Component should be divided cleanly and emphatically into two parts

A1 The Work with the Ministry of Agriculture

Continue the work with the Ministry of Agriculture, through IICA, to align sector policies and institutional reform with the market-orientation of macro-economic policies and,

A2 The Needs for a Long-term Success

A supporting role to the field components in examination and elaboration of policy instruments necessary for their long-term success

B The Role of CRECER Components

Clarify, in the context of the re-engineering exercise, the role of CRECER components to deliver benefits to identified populations, namely

B1 Institutional Beneficiaries

The primary beneficiaries of institutional strengthening of cooperatives and credit unions (current and future members)

B2 Agricultural Beneficiaries

Beneficiaries of the "modernized" agricultural sector under market-oriented macro-policies and the necessary structural adjustments

C Clarification of Specific Activities

Use the 1996 Work Plan review and approval process to clarify specific activities expected under the Chemonics contract, and sub-contracts with WOCCU, CLUSA, IICA Approval of the Work Plan would stimulate contractual modification if deemed necessary by the AID Contracts Officer

D Team Building Exercise

Establish a consensus among discrete elements of Project Administration through a Team Building exercise chaired by the Chief of PRO. The participants should include the Deputy PRO, Project Manager, Chief of Party, Chemonics, CLUSA Manager, WOCCU Director, IICA Representative, the Policy Advisor and other AID officers as needed. An outside facilitator should be employed.

Section IV -- Analysis

A Economic policy and the Project

Notwithstanding the good reasons to emphasize the support of rural institutions to provide improved access to rural beneficiaries to economic growth, the importance of the policy component remains. The focus has to be refined to not only support of field activities but to address outstanding requirements to adjust policies in the agricultural sector to coincide with macro-economic fiscal and monetary policies, new international trade regimes, and the reduced role of the State in economic management.

The long term survival of CRECER institutional strengthening programs is dependent on maintaining the positive market orientation of national policy. Public institutional policy has not adjusted to the new role for public institutions inherent in past policy decisions. The statist mindset which characterized past decision-making can still be observed. While the political rhetoric is on target, institutional configurations are still embedded in the past.

The preliminary work within the Ministry of Agriculture leading to change is underway. The building blocks of a public/private partnership have been established through the rural forums which elicited participation from the private sector according to various interest groups. A working consensus has been developed as to what the Ministry of Agriculture *should* look like in the future. Bringing this *institutional policy initiative* to closure will require continue attention and political support.

The precursor of the Policy Component of CRECER, the bridge policy project named PRAP and carried out by IICA, has made impressive gains. Building on previous work by AID there is now an analytical base for policy decisions in contrast to past practices. Instead of policy being the product, exclusively, of who shouts the loudest or sees the Minister last, quantitative analyses is making its mark as part of the decision-making process. An annex list several anecdotes of how this has happened.

IICA has played an important role in this process and has orchestrated other donor support to complement AID resources. The resources provided by AID through CRECER are, by themselves, leveraging impressive additional resources, financial and political, and the payoff to AID should be significant.

The difficulty of making the necessary institutional changes should not be underestimated. A history of statist interventions and protection of special interests at the expense of consumers remains the strongest political current. Steady support is required to change not only the formal role of the Ministry of Agriculture but also to modify the political culture which determines the relationship between public agencies.

and private interests. Economic Growth as a Strategic Objective needs institutional policy changes as a necessary element in the program, CRECER, as part of SO2, is providing necessary and critical support. Clarification of this support in the Work Plan of CRECER, under the IICA sub-contract, is the only major action necessary at this stage.

Therefore, the policy actions necessary for success of CRECER can be summarized as operating at two levels. The first is the maintenance of national policies which rely on the market to determine interest rates, keep inflation low, maintain an exchange rate which is not overvalued (severely overvalued), and permits open access to foreign markets for imports and exports. Added to this are the *institutional policy changes* which will transform the Ministry of Agriculture to an effective service partner of the private sector.

Second level policy changes are primarily regulatory changes to permit gains made in cooperative development-- management, organizational efficiencies, and capital accumulation-- to be institutionalized and rationalized. In a nutshell, the changes required would permit member-owned cooperatives and credit unions to evolve into private sector firms. The required changes are not critical in the short-term but will determine long-term success after AID is gone. These changes are discussed in more detail below.

B Beneficiaries

Who is to benefit from this project? Confusion on this issue is producing fuzzy guidance on specific actions in the Work Plan. Is it to be the rural poor, some 400,000 people or the membership of the cooperatives, current and future?

The source of confusion may stem from the current discussions on Strategic Objectives and the likely role of CRECER as a Results Package within that S O. The answer to the question is both. The CRECER project makes a contribution to poverty alleviation broadly as part of S O 2. The specific interventions to bolster rural institutions will produce direct benefits to the membership.

For CRECER, the larger beneficiary groups is served by the project in general and the IICA work specifically, a smaller, targeted population is the focus and beneficiary of the cooperative development initiatives. The monitoring system is designed to provide measures of benefits at both levels.

C Means and Ends

The design of the project calls for active and intensive participation in the formulation of policy initiatives and management decisions involving the cooperatives CLUSA and WOCCU are committed to this practice

For policy development, the concept of rural discussions, or *foros*, as an input into policy formulation was put into practice by the Ministry of Agriculture during the design phase of CRECER (The practice may have been stimulated by the design negotiations) The result is that a new step has been taken to build the public/private partnership necessary for the modernization strategy Follow-up is a critical next step

The forums are a necessary and effective tool to reach the objectives of the project, in policy formulation as well as institutional development There is a danger, however, of stimulating unreal expectations and confusion unless the participatory process is well design and managed At this stage of the project, the next round of *foros* need to be focused on a well planned agenda This provides the means to elicit participation, ownership, and information on specific topics critical for success Using *foros*, often in conjunction with workshops, seminars, field days, and other interventions, is a means to reach a specific end The danger is to not forget that the *foro* is not the end

D Specified Policy Topics

The Project Paper identifies several specific topics for action under the Policy Component These policy initiatives, or modifications in policy instruments, operate on the two planes described above, the topics specific to the field interventions and others relating to adjustments under the new macro-policy framework How some of these identified topics are addressed needs change

D1 Field interventions

D1a Policy and Cooperative Development

Historical remnants of the statist policies are evident in existing laws and regulations governing cooperative management Passed in 1980, the requirements for cooperatives and their operations are specific and inhibiting

New enabling legislation is required which will provide the flexibility for cooperatives and credit unions to evolve into private sector, profit oriented business firms where the difference between them and competitors in the private sector is the form of ownership The number and frequency of Board elections would be left to internal bi-laws of the organizations themselves, decisions on capital accumulation and

profit distribution become business decisions governed by internal business strategies and conditions, not arbitrary regulation

There remains a pivotal and critical role for the public sector. Through one means or another, the public sector provides the oversight to protect members from fraud and mismanagement. Whether it is the Superintendency of Banks or a state sanctioned insurance program, depositors and members require state sanctioned protection.

A contemporary example of the type of legislation needed is underway now with support from the PROMESA Project. The new Environmental Law now under consultation stipulates principles and creates the framework for environmental policies and programs. Interventions are not specified, rather the process and authority are put into legislation. This permits standards and methods of incentives and enforcement to be developed with full participation by the affected parties. Modifications in standards and methods can be made through consultation without requiring new legislation. This is the type of legislation which needs to govern the role of public agencies in the agricultural sector, consistent with the macro-economic framework now in place.

While new legislation is critical for long term survival of the cooperative programs, a new cooperative law should not be forced without clear support and input from the membership. Some cultural practices have been established around existing laws, although detrimental to sound business practices, by the members themselves. Their attitudes have to change as a pre-condition to action, a task which may require a sustained effort over two or three years.

WOCCU and CLUSA are well aware of the situation and can provide the technical assistance required for change. The role of the policy component is therefore limited to provision of assistance to assure that new initiatives are consistent with the market orientation of overarching macro policies. The Work Plan should reflect this primary role of CLUSA and WOCCU and the supporting role of the Policy Component.

D1b Organic Labels the Need for Salvadoran Legislation

A common label for organic products is receiving worldwide attention to reach a consensus on what constitutes such products. This is a consumer driven issue, one which will determine the market for Salvadoran organic products and determine profitability for producers.

The certification for Salvadoran products is now provided by a private organization, OCIA. Their label is recognized in the United States, providing

consumer confidence the product They are active leaders in international discussions and CLUSA is working closely with them

The requirement for an Organic Law in Salvador should not be done in isolation from international initiatives According to CLUSA, international agreement on minimum norms and standards may require a law in all participating countries If so, such a law should be supported and promoted by the project But until the requirement is present, no action is needed

Future action lies with CLUSA and should be so reflected in their Work Plan The time line is determined by international action so no specific date can be established The role of the Policy Component is passive under the leadership of CLUSA

D1c Contract Law

CLUSA has played an important role in linking production cooperatives with brokers and foreign buyers There are reported cases of noncompliance and non-payment Model contracts have and can be provided, this is no guarantee in a business with high risk and changing conditions

It is not clear, however, that changes in contract law are necessary Without specific experience on deficiencies in the law, if they exist, no action should be taken One step which can be taken, however, is to test the law

CLUSA is prepared to provide legal representation to member cooperatives when contractual disputes arise This is a logical part of the technical services provided by CLUSA If experience shows that current contract law is not effective in the enforcement of marketing contracts in international trade, then changes could be recommended

The action lies with CLUSA with support, if needed, from the Policy Component

D2 Policy changes for the Agricultural Sector

D2a Institutional Policies for Agriculture

The policy initiatives of CRECER carried out by IICA show every promise of significant and important influence on the continuing task of structural adjustment The broad theme is to bring public institutional policy in line with macro-economic changes Past investments by AID in technical assistance and financial support are the

foundation, the result is that current policy discussions are carried out with the benefit of objective analysis, utilizing the capacity established under past programs

The AID presence remains a critical element, through the CRECER/IICA connection, and is leveraging significant and complementary support from other sources. IICA is fulfilling the role of coordinator, it is a very rare example of productive donor cooperation

The GOES is criticized for lack of a strategic policy for agriculture. This is best characterized by the failure to articulate formally its new role. But work is underway. The difficulty of this task should not be underestimated. Several centuries of history, and decades of statist policies, are hard to unravel. Attitudes within the public sector require change, a new "supportive or facilitating role" is not acquired overnight. The new "role" will be substantively distinct from the past and may be hard to identify. No longer will national production goals be the responsibility of the public sector, new technology development and use is to come from the private sector and not be a special and exclusive task of government agencies. A primary role for the private sector, including the cooperatives supported by CRECER, requires public leadership which diminishes the intrusive role of the past

Private sector attitudes require change. Many have been protected from outside competition as a matter of public policy. New opportunities from an open economies come at a price that has to be paid by inefficient or non-competitive private firms. The new benefits may not flow to traditional economic actors and they will continue to look to the government for protection

For AID, through CRECER/IICA, a rational work plan toward a new role for the Ministry of Agriculture exists. Data collection and economic analyses offices are creating the ability to assess the changes inherent in the on-going structural adjustments and for next round of decisions. Some of these products are cited explicitly in the Project Paper and work documents for CRECER

Definition of a new role for an agricultural ministry will be sustainable only with continuation of the participatory strategy which produced the first round of public/private discussion on public policy. From this stage forward, many difficult public policy decisions remain. Some relate to the pace of change, how quickly to dismantle protective barriers to the free flow of goods to new markets. Others will shape the types of public investment necessary for the society to gain the economic advantages from the new policy regime. The role of state institutions is to influence the distribution of gains, to provide access to the many instead of protecting the few

Support for a new role will not come easily. The winners are not always easy to identify, the losers will seek to maintain their current rights. Decisions consistent with

the new macro-policy framework cannot be accomplished without sound analytical work

Analysis of the competitive position of Salvadoran sub-sectors are critical to determine which industries offer promise and a comparative advantage. Such analysis can identify the areas where appropriate public investments consistent with the new economic policies offer sustainable and the highest public returns

Formulation of the Work Plan for the CRECER/IICA work plan can be derived directly from the on-going work under IICA/PRAP. Some of the specific tasks cited in the Project Paper require review to assure that they are appropriate now. Major changes are not required but the work agenda must be practical and supportive of the new policy regime. Other identified issues are exceedingly complex and no easy solutions are in sight. How the project deals with some of these issues needs to be carefully considered

The capability within a new Ministry of Agriculture to participate in the national dialogue is the theme of the support from CRECER. The Minister is one of five on the Economic Council and the potential influence of quality staff work produced with assistance from the project is high. Final policy decisions will not rest on rational analysis alone, but rational decision-making consistent with economic policy is enhanced

D2b Land Tenure

The land tenure issue is not just about land tenure nor exclusively about the political implications of the newly landed. The strategy of land transfers coupled with special credit facilities has produced a situation where productive use is hampered by debt. The debate shifts to the means for debt management and credit rehabilitation and the choices open to policy makers

Debt forgiveness is laden with political and cultural implications. In the simplest form, the debate focuses on the need for credit worthiness and the importance of payment discipline. Loans must be repaid in order for new source of needed capital to be made available. But the level of debt is so high that even debt service appears to be beyond the productive capacity of the farms unless unrealistic assumptions are made about crop mix, access to market, management ability, and capability to use modern technology. Traditional technology used to produce traditional products cannot produce the income stream to service new loans, provide a higher standard of living, and retire old debt

Decision makers are left with bad choices

- If debt discipline is enforced then bankruptcy and foreclosure are certain for many beneficiaries of the agrarian reform programs. If debt is forgiven, then the old culture which viewed debt as a government gift and not a private responsibility is re-enforced
- If foreclosure is permitted, then the gains from difficult and costly land transfer programs are lost and the political implications frightening
- If agrarian reform beneficiaries are not permitted to use the only capital they have, the land, as collateral for new loans to create profitable farms, then they will continue to outside of the mainstream of the new economy
- If people become tied to the land because it cannot be sold, or used to retire debt, they individual family options are limited
- If land is tied to an impoverished people who cannot make the necessary investments in capital improvements, then land use will not move its "best" economic use and society loses

All of these "ifs" only suggest the complexity and the importance of the problem

D2c Subsidized interest rates

Market determined interest rates are key to success of savings mobilization and ultimately the supply of loan funds for agriculture. Attracting and holding deposits of members will break the dependency of credit unions on external funds and permit a flow of new capital

At the same time the high market rates today in El Salvador (a function of risk as much as anything) limit the types of investments that can be made by private borrowers. There are few long term investments that can be made which provide a profitable return. The market signals to the banking system are to focus on short-term loans which can be quickly turned into cash, financing business inventories and loans of less than one year dominate the market. These are not the type of loans that permit the transformation of agriculture

Public policy can and will include long term investment goals and stimulating private investment consistent with these goals may conflict with market-determined rates. A current example in El Salvador is a proposal for a subsidized loan fund for agro-forestry activities, including orchard development. Such a program may be

consistent with environmental policies, re-establishment of green cover to protect the land base. If left to the market, such investments are unlikely to be made with private funds.

If the political decision is made to support private investment consistent with environmental long term goals, then the problem becomes one of isolating the impact of such program from national monetary policy. This can be done at a cost. There are technical "fixes" which can limit this cost but the definition of these fixes requires a technical capability within the public sector to clearly define and limit such exceptions to monetary policy. Some considerations include,

- 1 Fixed size of the fund
- 2 Establishment of criteria for compliance
- 3 Monitoring capability

Such programs should not be viewed as a "major violation" of macro policy if structured properly and limited to a specified population.

D2d Trade and Commercial Policies

New trade policies are unraveling decades of protection for agriculture, including some agribusiness interests. The system of tariffs, subsidies, and regulatory structure kept consumer prices high and assured that otherwise unprofitable production would continue. The arguments for this protectionism varied, infant industries, job creation, maintenance of domestic production of basic staples. Acceptance of liberalized trade policies leads to the dismantling of this system. The remaining public policy question is how and how fast.

Inclusion of agricultural products within the last GATT agreement was historic. El Salvador was not the only nation to protect specific agricultural interests. The potential social and political disruption of open trade regimes is well recognized. Final GATT agreement was possible only after negotiations produced either acceptable time periods for compliance or complicated formulas to calculate acceptable relief to some agricultural interests as trade barriers were dismantled.

The decisions on specific tariffs require analytical input to counter or balance the subjective arguments made by affected parties. IICA/PRAP provided the support to MAG offices to provide this kind analysis, providing facts and implications of alternative decisions. This does not mean that political interests are dismissed, rather that when political decisions are made the cost and benefit to the public can be estimated. These are often not complicated nor time consuming studies. Their value is determined by the quality of the decision finally made.

D2e Public Investment Policy

The Minister of Agriculture has one of five seats on the all important Economic Council, underscoring the political and economic importance of agriculture in El Salvador. As the transformation of the Salvadoran economy continues under the new policy regime, and a new role and structure for the Ministry emerges, the interests of agriculture may best be served not by sectoral specific policies but by the shaping of public investment policies for the nation. With government in a supportive role for the private sector, in agriculture as well as other sectors, public investments which stimulate and enhance private expenditures will have a more powerful role than any government directed program. Three areas of public policy decisions are needed to stimulate economic growth in rural areas.

D2e(1) Physical Infrastructure

Roads are examples of capital investments which are difficult for private investors to cover their costs and make profits. Good roads reduce the cost of access to many parties, reducing costs to private business and enhancing private investments in rural areas. Non-agricultural jobs will provide the way out of poverty for many rural inhabitants. Argument for this type of public investment should be the topic of economic analyses to estimate the impact on the competitive position of production choices in agriculture.

There is a tendency to lump road investment with other types of needed infrastructure such as health and potable water supply. The need is great but there is a significant difference in the contribution to economic growth and reduction of transaction costs for economic activity.

D2e(2) Education

The old agriculture required a cheap labor force. The new agriculture requires an educated and productive labor force. Fewer educated people will derive their living directly from production agriculture but those who remain will make more money.

Higher wages and incomes are linked directly to investments in human capital. It is in the interests of agriculture to lobby for more public investment in educational facilities and support for private educational initiatives.

D2e(3) Private Services

A new agricultural policy consistent with a scaled down agricultural ministry would include incentives to devolve many of the technology development and transfers functions to the private sector. Research and extension are candidates for more active

participation by the private sector, be they vendors of agricultural inputs or buyers of agricultural products. The support from the government comes not from subsidies or payments but rather from the dismantling of regulations which stymie private action.

The new agricultural ministry still has an important role. Basic research merits public research. Technology development and extension can be public/private partnerships. And the claims made by private vendors on their products can be the subject of government financed field tests to confirm or deny the veracity of advertising.

Section V -- Conclusion

In spite of a confused design history, the CRECER project appears to be filling critical needs to create and strengthen private institutions to provide access to citizens, mostly in rural areas, to the means to take advantage of new economic opportunities as a result of the macro-economic policy changes made by the government. Maintenance of these changes, thwarting forces who long for the "good old days" of public protection, requires continued work. The required institutional changes of public sector agencies, primarily the MAG, and aggressive private institutions owned and operated by the members, are still underway and far from complete.

The Policy Component of CRECER serves two clients: the field level actions undertaken by CLUSA and WOCCU to address policy topics critical for their long-term success and the MAG to continue and complete needed institutional reforms to align operations with the new economic policy regime. Both are important, separate courses of action are needed for each.

IICA is the designated lead on macro-level policy work and all indications are that the work provided to date is timely, on target, and supported by the MAG.

Policy Component Work Plan

Introduction

Access by the rural poor to the benefits of economic growth depends on institutional policies consistent with current national macro-economic policies. Two areas are targeted under CRECER. First, stronger agricultural cooperatives and credit unions to serve rural inhabitants and secondly, a new or changed set of public agricultural institutions to serve the needs of private organizations.

The Policy Component of CRECER supports both initiatives.

The Work Plan is managed by the Chemonics Senior Policy Advisor on two separate tracks. Support services to the CLUSA and WOCCU and active integration into the Work Plans of the Office of Agricultural Policy Analysis related offices in the Ministry of Agriculture.

A Rural Institutions supporting policy work

Objective to enable private institutions to provide their membership access to new economic opportunities through ready access to credit, markets, and technical information. Adjustments in national policy framework are necessary for targeted institutions to accomplish their tasks.

Work will focus within the following areas:

- 1 Changes in the legal framework governing cooperatives and their operations
- 2 Financial and economic analysis of business decisions, e.g., savings mobilization, self-capitalization, financial linkages to private institutions, analysis of new sources of capital and clients
- 3 Financial analyses of investment choices at the firm level under the new policy regime

Examples of the types of analysis carried out include:

- a) Review of legislation governing cooperative management and credit union management
- b) Incentives for increased deposits
- c) Capturing remittances in the credit union system

- d) Profitability of alternative crops
- e) Case studies of farm investment plans
- f) Price and market analysis for specific crops
- g) Profitability of organic vs traditional cropping systems

Specific analyses are determined in consultation with directors of the two field programs and confirmed by the Chief of Party. In some cases, the Policy Advisor will suggest, with a short proposal, a type of analysis to the field directors and the Chief of Party. When approved, the analysis becomes part of the annual work plan.

1996 Work Plan

1 N studies Hugo to fill out

B Sectoral Adjustment to Macro-economic policy regime

Objective To align institutional policies which govern the role, function, and size of public agricultural institutions with the macro-economic policy framework. The outcome will be public and private partnerships where the public sector provides support and service to private sector firms to spread the benefits of the new macro-economic policy regime to the larger population.

The Work Plan for CY 1996 is directed to the objectives listed above through specific actions and analyses. Oversight of the Policy Component is provided by the Senior Policy Analyst under the general supervision of the Chief of Party. A economist/financial analyst is based in CRECER headquarters, responsible for activities approved by the Chief of Party in consultation with CLUSA and WOCCU directors.

Topics

1 Continuation of participatory rural forums on the role and function of the Ministry of Agriculture and other public agricultural institutions

2 Completion of the Modified Area Frame and first field test

3 Design of statistical data base on agricultural information

4 Publication of "Agricultural Today", an annual statistical summary of agricultural performance

5 Design of communications outreach to rural areas on topics of interest to agricultural producers, i e , radio programs of market news, new technology, etc

Others