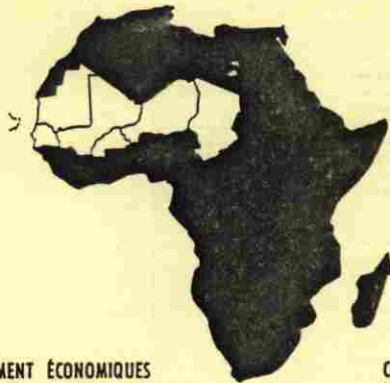


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**SUPPORTING REFORM IN THE
AGRICULTURAL SECTOR**

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**COLLOQUE SUR LES POLITIQUES CEREALIERES
DANS LES PAYS SAHELIENS**

**CONFERENCE ON CEREAL POLICIES
IN SAHEL COUNTRIES**

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Supporting Reform in the Agricultural Sector

Introduction

The economic performance of the Sahelian countries during the last ten years has been disappointing. All statistical indicators confirm the lack of progress towards economic and social development. Stagnant (in some cases falling) levels of GNP per capita, decreased domestic grain production per capita, and relatively high population growth are the most obvious manifestations of this disappointing performance. There is a host of interdependent factors which have contributed to this situation; including recurring drought, the favoring of current consumption over investment, excessive growth of the public sector, poor government policy, and inconsistent and inadequate donor support.

This report is concerned with donor efforts to support government policy reform. More specifically, the report attempts to show the extent to which donors have supported reform in the agricultural sectors of the Sahelian countries and to discuss the problems associated with the reform process. A primary conclusion of the 1979 CILSS/Club du Sahel Nouakchott Colloquy on Cereals Policy was that production

projects should be accompanied by coherent policy measures, aimed at increasing the return from additional investment in rainfed and irrigated agriculture. The Colloquy agreed on recommendations concerning marketing, price policy, storage, trade, and food aid, among others. Some specific recommendations aimed at the donors are listed in an annex to this document. (For a complete listing of all recommendations see: Cereals Policy in Sahel Countries, CILSS/Club du Sahel, 1979, Section C.) There was not a great deal of discussion, however, concerning the process by which policy reforms in agriculture could be best designed and implemented.

The primary observation from this analysis is that the donors and member states are searching for an efficient process to support agricultural reform. Through trial and error, the donors and the member states have acquired some knowledge about support for the reform process. However, the actual implementation of an efficient support program is hindered by several constraints which the donors and the member states face. An important question which emerges from this analysis of donor experience is whether donors can support sectoral reform (agriculture) in isolation, or whether macro-economic reform is a necessary precondition for meaningful reform in the agricultural sector.

Ideally, an effective process for supporting country reform should 1) address both macro economic (budget and balance of payments deficits) and agricultural policy, 2) result from coordinated donor action, 3) contain short, medium, and long term financial support, as appropriate, and 4) provide for periodic, joint member state and donor evaluations of the country's progress.

This report is organized into four sections. The first section briefly discusses program support and the use of conditionality, providing a common set of definitions into which the subsequent analysis will fit. The second section summarizes some of the donor experiences supporting agricultural reform. The third section shows the primary lessons learned from these experiences. Finally, the fourth section provides some recommendations for improving the process by which donors support reform in the agricultural sector.

I. Program Support for Agricultural Reform

Specialists in economic development often contrast program (non-project) and project aid. Generally speaking, project aid is aimed at supporting a specific activity which has measurable benefits and costs, such as building a road, developing a rice perimeter, or constructing a health unit. Notwithstanding the difficulties in calculating true economic benefits and costs for such projects, national governments and donors presumably can calculate a rate of return for proposed projects and undertake those projects with acceptable rates of return. In contrast, program aid is the transfer of funds to support general government operations or balance of payments deficits, and, in some cases, provide technical assistance. Some development agencies attempt to divide official development assistance into project and program aid; however, there are certain ambiguities in such a division. (See: Club du Sahel's annual reports on official development assistance.) Increasingly program aid has been used to support policy reform. In some cases this reform process is aimed at macro-economic variables and performance; the process can also be sector specific, such as support for policy reform in agriculture.

The transfer of resources to accomplish the above purposes can be achieved through 1) cash grants, 2) concessionary loans, 3) debt relief which reduces demands on public sector

finances, or 4) the provision of food aid (or other commodities) which can be sold to generate local currency.

Both project and program assistance have generally been contingent on various performance criteria; often these criteria have been relatively easy to satisfy. In recent years, however, there has been much discussion of conditionality: the tying of aid to specific conditions, particularly policy reforms.

Providing assistance, particularly non-project aid, in this manner is usually called structural adjustment assistance or support. The conditions associated with this support can range from the general (reducing imports by x percent) to the specific (increasing the price of a particular product by x percent). The conditions can be macro oriented or sector specific. The purpose of the conditionality is to support reforms which should assist the local government in promoting and sustaining economic and social development.

Thus, as an obvious point of departure, it should be recognized that there are three elements associated with program aid: 1) the purpose of the aid (support of balance of payments deficits, of government deficits, of specific policy reforms, or, most likely, some combination of the three), 2) the actual form of the assistance, and 3) the conditions which are included in the agreement.

Given the precarious fiscal situation of many of the Sahelian countries, program aid has been increasingly important during the 1980s. The Club du Sahel reports that non-project aid represented approximately 40 percent of total assistance during the 1975-1984 period, with a tendency to increase since 1980. This increasing tendency to provide program aid has been reinforced by the need to adapt to periods of drought, growth of the public sector in the Sahelian countries, increased recurrent costs, and the general inability of the Sahelian countries to absorb increased amounts of project aid. A portion of this program aid can be classified as conditional support for economic reform.

Specialists in Sahelian development problems have been debating how best to use this conditional program aid. Such a debate includes issues such as the degree to which official assistance should be conditional program aid (as opposed to non-conditional program aid or project aid), the actual conditions which should accompany the aid, and the appropriate evaluation process. Many specialists argue that the donors should increasingly provide such general program support (as well as project aid) under increasingly strict conditions aimed at supporting both macro economic and sectoral reform.

Often those arguing for increased conditional program aid to support economic reforms minimize the many difficulties associated with this process. Recent research by the World

Bank points out some of the difficulties in designing effective adjustment programs. In principle the goal of a structural adjustment program (either macro-oriented or sector specific) is "to enhance efficiency, build up institutions, promote resource mobilization and correct payments imbalances". (See: "Structural Adjustment Lending, An Evaluation of Program Design", World Bank Staff Paper No. 735, by Fahrettin Yagci et al., p.15.) Generally speaking, however, there is no "formal framework to determine objectives, appropriate time phasing, and construct/evaluate optimal, consistent policies." A further point raised in the same analysis is that in pursuing different objectives, "little attention has been focused upon the assigning of relative weights to those potentially conflicting objectives, nor ways of adjusting these weights to specific country circumstances." Sahelian experiences with conditional program aid are consistent with the above analysis.

Thus, the purpose of this paper is to review some of the donor experiences in the Sahel with such conditional program aid (especially as applied to agriculture), pointing out the many difficulties associated with this reform process. The following two sections, respectively, describe some donor experience with conditionality and discuss the lessons learned from these experiences.

II. Donor Experience with Support of Agricultural Reform

This section describes the experiences of several donors in their attempt to support macro economic and agricultural reform in the Sahel. The discussion does not purport to give a full analysis of each donor activity. Rather some examples of donor activities, forming the basis for the analysis found in the next section, are provided. The actions of the United States Agency for International Development (US AID), the International Monetary Fund (IMF), the World Bank, the Caisse Centrale de Cooperation Economique (CCCE), and the coordinated donor effort in Mali are each examined.

The conditional program support which has been used has been primarily directed at improved macro-economic performance, with some indirect secondary benefits to the agricultural sector. This conclusion is not advanced as a criticism of donor actions. In fact, it may be that macro-economic reform is a necessary precondition for any meaningful reform in the agricultural sector. In that case, program support for agriculture should either follow macro-economic reform, or accompany macro economic reform. An indirect contribution to agricultural reform from conditional support has been the initiation of meaningful policy dialogue.

A. US AID

US AID has supported the reform process (with an attempted emphasis on the agricultural sector) in three Sahelian countries: Senegal, Mali, and Niger.

In Senegal, US AID provided a cash transfer of \$10 million from its Economic Support Fund (ESF) for disbursement during FY 1984. The announced purpose of the grant was two-fold: first, to support the Government of Senegal (GOS) in achieving the objectives contained in its 1983/84 Standby arrangement with the IMF and second, to initiate long-term reform in the agricultural sector. The IMF arrangement focused on general budgetary and fiscal reform aimed at reducing the GOS's budget deficit. Consistent with this objective, the GOS was also required to raise several consumer prices, particularly the price of imported rice, as a means of increasing government revenues and stimulating local grain production. Further, certain measures to restrict the growth of domestic credit, reducing the growth in the domestic money supply were included in the agreement.

The IMF estimated in 1983 that there existed a financing gap of at least \$ 19.5 million which the GOS faced in its efforts to achieve the above objectives; the US contribution was aimed at reducing this gap. Also, the ESF grant was aimed

at promoting longer term structural reform in the agricultural sector. It is less clear, however, how the grant accomplishes this goal since no real conditionality associated with such long term reform is included in the agreement. Specifically, the agreement justification states "that conditionality for this ESF program be limited to a positive determination by the Mission Director, during the course of the month of December, that the GOS has implemented all reasonable measures to comply with the terms and conditions of the IMF Standby." More detailed conditionality would be deferred "given the necessity of a collaborative effort (among the donors and the GOS) in achieving policy reforms". In early 1984 the broad elements of a new agricultural policy were announced by the GOS; they are described in the succeeding discussion concerning the IMF.

While the wording of the conditionality found in the US AID-Senegal agreement is consistent with the objective of supporting agricultural reform, specific actions- particularly those aimed at reducing producer subsidies and improving the performance of the rural development agencies- were not included in this agreement. The 1985/86 Berg report on cereals policy (Club du Sahel, July 1986) suggests that the reforms (those actually introduced) seem to have been principally motivated by Senegal's financial crisis and IMF pressure and not the result of a long term strategy for and commitment to agricultural reform (notwithstanding the existence of the 1984 agricultural policy).

US AID entered into a reform agreement with the Malian government in 1985, agreeing to provide a cash grant of \$ 18 million over four years. Conditions associated with this transfer included: "revision by decree or otherwise of the Commercial Code and of texts relating to the regulation of prices and the control of external trade, a three-year action plan for conducting tax reform in Mali, and an administrative arrangement governing a voluntary retirement program for civil servants." (See: US AID, Mali Economic Policy Reform Program, 1985, pp. 2-3.) Additional conditions relating to specific steps or actions to achieve these broad objectives are also included. As should be evident, these conditions are aimed more at macro economic reform than reform of the agricultural sector. Of course, reducing the restrictions on trade could have some beneficial effects on agricultural marketing. However, the major thrust of this agreement is to provide general budgetary support and not to complement a comprehensive, long term program for agriculture.

In contrast to the Senegalese and Malian cases, US AID support of reform in Niger has been more oriented towards the agricultural sector. In August 1984 US AID negotiated and signed a four year Agricultural Sector Development Grant with Niger. The grant calls for a transfer to Niger of \$32 million over a four year period. The US AID program assistance document states that the project will "promote agricultural production" by reducing policy constraints, "provide resources

to the GON to support ongoing development activities", and "contribute toward economic stabilization directly."

The conditions associated with this grant included: the adoption of a bid/auction system by OPVN (the national grain marketing board) for a portion of its purchases and sales, promoting competition in agricultural marketing (both inputs and outputs) through greater use of the private sector and cooperatives, the gradual reduction in input subsidies, the development of a village level grain storage program, an easing of controls on agricultural trade with neighboring countries, and a study of agricultural credit.

The evaluation of the US AID supported reform process has been mixed. Apparently, OPVN continues to purchase and sell grain at relatively fixed prices, notwithstanding the presumed existence of the bid system. The actual level of input subsidies already had been below the initial 50 percent specified for 1984; thus the condition for reducing input subsidies for that year was irrelevant. (In fact, the subsidy question is immensely complicated given the fact that many inputs are partially or completely donated by external sources. The calculation of a non-subsidy or full-cost price for these inputs is subject to considerable ambiguity.) Finally, there seems to be continued interference with border trade for livestock.

In contrast, one could argue that in conjunction with IMF and World Bank efforts, the US AID project reflects the

importance the Government of Niger is giving to reform in the agricultural sector and that the groundwork is being laid for more effective future actions. Lessons learned from these initial attempts at agricultural reform, reviewed in the next section of this report, should be applied in subsequent programs.

B. International Monetary Fund (IMF)

Since 1979, according to Club du Sahel documents, the IMF has negotiated eighteen Standby arrangements with five Sahelian countries: The Gambia-3 arrangements, Mali-3, Mauritania-3, Niger-3, and Senegal-6. Between 1980 and 1984 the total value of these arrangements was \$342.6 million: \$19.5 million for The Gambia, \$70.8m for Mali, \$34.7m for Mauritania, \$34.0m for Niger, and \$183.6m for Senegal.

These arrangements are conditional on the member state respecting conditions that can include those aimed at reducing government operating deficits, reducing the international trade deficit, adjusting the value of the national currency, regulating the growth of the domestic money supply, and introducing more economically rational prices. While such reforms can have significant effects on the performance of the agricultural sector, the IMF's conditions are often macro-oriented and not sector specific. The negotiation process between the IMF and the member state is prone to result in a plan for fiscal reform, but does not necessarily lead to a coherent program for agricultural reform. It should

also be noted that the intervention of the IMF occurs when a country faces a serious financial crisis.

It would, perhaps, be instructive to review the conditions associated with IMF support.

1. Mali

The January 1983 agreement with Mali included, but was not limited to, the following conditions:

- a. Increases in taxes on livestock and salaries, as well as various regional levies
- b. Improved customs operations
- c. Limitation on personnel expenditures and a reformed recruitment process
- d. Refinements in the budgetary process and fiscal accounting methods
- e. Limitations on the growth of domestic credit
- f. Banking reforms
- g. Adjustment of certain interest rates

While it certainly can be argued that the above monetary and fiscal policy reforms might be preconditions for improved performance in the agricultural sector, the conditions themselves are not specifically aimed at agriculture, nor motivated by a desire to support reform in the agricultural sector. It should be noted, however, that the recently concluded 1985-1986 Standby arrangement between the GOM and the IMF stresses the need to raise grain prices in conformance with the objectives of the PRMC. Certainly, IMF support of fiscal reform in countries facing an emergency financial crisis is vital; however, it is not, itself, sufficient to achieve the reform needed in the agricultural sector.

2. Senegal

The March 1984 Standby arrangement between the IMF and the Government of Senegal does contain several conditions related to agricultural reform. These include, but are not limited to the following:

- a. Increase the consumer rice price from 105 to 130 FCFA/kg
- b. Reduce the fertilizer subsidy by recovering 5 FCFA/kg in purchasing groundnuts from the producer
- c. Give greater responsibility to the groundnut oil refiners for the collect and transport of the crop
- d. Institute an agricultural policy to increase groundnut yields and cereal production
- e. Eliminate gradually the operations of SONAR, the parastatal organization responsible for input delivery.

Certainly this agreement contains many features aimed at reforming the agricultural sector. Of interest, however, is point d, calling for the development of an agricultural policy. Clearly, the IMF, itself, recognized that it was providing emergency assistance to Senegal, in the absence of a clearly defined agricultural policy. This approach illustrates a potential problem. Without a clearly agreed upon national policy or program for agriculture, a donor can still negotiate certain elements of a program, such as a reduced fertilizer subsidy. What guarantee is there that these individual conditions or elements will be appropriate

within the context of the comprehensive program which will be developed? It is clear that at the time the agreement was negotiated, Senegal had immediate need of IMF assistance and that these individual conditions were economically rational, at least in the short-run. Nevertheless, there is a risk that these conditions might be inappropriate in the long-run (i.e. as a complement to a national agricultural policy, it might be more appropriate to have some fertilizer subsidy).

In early 1984 the GOS did announce a new agricultural policy which had the following broad objectives: 1) instituting a new price policy which favored domestic cereal production, 2) limiting the role of the rural development societies and other parastatal organizations, 3) reforming the cooperative system, and 4) changing the input supply system. In one sense, it can be argued that the incentives provided by the IMF and other donors were instrumental in getting the GOS to address important policy questions and begin a dialogue with the donors on these issues. It is less clear, however, whether this new policy is truly comprehensive, resolving fundamental questions, such as the appropriate division between public and private sector responsibilities or whether there should be any determination of price levels by the government.

In June 1986 the GOS hosted a meeting with donor agencies to discuss the new agricultural policy. The GOS clearly reaffirmed its commitment to the broad elements of this new

policy; and donors noted that there had been progress towards achieving the goals of the policy. There still seem to be certain ambiguities and deficiencies in the new policy, particularly with respect to pricing decisions: in general producer and consumer prices still seem too low to encourage domestic cereal production and discourage the consumption of imported rice. Nevertheless, the progress to date seems encouraging to the donors who are committed to continue their financial support for the reform process in Senegal.

C. World Bank

The World Bank supports reform with both structural adjustment loans and with agricultural sectoral adjustment loans. The former loans (since 1980, 32 such loans worldwide, for a value of 4.6 billion dollars) carry conditions which concern price policy, marketing, and public sector reform; in many cases these conditions directly affect the agricultural sector. More specific to agriculture, however, are the sectoral adjustment loans (since 1979, 17 such loans). The conditions associated with the sectoral loans relate directly to agricultural pricing, marketing, and institutional support. World Bank experience with this type of reform support in the Sahel has been quite limited.

In 1980 the World Bank accorded the Government of Senegal a \$60 million structural adjustment loan; conditions included those aimed at reducing the government budget deficit,

rationalizing prices, and designing an appropriate agricultural policy. One specific condition was that the GOS incrementally increase the fertilizer price, gradually eliminating the fertilizer subsidy. After having announced a fertilizer price increase of 25 FCFA/kg, the GOS cancelled that increase in April 1982. The World Bank then did not transfer to the GOS the last portion (\$17 million) of the loan.

This experience points out the political difficulty which many of the member states have with some of the reform conditions. With legislative and presidential elections scheduled for February 1983, President Diouf, following a tour of rural areas, undoubtedly felt that this fertilizer price increase would not be acceptable to rural producers and would represent an unacceptable political risk for his government.

In 1986 the World Bank accorded Senegal a second structural adjustment loan of \$70 million. Conditions associated with this loan included many aimed at the agricultural sector: improving the system of fertilizer delivery, the system of groundnut seed storage and delivery, the marketing of groundnuts and cereals, and the agricultural extension services. Further, there were many conditions associated with increasing the efficiency of the public sector and the use of public investment funds. As with the first structural adjustment loan to Senegal, this loan contains a

large number of objectives and expects rather quick (15 months) compliance with the conditions included in the loan. The new Senegalese agricultural policy and the more coordinated donor support to Senegal are factors which should contribute to the satisfying of the World Bank's terms; nevertheless, as with the first loan, there is the risk of failure, given the number and complexity of these conditions.

D. Caisse Centrale de Cooperation Economique (CCCE)

The Caisse Centrale has financed several structural adjustment programs in the Sahel. From 1983 to 1985 the CCCE has committed approximately \$90 million (the actual dollar amount depends on the \$/FF exchange rate) to three countries: Niger- three loans totaling \$35 million, Senegal- three loans totaling \$46m, and Burkina- one loan totaling \$9m. For 1986 additional loans have been or are being negotiated for Niger, Mali, and Senegal. Each of these annual loans was for general macro economic support: financing government operations and debt relief.

The structural adjustment policy of the CCCE is to support the national government in implementing an economic reform plan which has been negotiated with a multilateral agency like the IMF. Following or concurrent with the establishment of a national reform policy, the French government will send a mission comprised of representatives from the CCEE, the

Ministry of Finance, and the Ministry of Cooperation to determine the French government's financial participation in supporting this reform process. A portion of the interest due on the resulting loan from the CCCE to the national government is paid from the annual budget of the Ministry of Cooperation. Thus, the French government's support of economic reform, through its program of structural adjustment, is aimed at supporting an existing reform program and does not impose additional conditions on the national government.

It should be noted that the CCCE directly supports reform in the agricultural sector with both project and non-project assistance. The accord of these loans by the CCCE is generally contingent upon certain conditions which can concern price policy, reform of parastatal organizations, and land use policy, among others. The general policy of the CCCE, like that of most donors, is that any financial commitment which it makes should contain conditions which will increase the effectiveness with which the financial support is used. In summary, the CCCE supports both macro-economic and sector specific reform through its varied financial operations.

F. Coordinated Donor Support of Policy Reform

In 1981 the Government of Mali accepted a reform program negotiated with a group of donors, which included the World Food Program, Belgium, Canada, the European Economic Community, France, the United Kingdom, the United States,

the Netherlands, West Germany, and Austria. Donors provided food aid which was to be sold by the Malian government at the official consumer price. The funds generated from these sales were to be placed in a special account aimed at supporting the operations of the national cereals marketing board, OPAM. This reform effort is referred to as PRMC (Malian Cereals Reform Project).

The actual reforms included an agreement to increase official producer and consumer prices for grains, permit private traders to market cereals, and improve the functioning of OPAM, the national cereals marketing board. The donors would support this reform process with a significant commitment of food aid which would be sold, providing counterpart funds for the Malian government, to support OPAM's operations and general reform of the cereals marketing process. Evaluations of this effort have been mixed. Favorable comments focus on the recognition by the Malian government of the need to reform agricultural marketing and the rather open, frank dialogue which has occurred between the donors and the Malian government. The 1985/1986 Berg report on cereals policy (using information collected through 1985) suggests, however, that the actual quantitative impact of the reforms has not been significant. Producer price increases have been insufficient, resulting in smaller than expected production increases. The 1984 drought, of course, complicates the quantitative evaluation of the impact of these reforms on domestic production. According to the Berg report the efficiency of OPAM has not greatly increased; yet, its operating deficit has decreased significantly.

In contrast to the Berg report, an evaluation by Serge Coelo concerning the PRMC is more encouraging. (See: "La Relance de la Production par une Politique Des Prix: Restructuration du Marche Cerealier au Mali," March 1986) Coelo feels that the reform process is continuing on the path established by the government of Mali and supported by the donors. He feels that the progress to date is quite encouraging and merits continued support by the donors.

The second phase of the Malian cereals reform process (Nov. 1986-1989) has established six objectives aimed at 1) continuing to reduce the role of the public sector in agricultural marketing, 2) implementing a price policy which will increase local grain production and reduce the deficit of OPAM, 3) reducing the deficit associated with the government's intervention in grain marketing, 4) restructuring OPAM's operations, 5) encouraging local grain production and consumption, 6) increasing the producer's role in grain marketing. While it is not possible to predict how quantitatively meaningful these reforms will eventually prove, their existence shows that the policy reform dialogue between the Malian government and the donors is continuing. For this reason the PRMC is considered one of the more encouraging donor initiatives in support of agricultural policy reform, and, (7) strengthening the role of the private sector.

III. An Evaluation of Donor Experience with Support of Reform

The preceding discussion summarized the donor experience with the use of program assistance to support reform in the agricultural sector of the Sahelian countries. The obvious conclusion was that such support has not been entirely successful in generating sustained development in agriculture. Policy makers must be aware of this lack of success, since many experts view conditional program support of agricultural reform as a most hopeful means to stimulate agricultural development. The purpose of this analysis is not to suggest that support of agricultural reform is an inappropriate means to promote development, but rather that such support must be carefully designed, recognizing the many difficulties which donors and member states have experienced. Some of these concerns are summarized below.

1. The need for macro economic reform

The discussion of donor experience in supporting reform has shown that agreements can contain elements aimed at 1) providing macro economic oriented reform, or 2) micro economic, agricultural specific reform, or 3) some combination of the two. A relatively strong case for giving priority to macro economic reform can be advanced. First, it would seem that macro economic reform is a precondition for reform in the

agricultural sector. Second, effective macro economic reform will indirectly benefit the agricultural sector; undoubtedly, the converse is true, but probably to a lesser extent. Third, donors seemingly have had less success in supporting effective sectoral reform, in comparison to macro economic reform.

2. The lack of a coherent national agricultural policy

When it seems appropriate to provide direct support for agricultural reform, such reform must be based on a coherent national agricultural policy. However, donors have been willing to offer support for agricultural reform when, in fact, there has been no coherent national agricultural program or policy. Support has been offered for partial policies and even potentially contradictory policies (e.g. Niger, with the ambiguity in the auction versus fixed price purchasing policy). However, no Sahelian country has completely succeeded in designing and implementing a coherent, comprehensive national policy. (It should be noted that most, if not all, of the developed countries are subject to the same criticism.) As indicated in Section II of this report, both Senegal and Mali have made some progress towards implementing a comprehensive policy.

At a minimum, such a policy or program must include the following elements: a) price policy, b) storage policy, c) marketing arrangements, d) input delivery and pricing, e) agricultural research, f) tariff policy, g) food aid policy, h) transport arrangements, i) credit, j) environmental protection, k) agricultural extension and l) exchange rate

policy. The inclusion of these elements in a coherent national program is not meant to suggest that the government, itself, should be responsible for each of these arrangements, such as marketing or providing credit. It may well be preferable for the private sector or some public/private combination to have responsibility for a particular action. An important consideration in designing this national policy is the availability of financial resources which the national government is able to commit to the policy. Generally speaking, the Sahelian nations do not have the resources necessary to support an expensive national policy which attempts to protect both producers and consumers.

It is particularly important, however, that the program or set of policies be internally consistent. For instance, if increased domestic grain production is a priority, it is unreasonable to have a pricing policy which calls for imported rice to be sold at a lower price than domestically produced rice. Further, it should be strongly emphasized that price policy, itself, is only one element of a national policy and, as a reform measure, may have limited short-run impact. In fact, the more critical debate may concern the desirability of any price control as opposed to the level of controlled price. In conclusion, the most important lesson which can be drawn from donor experience is that the presence of a coherent, comprehensive agricultural program or policy (one addressing elements a thru l above) is a necessary condition for supporting meaningful reform in the agricultural sector.

3. The Need for Donor Consensus

When individual donors negotiate agreements with a member state, there is the risk that contradictory policy advice will be given. For instance, there is considerable debate about the desirability of subsidizing fertilizer. Some donors argue that without the subsidy farmers will be excessively hesitant or even unable to use fertilizer with resulting soil degradation and reduced production. Other donors argue that the subsidy represents a poor use of limited government development funds and results in an uneconomic use of fertilizer. Finally, the intermediate position calls for temporary and selective use of subsidies. Similar debates concerning price policy, the role of national marketing boards, and storage policy occur. While the national government is responsible for designing a long-term, consistent plan for agricultural reform, there should still exist a consultative process involving all interested donors. The member state can not be expected to conclude effective agreements with individual donors in the absence of such a consultative process.

4. The Extreme Complexity of the Agricultural Sector

The Risk of a Poor Policy

The lack of a complete understanding of the economic, social, and political forces at work in the Sahel makes it quite difficult to arrive at a comprehensive, consistent agricultural policy. Nonexistent or missing data, the

presence of important political factors, social relations which are often unclear to donors from developed countries all complicate the design of an effective agricultural program. (The more developed countries have confronted the same complications in attempting to design agricultural policy.) Agreements between donors and a member state, reached in the presence of this uncertainty, risk to be ineffective and, perhaps, even counterproductive.

An argument can be made that poor policy reform can have destructive long term consequences. Notwithstanding the counterproductive economic effects of a poor reform program, the resulting failure of a poorly designed program can frighten both the member state and the donors from initiating further reform.

5. Adverse Effects on Low Income Groups

Often the conditions associated with agricultural reform can have adverse impacts on different low income groups in the society. For instance, sharply increased consumer grain prices (rice in Senegal, for instance) impact negatively on low income urban residents. Personnel reductions in the public sector often begin with the lowest level employees, resulting in an immediate loss of income for them. Reducing fertilizer subsidies negatively affect low income farmers. The tradeoff between equity and efficiency has been long recognized in economics; thus, there is nothing surprising in the above observation.

In supporting economic reform, donors and national governments should attempt to minimize any adverse effects on both producers and consumers. Donors may wish to include in a program supporting reform, some form of financial assistance to cushion the impact on those groups less able to bear the short-run financial burdens of reform and adjustment. Further, member states may find the reforms more politically acceptable if lower income groups receive some form of transitional assistance. For example, limited food aid distributions or some form of cash grant to truly needy individuals could be instituted to reduce the burden of increased consumer grain prices.

6. The timing of the reform process

This report has not addressed in detail the issue of timing with respect to the reform process. Nevertheless, this is an important question. How rapidly should reforms be introduced? Should they be introduced gradually to accommodate and to soften the adverse effects which will be felt by certain groups, or should there be a relatively rapid introduction of these reforms to take advantage of any favorable momentum in the reform process and to reduce the effectiveness of those groups opposing reform measures? A related question concerns the time frame over which donor support of the reform process should occur. To increase the attractiveness of the reform process and to provide support over a time frame which is reasonable for reforms to have an

effect, donors may need to make medium term commitments of four to seven years. Continued funding during that time period would be contingent on the results of joint member state and donor monitoring and evaluation of the reform process.

The above observations form the basis for the recommendations advanced in the next section.

IV. Recommendations

The lessons learned from donor experience with support of agriculture in the Sahel lead to certain broad, summary recommendations to enhance the effectiveness of the support process. Given the complexity of the situation in each country, specific recommendations, for the Sahel as a whole, are not easily advanced or defended. The following set of recommendations draws on the analysis found in Sections II and III of this report, as well as recent World Bank publications. These recommendations are generally consistent with the conclusions of a recent OECD Development Assistance Committee (DAC) discussion on aid coordination held the 21-22 May, 1986. (See: Rapport sur le Developpement dans le Monde 1986, Structural Adjustment Lending, An Evaluation of Program Design (Working Paper No. 735), and Financing Adjustment with Growth in Sub-Saharan Africa, 1986-1990. and "Adapting Aid in Support of Improved Development Policies and Implications for Aid Coordination: Results of Recent DAC Work," May 1986.)

The World Bank's Working Paper concludes, based on an analysis of the existing literature concerning structural adjustment, that "few guidelines exist to help design a structural adjustment program per se, i.e., a set of consistent mutually reinforcing policies." (p.14) The suggestions advanced below are not themselves specific guidelines; rather, they are more general principles which could be implemented by donors and member states in their attempt to improve the process of supporting government policy reform.

1. While donors and the national government must agree to the conditions associated with a comprehensive, consistent reform program, whether directed towards improved macro-economic performance or agricultural development, the major responsibility for designing any program must rest with the national government, with the support of appropriate donors. Based on the willingness and ability of the national government to undertake meaningful reform and the quality of the reform program, donors must decide the level and terms of their financial commitment to support the reform process.

As a general rule, it is preferable to have agreements which do not contain an inordinate number of complex conditions. There is a limit to the national government's capacity to introduce reforms; also, there is insufficient knowledge and understanding of the economic and political environment (particularly in agriculture) to establish overly precise conditions. Finally, the evaluation process will be more effective if donors and the national government can concentrate on a few, but significant reforms.

Any agreement must contain a monitoring process which includes rigorous and timely evaluations of the national government's progress towards meeting the reforms. Such evaluations should be coordinated exercises, jointly undertaken by the national governments and the donors. Continued funding of any reform program should be contingent on the national government's having met the performance criteria established in the reform agreement.

2. Reform in the agricultural sector is not easily separated from general economic policy reform in the country. National fiscal, marketing, and trade policy must all be conducive to the development of a healthy agricultural sector. Such policy reforms are more macro oriented than sector specific and really should precede or, at least accompany the introduction of specific reforms for agriculture.

3. The basic thrust of any series of reforms aimed at the agricultural sector should be to make agriculture a more profitable activity. Throughout Africa the agricultural sector has been economically penalized for decades. Urban consumer groups and industry have been favored at the expense of the rural producer. (Exchange rate, price, food aid, and tax policies have all been used to favor urban groups.) If there is any general thrust to an agricultural reform movement, it should be to remove the incumbrances which have been placed on the agricultural sector.

4. While the efficiency of private markets is often subject to debate, it is clear that unnecessary government intervention into the marketing process has been a major cause of the poor performance of agriculture in some African countries. A recent report concerning the role of the private sector in agricultural marketing in Mali supports the conclusion that the private sector is relatively efficient and offers suggestions for supporting increased private sector activity. (See: "Le Commerce Prive des Cereales au Mali: La Filiere Socio-Professionnelle", by Gerard Gagnon, 1986.)

5. To encourage significant and difficult reforms, donors should be prepared to offer a package of financial assistance (phased in over several years) which extends beyond the short-term (one or two years). Donors are requesting that governments make policy changes that are often unpopular and have adverse effects on politically important groups and/or low income groups. Certainly it is understandable that the national government would desire some medium to long-term financial commitment from the donors to ease the short-term burden of reform.

6. The evaluation process referred to in recommendation number one is complicated by the lack of reliable data and other uncertainties. Thus, to facilitate an effective evaluation process, there is a need to strengthen the data collecting and treatment capacities of both CILSS (particularly AGRHYMET and Diagnostic Permanent) and the national governments. Donors should provide technical assistance to support the national governments in their design of effective policy. Also, the donors should consider ways to increase the technical capacity of the local government to analyze economic policy issues. US AID support of the Bureau of Macro-economic Analysis (associated with ISRA) in Senegal is an example of this type of institutional support.

ANNEX

Recommendations Addressed to Donors following the Nouakchott
Colloquy

The Council of Ministers of the CILSS, meeting on the occasion of its twelfth ordinary session at Ouagadougou on 11th and 12th January, 1980 approved the following recommendations directed to the international donor community. These recommendations resulted from study by the Council of Ministers of the proceedings of the Nouakchott Colloquy on cereals policy.

1. That donors help the member states reinforce existing structures for data collection, including the training of local personnel in data collection and processing.
2. That donors grant priority to exchanges relating to food products in the Sahel sub-region.
3. That donors provide a higher priority to the financing of cereals projects, agronomic research and cereals processing.

4. That donors soften criteria for choosing projects and speed up the mobilization of necessary funds.

It should also be noted that the participants at the Colloquy also made joint recommendations, applicable to both national governments and donors. These included recommendations concerning: ways to increase domestic grain production, promote more efficient marketing (whether by the public or private sector), the need for improved price policies, more efficient storage practices, a more rational use of food aid, and the development of regional trade. In summary the Colloquy stated "cereals policy is made of an array of different measures. The Colloquy vigorously insisted on the necessity of coherence between implementing measures of each State."

(A complete listing of all recommendations can be found in Cereals Policy in Sahel Countries, Acts of the Nouakchott Colloquy, CILSS/Club du Sahel, 1979, Section C.)

Listing of Acronyms

CCCE	Caisse Centrale de Cooperation Economique
CILSS	Permanent Interstate Committee for Drought Control in the Sahel
FCFA	West African Monetary Unit (50 FCFA=1 FrenchFranc)
GON	Government of Niger
GOS	Government of Senegal
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
OPAM	Malian Cereals Marketing Board
OPVN	Niger Cereals Marketing Board
PRMC	Malian Cereals Reform Project
USAID	United States Agency for International Development