

# Agricultural Policy Indicators (API) Project

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# Agricultural Policy Indicators

- Measures to assist policymakers in the formation of agricultural policy
  - monitoring policies over time
  - comparing policies across countries
- FAO project (in coordination with World Bank and OECD)
- Developing country counterpart to OECD's policy monitoring

# What do APIs consist of?

- Measures of policies in various domains:
  - commodity markets
  - purchased input and factor markets
  - inter-sectoral terms of trade, exchange rate
  - regulatory policies
  - science / technology
- Focus on distortions
- Distortions can derive directly **explicitly** from policies (taxes & subsidies) or **implicitly** (e.g. from under-development)



# What do APIs consist of?

## 4 levels of indicator:

1. explicit distortions
2. implicit distortions
3. variables that *explain* implicit distortions
4. measures of policy effort to reduce the “development gap”

## Example (commodity market):

1. market price support (explicit distortion)
2. excessive transport costs (implicit)
3. data on rural roads & physical infrastructure
4. public spending on rural roads



# How are APIs useful?

- Benchmarking policy priorities across different areas
  - Where are distortions the greatest?
  - Where is policy effort directed?
- Input into policy analysis (complement to activities such as RoA)
- Cross country comparability provides a basis for policy dialogue



# How do APIs differ from PSEs?

- The PSE focuses on measuring explicit policy distortions
- Non-distorting policies are captured in “general services” (=TSE-PSE)
- APIs measure a range of relevant variables, not just transfers
- APIs are more ambitious!

# What makes APIs different?

## **Content:**

- Multi-dimensional
- Focused on development objectives
- Recognise that “getting prices right” is not enough

## **Process:**

- Not a one-off
- Aim to build institutional capacity
- Form a basis for inter-country dialogue

# Work on Ghana

How have things changed since the last big study of distortions (20 years ago)?

- Macro distortions much reduced
- End to political turmoil & major policy reversals
- Ghana has been a “good reformer”
- Uniform tariffs, but “high” by WB standards (20%)
- How aid money is spent will be key
- Weak infrastructure, poorly functioning factor markets
- Implicit distortions & policies to correct them are key



## *Explicit trade distortions in developing countries have been reduced...*

### Simple un-weighted average tariffs by sector and country group (%)

	Agriculture and food			Non-agricultural goods		
	1988-90	1995-97	2001-03	1988-90	1995-97	2001-03
LICs	39	24	19	38	20	14
MICs	25	19	16	25	15	11
HICs	8	8	7	7	5	4

# Next steps

- APIs are a major initiative – potentially on a similar scale to OECD's M&E
- Substantial resource requirements => institutional buy-in is imperative
- Value to be demonstrated through:
  - Conceptual paper
  - Study of explicit distortions in Ghana (input to WB study)
  - Ghana API template

