

## **Policy Assessment and Enabling Environment**

### **Strategic Outline**

#### **1. Background**

At a June 2002 meeting in Rome, the African Ministers of Agriculture reviewed and endorsed a strategy for the Comprehensive Africa Agriculture Development Program (CAADP) by the New Partnership for Africa's Development (NEPAD). The strategy was formally launched about a year later in Maputo by the African Union (AU) Heads of State. The NEPAD Secretariat was charged with facilitating implementation of the new agenda and, in late 2004, drafted a roadmap document for the implementation of CAADP. The roadmap was submitted to the African Partnership Forum, which endorsed it at its October 2004 meeting. This document laid out a six-month action plan to define the details of the implementation of CAADP, beginning with a series of Regional Implementation Planning (RIP) meetings.

Consultations with RECs (Common Market for Eastern and Southern Africa - COMESA, Southern African Development Community – SADC, Economic Community of West African States – ECOWAS, Arab Maghreb Union - AMU, and Economic Community of Central African States – ECCAS) and NEPAD member countries during the RIP meetings regarding the agenda and its implementation led to some fundamental changes. Participants felt that the original formulation of CAADP as an already-defined, detailed set of project activities did not lend itself to a decentralized, bottom-up implementation, which REC and country representatives saw as critical for future success. Consequently, a decentralized approach was decided upon that would allow participants to identify and tailor country-level CAADP activities to their own needs and circumstances, thus improving CAADP's chances of success at the local level.

The CAADP agenda is not only about increasing investment in Africa's agriculture. It is also about improving planning and implementation processes in order to achieve better policy and strategy outcomes. A central element of the agenda was therefore the facilitation of a transition to evidence- and outcome-based policy and strategy planning and implementation. As a result, African countries are undergoing an important and far-reaching process of policy renewal under the CAADP agenda. The emerging attitude toward sector policy-making and development assistance emphasizes good governance, accountability, and evidence-based and outcome-oriented planning and implementation. Partnership, dialogue, mutual review, and accountability are also key elements of the policy renewal process. The demand for locally-based, policy-relevant research is increasing quite rapidly. Meeting such demand requires stronger capacities, targeted partnerships, and linkages to the ongoing policy debate through Africa's leading policy and development institutions. A mechanism that helps to mobilize a critical mass within Africa's policy research and analysis community, broaden access to innovative and cutting-edge research methodologies, and facilitate partnerships with the global research community would make a significant contribution to efforts to meet this demand. It was in light of the need for such a mechanism that the African Growth and Development Policy (AGRODEP) Consortium was established. AGRODEP will create the opportunity to not only maintain the capacity

that has been created during the first phase of the CAADP project but also to extend beyond the initial group of modelers and to target experts across Africa with strong modeling skills to build a critical mass of world-class analysts.

One key element of the AGRODEP initiative, to be completed using the local modeling expertise being created, is a systematic policy assessment of African economies. This assessment will study the policy-level changes needed to enable a receptive environment for CAADP's proposed policies to achieve their key objectives of economic development and poverty alleviation.

In this strategic outline, we describe the process to be implemented by AGRODEP researchers to carry out this systematic policy assessment.

## **2. Proposed activities**

The starting point in every country will be adopted investment plans and key priority areas, goals, and targets identified by national stakeholders. Investment priority areas and goals that cut across many countries include four priority topics for the CAADP agenda which are directly linked with the tools and data to be provided by AGRODEP:

- (a) climate change and water resource management;**
- (b) input and output marketing policies;**
- (c) trade policies and competitiveness;**
- (d) market access.**

The goal for each country is to identify the existing policies being implemented and to perform a systematic assessment that will determine the major bottlenecks affecting the implementation of such policies. To answer these key questions, the AGRODEP initiative will strategically implement a systematic policy impact assessment that will involve three sequential stages. The assessment will be launched through a sequential call for proposals to AGRODEP members and will be implemented with scientific advice from IFPRI and from AGRODEP's partner institutions. We will initially pilot these activities in two countries per region; the specific country will depend on the winning proposal's country of expertise.

The proposed stages of the policy impact assessment are:

- i) **Stage 1** (research from October 2011 to September 2012):: Assessment of existing bottlenecks affecting the efficiency of the policies proposed and implemented under the CAADP Agenda. Collection of statistical data and identification of key tools needed to assess the effectiveness of the policies and the effects of reducing or removing the bottlenecks identified;
- ii) **Stage 2** (research from October 2012 to September 2013): Simulation of the costs and benefits of removing the bottlenecks identified and proposed policy recommendations for removing these bottlenecks to enable and improve the effectiveness of policies.

The key objective for each thematic area is as follows:

*(a) Climate change and water management policies*

Climate change brings with it significant challenges for the investment plans under the CAADP agenda. Specifically, there is a need to clearly link water and land management policies to different climate change scenarios and to identify existing policy gaps and needed investment priorities in order to minimize the effects and obtain the major benefits of climate change. AGRODEP models could substantially help members to model different scenarios and potential needed policy interventions.

Regarding water management, Africa faces insufficient rainfall and a high incidence of drought. Food production in Africa is almost entirely rain-fed, and the irrigated share of African cropland is less than one-fourth of the world average. Efforts to manage water and make it available where it is most needed are hampered by the undeveloped state of irrigation institutions (and of water-resource management in general), by the prevalence of subsistence farming, and by—at least in the past—a lack of political will to dedicate more financial resources to rural infrastructure, such as irrigation development.

The objective of this thematic area is to identify existing policy gaps and to enhance water management under different climate change scenarios by identifying policy options to promote rain-fed agriculture through institutions, policies, and investments that enhance field-level soil moisture content. The major goals will be: i) identification of targeted areas for large-scale and small-scale irrigation development and comparison of these areas with current investment plans; ii) assessment of determinants of irrigation profitability; and iii) specification of associated policies, institutions, and investments, such as water laws, irrigation development policies, water use right systems, development of water user associations and river basin commissions, and establishment of necessary cost-recovery mechanisms.

*(b) Input and output marketing policies*

There are key policy issues which are essential to improving productivity and efficiency in the farming system in many African countries. This thematic area will target the following key issues: What is the impact of fertilizer subsidies on fertilizer use, crop production, and farm income? How are the benefits of fertilizer subsidies distributed across different types of farms? How can a fertilizer subsidy scheme be designed to maximize its positive effect on poverty reduction and minimize its negative effect on emerging private distribution networks? What is the impact of public food stocks on food price stability, volatility in farm incomes, and development of the crop marketing system? What is the distribution of benefits among farmers and consumers of efforts to support the price of food and to hold down retail food prices? What policy tools will help stabilize prices and address emergency needs while promoting efficiency and competition in the market for staple grains? Are restrictions on the export of staple food crops effective in holding down food prices and improving domestic food security?

Research to address these questions will make use of various methodological approaches. Existing and new household surveys will be used to quantify the impact of different marketing policies on different

types of households, with particular emphasis on poor farmers, women, and low-income consumers. Value chain studies of input distribution systems will evaluate the effect of subsidies and other policies on input distributors and identify ways to improve access to and reduce the farm-level costs of inputs. Studies of the value chains of agricultural commodities will assess the impact of marketing policy interventions on the behavior of traders and processors. Agricultural sector models will be used to evaluate the impact of interventions on production, consumption, prices, and trade in agricultural markets. Stochastic simulation models will be used to study the impact of alternative policies to stabilize prices and farm incomes.

*(c) Trade policies and competitiveness*

We will identify and evaluate key policies that can improve the smallholder participation in the global market in light of country trade specialization. Specifically, we will explore how trade and trade policy, by encouraging greater specialization or diversification, can benefit SSA countries. This work will modify less flexible, standard CGE models to allow for a more disaggregated product-level analysis using econometric estimations of functional forms. Spatial, partial equilibrium models for the key commodities identified by the previous procedure will be developed to capture detailed information regarding specific value chains and will draw on data from commodity-specific research performed by other CG centers. Lastly, political economy models will investigate how trade policies have developed these heterogeneous profiles through endogenous processes and how they will affect poor men and women. The research will generate outcomes such as the identification for policymakers of optimal country-level trade policies for countries with limited agricultural exports, as well as new models and product- or market-level parameter estimations to assist researchers. Attention to the gender consequences of this specific specialization pattern and the use of trade policies to mitigate gender inequalities will be examined to assist developing countries in trade negotiations.

*(d) Market access*

Marketing infrastructure has a strong effect on the cost of getting agricultural commodities from the farmer to the consumer, as well as the degree of competition at each stage in the value chain. This analysis will evaluate if the necessary policies have been implemented to increase the impact of investment in rural infrastructure (water, sewerage, roads, electricity, and telecommunications) and post-harvest infrastructure (storage facilities, processing equipment for home and market, market facilities, certification, and sanitation facilities, etc.). It will assess the costs of the key policy gaps identified in the previous stages, as well as the potential returns of resolving these gaps. The objective is to identify investment opportunities with the largest multiplier effects, evaluate and, if needed, design institutional arrangement strategies that provide adequate access to the public infrastructure necessary to enhance the environment for private sector activity, and identify infrastructure investment opportunities across the food value chain that generate the largest multiplier effects and that enhance the attraction of public and private rural sector investments. A last objective is to raise the private and social profitability of executed investments and to identify which bottlenecks (physical or institutional) impede the attainment of the maximum potential investment potential in rural infrastructure.

| Priority topics                         | Data collection   | Existing tools on AGRODEP  |
|---|---|--|
| (a) Climate change and Water management | Water availability, irrigation techniques, existing policies of water management, agro-ecological characteristics of land, etc.   | Water models, Mirage and Miragrodep, IFPRI and PEP single-country CGEs, multi-market   |
| (b) Input and output marketing policies | Inventory of input policies, price policies and inventory policies implemented by the countries.  | IFPRI and PEP single-country CGE's, multi-market and partial equilibrium models  |
| (c) Trade policies and competitiveness  | Statistics on national, regional, and international trade, tariffs by sector and by type of instruments, Social Accounting Matrixes, Households Survey, information on trade policy regimes (multilateral membership, regional agreements, preferential schemes), etc.                              | Mirage, Miragrodep, Mirage_HH, IFPRI and PEP single-country CGE's, multi-market and partial equilibrium models, Spatial Models, etc. |
| (d) Market access                       | Quality and importance of local and international transportation infrastructure (road, rail, air, maritime ports), telecommunication infrastructure (fixed and mobile telephone penetration, access to computer, internet coverage), storage facilities, or sanitary and phyto-sanitary facilities. | Gravity models, transportation cost models, Mirage, Miragrodep, Mirage_HH, IFPRI and PEP single-country CGE's, Spatial Models, etc.  |

For each of the stages, grants will be given to AGRODEP members to gather information for a specific country. These grants will be given in particular through the Innovative Research window (see the grant program for more details). We will also generate data for the data components. Finally, the AGRODEP initiative will organize a series of technical workshops during each stage to train AGRODEP members and share results of each of the reports developed by the members.

### 3. Overview of the AGRODEP Grant program

The AGRODEP initiative offers different types of grants:

1. Grants to address gaps in research
2. Grants for innovative research
3. Grants to provide financial assistance for research valorization

From a strategic and financial point of view, the most important are the *Grants for Innovative Research*. Grants for innovative research are available only to AGRODEP members and are intended to encourage the development of new models and databases of scientific and political significance for Africa. Priority will be given to projects that are in the line of the CAADP Agenda, in particular when they undertake policy assessment concerning African economies and are directly linked with the tools and data to be provided by AGRODEP.

The size of a grant under this channel is US\$ 10,000 to 15,000/ year for each proposal. The maximum size of all grants financed by AGRODEP / year under this initiative is US\$ 250,000. A first round of grants for innovative research will be launched in July 2011.

From October 2011 to September 2012 a special procedure will be implemented in order to follow the implementation of the first stage of the previously described systematic policy impact assessment: stage 1 from October 2011 to September 2012 while stage 2 will be implemented from October – September 2013.

**Recall:**

**Stage 1** (research from October 2011 to September 2012):: Assessment of existing bottlenecks affecting the efficiency of the policies proposed and implemented under the CAADP Agenda. Collection of statistical data and identification of key tools needed to assess the effectiveness of the policies and the effects of reducing or removing the bottlenecks identified;

**Stage 2** (research from October 2012 to September 2013): Simulation of the costs and benefits of removing the bottlenecks identified and proposed policy recommendations for removing these bottlenecks to enable and improve the effectiveness of policies.