

TA COMPLETION REPORT

Division: AEFN

TA NO./NAME: TA NO. 1812-MAL: Agriculture Sector Planning and Policy Analysis	TA AMOUNT APPROVED: \$500,000 REVISED AMOUNT: --	SOURCE: Bank
EXECUTING AGENCY: Economic Planning Unit, Prime Minister's Department	TA AMOUNT UNDISB.: \$160,477.68 ¹	TA AMOUNT UTILIZED: \$339,522.32
DATE: APPROVAL: 22 December 1992	SIGNING: 10 November 1993	FIELD: 18 April 1994
CLOSING: ORIGINAL: 30 June 1994 ACTUAL: TBD		
<p>TA DESCRIPTION</p> <p>Significant changes have occurred in the Malaysian agriculture sector during the past two decades. After growing rapidly between 1970 and 1990, growth declined drastically between 1991-1993. A rapid decline in the sector's share of GDP and other structural changes have resulted from the economy's rapid modernization, rising wages rates, changing relative prices of food and export crops, and other factors. The little remaining poverty in Malaysia is largely a rural problem associated with small land holdings and low productivity in smallholder farming. To address the complex problems of agriculture and to take advantage of emerging opportunities for diversification and accelerated growth, the TA was viewed as necessary to strengthen the capacity for the applied analysis of key policy issues within the Economic Planning Unit (EPU) of the Prime Minister's Department, and other Government agencies concerned with agriculture, agro-industry, and rural development.</p> <p>Although there was past UNDP assistance to support agricultural planning and policy analysis, further TA was needed to strengthen and consolidate the development of EPU's analytical capacity and, more generally, to strengthen EPU's linkages with other concerned Government agencies so that EPU could fulfill its role as the Government's primary agricultural planning and policy making body.</p> <p>TA OBJECTIVES AND SCOPE</p> <p>The main objective of the TA was to strengthen the capabilities of the Agriculture Section of EPU to undertake agricultural sector planning and policy analysis in order to meet its medium-term operational responsibilities, including:</p> <ul style="list-style-type: none"> (i) translating the strategy of the 1993 National Agricultural Policy into an action plan; (ii) providing policy guidance and coordination in the formulation of the Government's investment program for the Seventh Malaysia Plan (SMP: 1996-2000); and (iii) undertaking ongoing analysis of emerging issues in the domestic and world economies which influence development of the agriculture sector. <p>The TA was to be undertaken in 3 phases, with some overlaps. The primary tasks of each phase included:</p> <p>Phase I</p> <ul style="list-style-type: none"> (i) an assessment of agricultural planning and policy formulation, including analytical capacity, planning tools, and data sources; (ii) identification of likely structural changes in agriculture during the next decade; <p>Phase II</p> <ul style="list-style-type: none"> (iii) comprehensive in-house and on-the-job staff training and development of analytical tools in EPU; <p>Phase III</p> <ul style="list-style-type: none"> (iv) integration of enhanced analytical capabilities into EPU's operations through, inter alia, use of analytical tools for analysis of current policy issues, monitoring of comparative advantage, creation of an ongoing series of issues papers, and preparation of supply and demand projections; and (v) preparation of an institutional framework to permanently establish the enhanced analytical capability in EPU by formalizing inter-agency relationships for data sharing and model updating, staff recruitment, and equipment procurement. <p>TA INPUTS EVALUATION</p> <p>Bank. The TA provided a total of 32 person-months of expertise in Agricultural Economics, with specializations in Policy Analysis, Econometrics, and Statistics, all of which were highly relevant to the TA's objectives and scope. The TA also provided computers and software for EPU, and short overseas training for key counterpart staff. The TA, originally envisioned to be undertaken over a 12-month period commencing in February 1993, actually commenced in March 1994 and concluded in December 1995. This was due, in part, to</p>		

¹ The Bank's payment of the Consultant's final claim of \$18,944.47 is outstanding pending the Bank's receipt of clarification on withheld and disallowed items. The TA disbursement amount and closing date will be determined following resolution of this claim.

the Government's request for an initial delay as a result of executing agency work pressures, and subsequent difficulties in the recruitment and fielding of consultants. The delayed commencement of the TA, however, does not seem to have had any notable negative impact on its implementation and benefits. Tripartite meetings were held at key phases of the TA, i.e., in June and October 1994, and in July 1995. The Manager of the concerned Project Division also briefly reviewed the TA with EPU personnel in November 1994. The Bank exerted considerable effort in consultant recruitment and in processing extensions of consultant assignments. Overall, Bank inputs are considered generally adequate to make the TA succeed.

Consultants. The consultants demonstrated technical competence that was well-suited to the TA's terms of reference. They were able to apply their knowledge well to the specific tasks of the assignment, with high productivity during the Phase I period and in the areas of econometric estimation and modeling. In general, they maintained good working relationships with both the executing agency and the Bank. There were several unavoidable substitutions of consultant staff and changes in the timing of individual specialist's fielding that diverged from the envisioned work plan, but these changes do not appear to have adversely affected the TA's implementation.

Executing Agency. The Government and the Executing Agency's inputs into the TA were also adequate. The level of counterpart interest and enthusiasm was impressive. Senior EPU personnel closely followed and critically reviewed the progress of the TA.

TA OUTPUTS EVALUATION

Identification of Institutional Needs, Policy Issues, and Training: Reports were produced during each of the three phases of the TA. The Phase I report identified major structural, policy, and trade issues confronting the agriculture sector. A detailed analysis of institutional responsibilities and capabilities, and past modeling efforts led to a corresponding strategy for the TA's subsequent model building and training. The remaining reports were well prepared, but gave inadequate attention to non-econometric approaches to policy analysis and evaluation. More critical discussion of the sustainability of the training, modeling, and skill transfer efforts would have been useful both for the Bank and the Government. The consultants prepared a comprehensive and well documented spreadsheet-based econometric model covering 23 commodities of importance to the Malaysian agriculture and food sectors. The training material (Phase II report) assumed that the participants had a background in mathematics and economics; therefore, some preparatory training may have been desirable for EPU staff who have generally been educated as professional administrators rather than as analysts. The consultant's Phase I report anticipated that 4 staff from the Agriculture Section in EPU and 4-6 staff from outside this section would participate in the formal training during Phase II. A total of 24 staff attended the formal training, including 13 EPU staff and 11 staff from external agencies. However, just 10 of these staff (3 from EPU) were able to attend all sessions of the training due to time conflicts. In December 1995, 4 counterpart staff attended a special two-week Agricultural Policy Seminar organized at the United States Department of Agriculture in Washington, D.C. The objective of the seminar was to expose the participants to the process of policy formulation and decision making in the United States, and to the roles that formal analysis plays in that process. In general, this training program appears to have been well designed, comprehensive in view of the time constraint, and was well received by the participants.

Enhancing Analytical Capabilities and Establishing an Institutional Framework for Policy Analysis: The agriculture sector model was utilized by EPU in preparing the SMP, which evidences success of the TA in integrating enhanced analytical capabilities into EPU's operations. Analyses and seminar briefings on key agriculture sector issues were prepared by Government counterparts during the final phase of the TA as one step toward establishing an ongoing forum for planning and policy analysis. Further analytical work and report preparation is envisioned under the inter-agency Committee on Agriculture Sector Analysis which was created at the conclusion of the TA as a means of establishing an ongoing institutional framework for policy analysis.

TA OVERALL ASSESSMENT

Overall, the TA is judged to be generally successful. The TA succeeded in identifying and analyzing relevant agriculture sector policy issues, and in developing an econometric model and a training program that were well designed and implemented, although the analytical work did not deal explicitly with non-econometric approaches to agricultural policy analysis and evaluation as had been outlined in the terms of reference and recommended by Bank review missions. The executing agency indicated a commitment to institutionalizing the analytical approaches in cooperation with other agriculture sector agencies following completion of the TA, although the Government's resource constraints may prevent this from being accomplished in an optimal fashion.

MAJOR LESSONS LEARNED

The experience suggests that national planning agencies often have a highly cyclical demand for the information that can be provided by formal analytical models. It was opportune that the TA was producing its main analytical results at the same time that the SMP was under preparation. However, econometric models become obsolete without regular updating, while staff movements entail loss of the skills and knowledge gained under a given TA. More routine use of such models might best be undertaken in agriculture sector line ministries, and the TA has initiated efforts to increase the role of agencies outside EPU in a Committee on Agriculture Sector Analysis. To the extent such models support informed decision making, Bank TA to support the initial development of such models can usefully be supplemented by small-scale TA during critical planning periods in order to support model updating and refresher training.

FOLLOW-UP ACTION AND RECOMMENDATIONS

It is recommended that future Bank agriculture sector missions follow up on EPU's actions to further integrate the TA's outputs into routine operations. A small-scale TA for model updating and refresher training may be warranted to support the Mid-Term Review of the SMP in 1998.