



OECD Directorate for Food, Agriculture and Fisheries

Agricultural Policies in Developing, Emerging and Transition Economies



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This work is published under the auspices of the OECD's **Centre for Co-operation with Non-Members (CCNM)**. The Centre promotes and co-ordinates the OECD's policy dialogue and co-operation with economies outside the OECD area.



OECD's Centre for Co-operation with Non-Members

The Centre for Co-operation with Non-Members (CCNM) promotes and co-ordinates the OECD's policy dialogue and co-operation with non-OECD Members. The role of the Centre is to ensure that this dialogue remains relevant, effective and forward-looking while serving as a focal point for relations between the OECD and non-Member economies.

While overseeing and providing coherence to over 120 activities, the CCNM monitors and analyses developments in non-Member economies, adapting the Organisation's co-operative activities accordingly. The CCNM manages Regional and Country Programmes as well as the OECD Global Forums. These programmes cover the major policy areas of OECD expertise that are of mutual interest to OECD countries and non-Members alike. These include: economic monitoring activities, structural adjustment through sectoral policies, trade policy, international investment, financial sector reform, international taxation, environment, agriculture, labour market, education and social policy, as well as innovation and technological policy development.

The objective of the Global Forums (GF) is to deepen and extend relations with a larger number of non-OECD economies in fields where the OECD has particular expertise and where global dialogue is important. The Forums emphasize continuity and sustained results while aiming to develop stable, active networks of policy makers in both Member and non-Member economies.

**AGRICULTURAL POLICIES IN DEVELOPING, EMERGING
AND TRANSITION ECONOMIES**

AGRICULTURAL POLICIES IN DEVELOPING, EMERGING AND TRANSITION ECONOMIES

OECD and non-OECD countries share many agricultural policy concerns. The OECD's Division for Agricultural Policies in Non-Member Economies has been analysing agricultural policy developments in non-OECD economies for over ten years. Initially focusing on the transition economies of central and eastern Europe, analysis now encompasses Brazil, China, India, and Russia, as well as Argentina, Chile, Indonesia, South Africa. The aim is to ensure that a representative group of developing, emerging and transition economies (DETEs) from all regions is involved in an active policy dialogue with OECD countries. Discussions focus on the impact of policy and market developments on OECD and non-OECD countries, experience in agricultural policy formulation and implementation, and the policy issues of concern in both groups of countries. The policy dialogue is undertaken within the general framework of activities managed by the OECD's Centre for Co-operation with Non-Members.

A major part of ongoing analysis and dialogue deals with **the impact of agricultural trade reform** on DETEs and how to reconcile the diverse interests of non-OECD and OECD countries. Work on agricultural trade liberalisation with non-OECD countries is being pursued in three stages. The first *stage* focused on the **potential benefits** to non-OECD countries of the Uruguay Round Agreement on Agriculture. The analysis examines factors that constrain non-OECD countries from reaping the benefits of trade reform, while addressing other objectives, such as food security and income distribution, and examining ways in which policies and institutional procedures might be reformed to accommodate their interests more effectively. The *second* stage explored issues relating to **non-tariff measures**. It examines the difficulties experienced by non-OECD countries in conforming to sanitary and phyto-sanitary regulations, adapting intellectual property rights legislation, and complying with international customs rules. The third *stage*, currently underway, seeks to explore the **linkages between trade policy reform and poverty**, so that appropriate policies can be adopted. The policy dialogue on these issues is steered by OECD's **Global Forum on Agriculture**.

An in-depth analysis of the economic and policy aspects of **modern agricultural biotechnology in non-member economies** has recently been launched. A better understanding of modern agricultural biotechnologies has become an important policy goal. To feed growing populations and face increased competition in non-OECD countries in particular, the agricultural sector must look to science for innovation and access to sustainable technologies that bring about productivity and yield increases. This calls for increased research and economic impact assessment. To respond to these concerns, the OECD is undertaking two main activities. First, a comprehensive approach will be developed to understand the likely impacts – both positive and negative – of agricultural biotechnology products on rural livelihoods. The key outputs will be the review, discussion and development of methodological approaches to analyse impacts at the household level. The work is expected to contribute to policy discussions in the Global Forum and in numerous other fora on the role of biotechnology in agricultural development strategies for emerging, transition and developing countries. The second activity addresses the ability of non-OECD countries to introduce technological innovations in agriculture. Building on some research already begun, the OECD will develop a classification of countries according to key socio-economic and institutional variables that impinge on a country's

capacity to develop new products through its own research, development and delivery system or to access and apply proprietary technology from outside. Policy and institutional approaches will be identified and assessed for different types of non-OECD countries with a view to creating an enabling environment for modern agricultural biotechnologies. The policy dialogue on biotechnology issues is steered through OECD's **Global Forum on the Knowledge Economy** in close co-ordination with the Global Forum on Agriculture.

A major policy dialogue with **China** is underway. A workshop in 2000 explored the issues surrounding China's accession to the WTO. A follow-up seminar, to be held in Beijing in May 2002, will dig deeper into key domestic support issues. It will suggest ways to make agricultural policies in China more transparent in their design and implementation and more efficient in reaching policy objectives such as raising farmers' incomes, while complying with WTO rules.

Major agricultural policy developments in non-Member countries are monitored and analysed annually and the results published in *Agricultural Policies in Emerging and Transition Economies*. OECD's Producer Support Estimate methodology is also applied to measure the level and trends of support in **selected non-OECD countries**. The results, which are published in an annual *Watch on Support* tend to show markedly lower PSE levels overall in transition economies compared with the OECD average.

Main indicators of agricultural policy support *

Producer Support Estimate (PSE) adds up the cost of support *to farmers* from trade barriers that keep domestic prices above those on the world market (paid by consumers) plus budgetary financed payments and input subsidies (paid by taxpayers).

Consumer Support Estimate (CSE) adds up the cost of support paid *by consumers*, minus consumer food subsidies.

Total Support Estimate adds up the cost of consumer and taxpayer support *to agriculture* as a whole (that is, not only to individual farmers, but also for sector-wide research, infrastructure, inspection, marketing and promotion).

* The detailed databases from which these and related indicators are calculated for OECD and non-OECD countries are publicly available in the form of a CD-ROM *Agricultural Databases 2001*.

Reviews of Agricultural Policies in selected non-OECD countries complement the annual monitoring exercise. A major **Review of Agricultural Policies: Russian Federation** was published in 1998. With the **Reviews** for Bulgaria, Romania and Slovenia in 2000/2001, studies and peer reviews for all ten EU accession candidates from central and eastern Europe have been completed, highlighting their accomplishments over the transition period and recommending policy reforms to achieve efficient, competitive, market-oriented agro-food sectors. Following strong demand from Ukraine, a similar **Review** for that country is under discussion.

The above gives a brief overview of the activities and analyses carried out by the Division for Agricultural Policies in Non-member Economies. Please see the following pages for more in-depth information on ongoing and planned projects for which partnerships and funding are sought.

Publications

Agricultural Policies in Emerging and Transition Economies
Agricultural Policies in Emerging and Transition Economies: OECD Database
Reviews of Agricultural Policies: Bulgaria, Romania, Slovenia, and Russian Federation
China's Agriculture in the International Trading System
Challenges for the Agro-food Sector in European Transition Economies, OECD Policy Brief
Agricultural Finance and Credit Infrastructure in Transition Economies

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AGRICULTURAL TRADE REFORM ADJUSTMENT AND POVERTY

Medium-term objectives

To examine the links between agricultural trade liberalisation and poverty in developing countries; to suggest how an improved understanding of these links can lead to better policy formulation and advice.

Activity description

The Global Forum on Agriculture has recently focused on a comprehensive assessment of the main agricultural policy concerns of non-OECD countries. First, concerns related to the three areas covered by the Uruguay Round Agreement on Agriculture, namely market access, export competition and domestic support, were examined. In a second stage, the Forum concentrated on the policy concerns related to non-tariff measures (e.g. difficulties faced in conforming to sanitary and phyto-sanitary measures, interests with respect to intellectual property rights, and issues concerning international customs regulations).

A further major area of concern is the impact that further trade reforms could have on the incidence of absolute poverty in non-OECD countries. As agreed in its medium-term programme strategy, in 2002 the Global Forum on Agriculture will examine the links between agricultural trade liberalisation and poverty in developing countries.

The initial focus will be on identifying the mechanisms and channels through which trade reform may affect poverty. Since there are many channels and complex links, no single methodology can explain all the effects. Accordingly, as a first step the OECD will review the literature in order to assess how different methodologies help understand the links between agricultural trade reform and poverty and to review the progress that has been made in terms of empirical applications.

Based on this initial framework, a joint OECD-World Bank Global Forum meeting will explore the specific issues raised. Participants would include academic experts and policy analysts from developing countries who understand disaggregated impacts of reform at the micro level, as well as policy-makers from OECD and non-OECD countries. Discussions will aim to assess which key policy insights come from which approaches and to establish priorities.

The above two elements of work should provide general insights into how an improved understanding of the links between agricultural trade reform and poverty can lead to better policy advice. Insofar as the links are not fully understood, or involve disaggregated impacts that need to be measured empirically, the work should also suggest priorities for further research and examine where OECD analysis can contribute most effectively.

Events: Global Forum on Agriculture, OECD, Paris, 23-24 May 2002

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Partnerships

Joint activity with the World Bank. Partnerships and voluntary contributions are also actively being sought with international aid donors and other institutions.

MODERN AGRICULTURAL BIOTECHNOLOGY IN NON-OECD MEMBERS

Medium-term objective(s)

To review the development of methodological approaches to analyse impacts at the household level, and the factors that influence the adoption and diffusion, of technology; in addition, to determine the kinds of policies and institutional arrangements that will facilitate the development and delivery of relevant agricultural biotechnologies in different developing country contexts.

Activity description

A better understanding of modern agricultural biotechnologies has become an important policy goal. To feed growing populations and face increased competition in non-OECD countries in particular, the agricultural sector must look to science for innovation and access to sustainable technologies that bring about productivity and yield increases. This calls for increased research and economic impact assessment. New production technologies and methods need to be transferred to producers through appropriate training, education and extension systems. An informal “brainstorming” of international experts from academia, industry and farm organisations, the FAO and the WHO identified three priority concerns. First, there are significant gaps in the approaches and analytical work devoted to the potential impacts of modern biotechnologies on the diversified farming systems of non-OECD countries. Not only are the economic impact assessments scarce, those that exist focus mainly on temperate products of OECD countries. Second, non-OECD countries lack information on the best approaches to research, technology development, and diffusion of these technologies. Third, the formulation of comprehensive, integrated policies for agricultural biotechnologies has been largely neglected.

To respond to these concerns, the OECD is undertaking two main activities. First, a comprehensive approach will be developed to understand the likely impacts – both positive and negative – of agricultural biotechnology products on rural livelihoods. Valuable insights have been provided by various *ad hoc* studies in the past. But evidence remains highly fragmentary. By drawing on results available so far and bringing together analysts from OECD and non-OECD countries, this activity will develop a “rural livelihood approach” to assessing the economic impacts. The key outputs will be the review, discussion and development of methodological approaches to analyse impacts at the household level. The work is expected to contribute to policy discussions in the Global Forum and in numerous other fora on the role of biotechnology in agricultural development strategies for emerging, transition and developing countries.

The second activity addresses the ability of non-OECD countries to introduce technological innovations in agriculture. We know that this capacity varies widely. If such technologies are to be introduced successfully, key impediments within the research, technology development, and delivery systems must be identified and addressed. Building on some research already begun, the OECD will develop a classification of countries according to key socio-economic and institutional variables that impinge on a country’s capacity to develop new products through its own research, development and delivery system or to access and apply proprietary technology from outside. Policy and institutional approaches will be identified and assessed for different types of non-OECD countries with a view to creating an enabling environment for modern agricultural biotechnologies.

Events: Global Forum on Knowledge Economy/GF on Agriculture: 18-19 November 2002

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Partnerships

ISNAR (International Service for National Agricultural Research), FAO, WHO

AGRICULTURAL POLICY ADJUSTMENTS IN CHINA AFTER WTO ACCESSION

Medium-term objective(s):

To suggest ways of making agricultural policies in China more transparent in their design and implementation and more efficient in reaching policy objectives such as raising farmers' incomes, while complying with WTO rules; to provide a methodological framework for policy analysis.

Activity description

OECD's co-operation with China in the agrofood sector, which began in 1996, has evolved in harmony with China's reform agenda. Analysis and dialogue are based on an exchange of information and experience from OECD and Chinese policy approaches. Ongoing policy monitoring and policy dialogue take place mainly through Chinese participation in activities of the Global Forum on Agriculture, as well as through collaboration with Chinese Visiting Experts. Co-operation on specific policy issues began with a focus on China's food security concerns and policies. This was followed by a joint assessment of policy developments and future challenges and, later, by a concentration on the challenges facing the agro-processing sector. Subsequently, the focus shifted to issues for and impacts on agriculture of China's integration into the international trading system. Now that China has joined the WTO, the next stage of co-operation is devoted to the agricultural policy implications in this new context and tools for their more precise measurement.

As China manages its integration into the WTO, the trade aspects of this process need to be looked at in conjunction with domestic policies. The sustainability and compatibility of current policies need to be well understood by analysts and policy makers, both in China and internationally. A workshop will be held in May 2002 to suggest ways to make agricultural policies in China more transparent in their design and implementation and more efficient in reaching policy objectives such as raising farmers' incomes, while complying with the WTO rules. OECD's approach to the classification of agricultural policies as applied for Producer Support Estimates and Consumer Support Estimates (PSE/CSE) can be helpful as a tool for mapping the policies applied in China. A better understanding of China's agricultural policy measures combined with improved availability of data could provide a good basis for the eventual calculation of the level of support of Chinese agriculture, applying internationally recognised methodologies developed by the OECD Secretariat.

This workshop will provide China with a methodological framework for analysing the economic impacts of agricultural policies in China. These impacts will be discussed from several perspectives, namely impacts on producers, consumers and taxpayers; trade distorting effects; and the transfer efficiency of various agricultural policy measures. Issues of compliance of policies with WTO rules will be raised and discussed. In addition, quantitatively-based international comparisons will be facilitated for improved analysis and policy making. This will in turn lay the groundwork for more in-depth examination of key policies affecting the further development of a modern, competitive agro-food sector, especially finance and credit, agricultural knowledge systems, and market infrastructure.

Events: Seminar, Beijing, 30-31 May 2002

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Partnerships

THE RUSSIAN AGRO-FOOD SECTOR IN THE INTERNATIONAL TRADING SYSTEM

Medium-term objective(s)

To help Russian policy-makers better understand the likely effects and key policy challenges of integrating the Russian agro-food sector into the international trading system so that appropriate policies are formulated in the lead-up to WTO accession.

Activity description

Russia has announced its accession to the WTO as the immediate priority for trade integration. A package of amendments has recently been submitted to the Russian Parliament in order to bring the existing legislation in line with WTO rules and regulations. Russia's WTO negotiation process, which began in 1994, is likely to gain momentum within the next few years. This raises keen interest inside and outside the country in the various effects of Russia's WTO membership, in particular, on the agro-food sector, one of the most sensitive areas in the of WTO negotiation process.

At the request of the Russian Ministries of Agriculture and of the Economy, and in line with a similar activity for China in 2000, an OECD seminar would address the following economic and policy issues, drawing *inter alia* on OECD's Aglink model and the specific module developed for Russia:

- The impacts of WTO membership on Russian primary agricultural production at the national level;
- The disaggregated impacts of WTO membership on primary production, i.e. how will specific commodity sectors, specific regions, and specific types of producers (large farms, household plots) be affected?
- The likely impacts on food consumption and welfare;
- Institutional and administrative implications for the agro-food sector, including quality standards;
- Consideration of the agricultural policy issues and policy changes that WTO membership may entail for Russia.

Events: Seminar on the integration of the Russian agro-food sector into the international trading system, Moscow, 1st half of 2003.

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Partnerships The World Bank. Partnerships and voluntary contributions are also actively being sought with international aid donors and other institutions

REVIEW OF AGRICULTURAL POLICIES: UKRAINE

Medium-term objective(s)

To provide an up-to-date analysis of Ukrainian agricultural policies with a set of policy conclusions and recommendations developed and agreed jointly by Ukraine, the OECD and the World Bank that will serve as the basis for Ukraine's medium-term agricultural policy strategy.

Activity description

The potential of agriculture in Ukraine is tremendous. The Ukrainian authorities have requested the OECD to carry out a forward-looking analysis of Ukrainian agricultural policies. The World Bank is planning an agriculture sector review as the basis for the government's future policy programme and the Bank's future operations. As part of the World Bank-OECD partnership arrangements, it was agreed to combine these two mandates and carry out a joint review. Considerable advantages and complementarities can be gained from combining forces, particularly as Ukrainian officials and experts are fully involved from the outset.

Incorporation of the OECD's PSE/CSE methodology as an integral part of the analysis and the formal peer review process with OECD Member countries are specific features that OECD will bring to the activity. Both organisations will participate in developing a forward-looking strategy that will shape the government's policy agenda over the medium-term, as well as serve as a basis for the Bank's future lending programme. Several stages of intensive consultation and discussions are built into the process. Opportunities for capacity-building are made possible through the participation of Ukrainians in work based on internationally accepted methodologies and approaches, including periods of work at OECD headquarters for visiting Ukrainian experts.

Combining forces will allow the review to be completed quickly, and timeliness is of prime importance to the government and donors alike, particularly given the rapidly evolving Ukrainian situation. Ukraine's unexpectedly buoyant economic performance over the last two years has created high expectations. In the agricultural sector the recent experience of a record harvest that could not be properly marketed has sharpened awareness among policy makers of sectoral constraints.

The policy study will follow the general model of eleven previous reviews of transition economies, ensuring appropriate policy coverage and international comparability. In the light of the most recent sectoral developments in 2001, the following key issues are likely to receive particular focus:

- Land reform combined with farm restructuring;
- Further privatisation and restructuring of upstream and downstream enterprises;
- Access to finance and credit for medium and long-term investment as a precondition for the development of an efficient, competitive and sustainable agricultural sector;
- Improvements in market infrastructure to integrate a diversified agricultural sector with domestic and international consumers;
- Alleviation of poverty in rural areas and the social and rural development policy implications;
- Trade relations and prospects;
- Understanding the level and structure of support to agriculture and implications for policy reform.
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Partnerships: Joint activity in partnership with the World Bank. Voluntary contribution of USD 100 000 is being sought to finance OECD input to the *Review*.

FROM TRANSITION TO EU ACCESSION: OPPORTUNITIES AND POLICY CHALLENGES

Medium-term objective(s)

To identify and work towards removing the institutional, structural and policy impediments that continue to constrain or impede the optimal integration of the ten EU-Accession countries into the single European market.

Activity description

Ten central and eastern European transition countries (CEECs) are candidates for accession to the European Union. Despite differences in their institutional and economic starting points and differing policy approaches over the past decade, they are united by the compelling common goal of EU accession. The OECD should build on its past work for individual transition countries to propose policy solutions that are adapted to the evolving situation of these countries. Sharing OECD methodology and key analytical tools with the pre-accession countries will help enhance their capacity for policy making and facilitate their integration into the EU. The OECD budget for this important work was cut for 2001. This proposal is designed to seek voluntary contributions to continue the work during this crucial pre-accession period.

Over the past seven years the OECD has carried out in depth *Reviews of Agricultural Policies* for all ten of the transition candidate countries, largely with the intellectual and financial contributions of Member countries. The Reviews have served as the background for peer examinations of their policies by OECD Member countries. During this period, four transition countries have become Members of the OECD: the Czech Republic, Hungary, Poland and the Slovak Republic. The most recent *Reviews* cover Bulgaria, Romania and Slovenia -- countries that illustrate the considerable heterogeneity among the accession candidates. In addition, OECD monitors policies on an annual basis. The active participation of local experts and policy-makers has been a key feature of the OECD co-operation and policy dialogue.

The OECD has thus built up a wealth of knowledge and substantial experience in analysing agricultural policies in the ten candidate countries, as well as a rich network of contacts with local experts and policymakers. It has, in particular, applied its Producer and Consumer Subsidy Equivalent (PSE/CSE) methodology to its agricultural policy analysis of the pre-accession countries published in an annual *Watch on Support*. The PSE/CSE is a powerful tool for analysing the content and evolution of agricultural policies. Its underlying database allows for other types of analytical work, such as price studies and assessing the effects of policies on production and trade. Introducing the PSE/CSE methodology has contributed to policy making capacity and enhancing local expertise in the pre-accession countries. The PSE/CSE also constitutes a benchmark for international comparisons of levels of agricultural support by governments, industry, academia, NGOs, and organisations like the WTO and the IMF. The OECD proposes to continue its policy analysis of and dialogue with the pre-accession countries, which are not Members of the OECD, i.e., Bulgaria, Estonia, Latvia, Lithuania, Romania and Slovenia. Continued OECD co-operation with these countries can take place at various levels of increasing intensity over the period 2001-2004 through regional dialogues on structural adjustment, development of rural entrepreneurs, improvement of market infrastructure and institutions, as well as publication of the annual *Watch on Support*.

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Partnerships: Partnerships and voluntary contributions are actively being sought with international aid donors and other institutions

THE FOOD PROCESSING SECTOR IN INDIA: OPPORTUNITIES AND CHALLENGES

Medium-term objective(s):

To identify the major constraints to the development of the agro-processing industry in India. More specifically, the goals are twofold: first, to discuss the main structural trends in the food processing sector in OECD countries; and second, to identify the major constraints to and opportunities for developing a dynamic and efficient agro-food processing sector in India

Activity description

India is one of the world's largest producers of agricultural and food products. With the success of the green revolution, India is now self-sufficient in food production, and has even become a small net exporter of some agricultural commodities. Almost three-quarters of the population live in rural areas and largely depend on subsistence agriculture for survival. The incidence of rural poverty tends to be concentrated in the more agricultural based states. There is increasing concern over the need for restructuring and rejuvenation of the agro-food chain in order to improve efficiency and employment opportunities. Outside of primary agriculture there are few employment opportunities in rural areas. India is home to almost 40% of the world's poor or a staggering 320 million people. A dynamic and prosperous agro-food processing industry could help to increase employment, incomes and living standards, and to reduce the incidence of poverty in rural areas.

It is proposed to organise a workshop to bring together policy makers and agro-food industry experts from India and OECD Member countries to discuss and debate international trends in the sector and the challenges facing the development of the sector in India. More specifically, the Workshop would be held in India over a two day period and consist of four sessions.

Session 1. Structural changes in the food processing sector in OECD countries (competition, concentration, vertical and horizontal integration, etc.).

Session 2. The role of Foreign Direct Investment (FDI) and international trade in the development of the Agro-food sector.

Session 3. The food processing Sector in India: A stock taking of recent developments and trends.

Session 4. Prospects for the Indian agro-food processing industry: The policy challenges?

Events: Workshop to be held in India

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Partnerships Partnerships and voluntary contributions are being sought to finance OECD's contribution to this project.