

Appendix 8: Teaching Case Studies

1. The Fiscal Rule in Chile

This case study highlights the relationship between research and fiscal policy at different levels. One of these levels has to do with theoretical-academic research at the international level (IMF & OECD) and its power to influence policy; another has to do with media analysis and pressure for policy change; a third type is government commissioned studies. We want you to place yourself in the new Chilean government in the year 2000 working on the fiscal rule. You are facing critical challenges about how to respond to the recession and regarding the nature of the fiscal rule policy. Your task is to suggest how they should respond.

Teaching Purpose: To explore the relationship between research and policy-making, and consider ways that, in the Chilean context, the new government can draw on research to guide its policy choice.

The story so far...

In 2000, the new Chilean government emphasized - as had the previous two ones - the importance of fiscal sustainability for development purposes. What was new, however, was that this particular government applied a policy innovation supported by international research: the fiscal rule. This rule requires the Central Government - by law - to post a structural (cyclically adjusted) surplus equivalent to 1% of GDP every fiscal year. The objective is that under a well designed policy, actual deficits will cancel out with actual surpluses over the long run. The fiscal rule is based on a methodology drawn from the IMF. The model drew on data from the Central Bank and economic surveys. In Chile, the key concerns are to estimate the potential output and the long term price of copper which have a significant impact on the government's budget.

In the case of Chile, a developing economy, the use of a fiscal rule has been positively assessed in international financial markets. Thus Chile's fiscal policy has increased the confidence of international financial markets, giving the country the lowest sovereign spread in the region and one of the lowest among all emerging market economies. The benefits of this reduced financing cost also accrue to private investment, and hence the economic authorities believe that this broader effect of fiscal consolidation on financing costs and aggregate demand is deemed more significant than that of a temporary fiscal expansion.

But in 2001, due to slow recovery of the economy, there were increasing demands in favour of additional fiscal action from different sectors of society (media, political, academic). First, was the argument regarding the significance and impact of the fiscal rule – the government should increase fiscal expenditure due to undesirable slow economic recovery. Second, was a more general argument that potential GDP is not estimated well by the government and thus there is more space for fiscal expenditure than the government acknowledges.

The Challenge ...

You believe the fiscal rule is critical to Chile's development strategy. But, there is increasing public and media pressure to respond to the current crisis as well as to loosen fiscal policy more generally.

Your challenge, as member of the Ministry of Finance, is to consider how to respond. You need to try to: (i) Ensure legitimacy for the fiscal rule. (ii) Respond to the criticism caused by the current economic troubles. Discuss...

What happened next?

In 2002, the government set up an independent panel of experts to estimate potential output and to estimate long term price of copper for the next years (2002-2007). The government used this independent research (by a method of averaging the different results of the different experts) to establish the structural budget for 2003. It also committed to use this approach in subsequent years. It also supported the experts' emphasis on the transparency of the approach which was seen as crucial for assuring the effectiveness of the fiscal rule.

In order to respond to the current economic slowdown and higher unemployment rate, the government changed the composition of public spending to accelerate labor-intensive public investment projects and implement a program of employment subsidies. This shows that a fiscal rule can still leave space to act 'discretionally' and effectively by accommodating policies to work as a countervailing force against economic cycles.

The transparency and credibility of the process (with the use of well-known economists) and the fact the government followed their findings led to a reduction of calls for further public expenditure. The fiscal rule became legitimated in the eyes of the relevant actors.

For more information, see the GDN case study:

http://www.gdnet.org/rapnet/research/studies/case_studies/Case_Study_39_Full.html

Questions

- How could you use research to help legitimize the fiscal rule?
- What could be done to respond to the economic slow down?
- What are the lessons for bridging research and policy?

2. Animal Health Care in Kenya

This case study explores attempts to legalise paravets in Kenya, who were for many years running decentralised, community-based animal care in various regions of the country. The Organisation of African Unity/International Bureau for Animal Resources Pan Africa Rinderpest Campaign (OAU/IBAR) was one of the central agents pushing for a change in policy. Given a brief history of the context and progress towards policy reform, we want you to place yourself in the year 1998, when those working to legalise paravets faced a critical fork in the road. Your task is to imagine how OAU/IBAR responded and with what impact.

Teaching Purpose: To explore the relationship between research and policy-making, and consider ways that, in the Kenyan context, the eventual policy shift in favour of paravets providing community-based livestock services could have been speeded up.

The story so far...

In the colonial era, and immediately after Kenya gained independence, most clinical vet services were provided by private practitioners and by 'Vet Scouts' who were informally trained and provided care across the regions. These Vet Scouts were phased out in the 1970s, when 'African Socialism' instituted free livestock services for all, provided by the government. Private practitioners went out of business. The reforms created more professional, accessible care in many areas, but those living in the arid and semi-arid regions of Kenya had almost no access to the new service.

It was this problem that paravets – men and women trained to administer basic animal care - hoped to address, through decentralised, community-based animal care. From small pilot projects in the early 1980s, expansion came in 1986 with the arrival of a UK-based NGO, the Intermediate Technology Development Group (ITDG). They set up a programme of training paravets, with the intention of testing the approach and (if it proved successful) promoting it to policy-makers. But all the while the work of the paravets was illegal. The policy-making arena at that time looked unsympathetic: two policy papers aiming to liberalise paravet practices had failed in the planning and implementation

stages, and the Director of Veterinary Services (DVS), Dr Wamukoya, appointed in 1990, was highly conservative.

In this climate, the development of further paravet schemes went on quietly, unbeknown to both the DVS and the Kenya Vet Board (KVB). The numbers of trained paravets continued to rise but many of them, unable to work legally without the supervision of a qualified professional vet, were becoming disgruntled and opted to work for private practices that were springing up as a result of the DVA's privatisation scheme in 1994. By 1997, there were a number of paravet schemes throughout the arid and semi-arid areas of Kenya, meeting annually at the ITDG vet workshops. One participant who had been lobbied to attend was Dr Kajume, a Regional Director of Veterinary Services, who became convinced of the approach and began to support the legalising of paravets. But the rest of the DVS chose to turn a blind eye. Eventually, OAU/IBAR started to negotiate with DVS directly on the potential development of a new programme, just as DVS and the KVA were beginning to acknowledge the scale of paravet programme nationally, and regarding them as a threat to both veterinary professionalism and their budding private practices. ITDG had stopped running training workshops, having run out of money.

A turning point...

In 1998, the KVB published a full-page advertisement in the Kenyan national newspapers pointing out that it was illegal to train community animal health workers, and saying that any vets doing so risked being struck off the register.

Your challenge, as members of the OAU/IBAR, is to consider how to respond. Discuss...

What happened next?

The KVB's advertisement alarmed everyone who work on community animal health schemes. ITDG had no money with which to bring the interested parties together. OAU/IBAR, still waiting for approval from DVS on their co-operative paravet scheme, were very keen to find a solution, and came together with the Netherlands Development Agency to fund a workshop to bring all stakeholders together. Dr Kajume was made responsible for developing the workshop, and he advised ITDG that representatives of all key parties should be present in the planning committee as well as the actual workshop event. A number of research studies on livestock services which had previously been obstructed, were unblocked following the KVB's advert. A comprehensive study of each region, which included stakeholder workshops and wide discussion of findings emerged.

In 1998 the DVS eventually signed a Memorandum of Understanding allowing PARC-VAC (an OAU/IBAR programme) to establish a paravet scheme, and established an international workshop bringing together knowledge on schemes from Uganda and Tanzania as well as Kenya. Acknowledging the shift in times, the ITDG workshop was renamed the Decentralised Animal Healthcare Workshop, which reflected the perspectives of all main stakeholders. The workshop endorsed the paravet approach and established multi-stakeholder groups to develop guidelines and standards for paravets in Kenya. It recommended a review of legislation and policy on animal health care. ITDG obtained funding for three years further work with a renewed commitment to specific outputs relating to policy reform.

The Director of Veterinary Services was supportive of the process of policy review. In the following years, many new NGOs tried to set up further paravet schemes. Most of these were implemented them too quickly and most collapsed, attracting significant criticism to paravets as a whole. Changes in the KVA executive committee undermined support for paravets, and a motion to ban paravets programmes altogether was only narrowly averted. Tellingly, the issue was not at all discussed at the following KVA annual general meeting. Finally, the KVB and DVA approved minimum standards and guidelines for paravets in early 2001. Since then, the animal health policy review process has continued and at the OAU/IBAR anniversary party in November 2001, the Minister of Agriculture promised to push the new policy through cabinet if it could be completed by February 2002. Although it was completed on time, it was poorly drafted, and was rejected by the KVA at their annual general meeting. The KVA has recently petitioned the DVS to withdraw the document so that their input can be included. The story of legalising paravets in Kenya may have several chapters more yet.

For more information, see the GDN case study:

http://www.gdnet.org/rapnet/research/studies/case_studies/Case_Study_01_Full.html

Questions

- How could the move towards legalising paravets been brought about quicker?
- What could have been done in 1998 by OAU/IBAR to make the process smoother?
- What are the lessons for bridging research and policy?

3. Rice Production in Kerala, India

This case study examines an example where strong links between research and policy do not make for better policy-making. In the Kerala region of India, the Government is keen to increase rice production and a new study promises to show them how. There are doubts however, over the credibility of this work. We want you to place yourself in the position of an independent researcher, working to strengthen and stabilize the Kerala economy in the year 2000, just after the study has been published. Given a brief overview of the political context and economic issues, your task is to suggest how to respond to the new publication.

Teaching Purpose: To explore the relationship between research and policy-making, and consider ways that, in the Kerala context, the quality and independence of research can be improved.

The story so far...

Since its election in 1996, the left-of-centre government in Kerala had been uncomfortable with external trade and keen to promote internal self-sufficiency. They had developed a number of initiatives to bolster rice production, introducing subsidies and legislation to reduce the trade of cash-crops outside the region. The conversion of paddy fields for other uses was made illegal, even though many farmers had been finding rice growing increasingly unprofitable and were keen to move to new crops like rubber. Levels of rice production had been in steep decline over the previous three decades, but the post-independent government were keen to put rice at the heart of their agricultural policy - it was seen as a symbol of their economic autonomy. The government was loyally supported in this by a militant union of agricultural workers, who had campaigned against paddy conversion and destroyed other crops, because paddy cultivation requires more labour than other crops.

In 1998/99, the Group Approach to Locally Adopted and Sustainable Agriculture (GALASA) ran an action research program with the objective of increasing paddy production. They argued that paddy production was low in Kerala mainly because the available technology was not being utilized. They estimated that scientific planting of good quality seedlings, adequate use of organic manure, integrated water and pest management would increase the rice yield from 3 t/ha to more than 10 t/ha. They advocated for the intensive popularization of these methods under the field supervision of agricultural scientists, which would supposedly double or triple the production of rice in Kerala. GALASA published their report in 1999.

Kerala is a wet, tropical area with a hilly topography, coastal planes, semi-arid areas and terraced valleys. The study was attempted in one agro-climatic zone (the semi-arid zone), and was only undertaken for one harvest in a 550 acre area. On this cropping, the yield was increased from 4 t/ha to 7t/ha. Independent studies have indicated that the topography and climate of Kasala will limit the enhancement of rice yield in the larger wet and tropical parts of the state. There are several other critiques of the research; GALASA argued for an increase in productivity of paddy fields, but it did not weigh up the relative profitability of rice cultivation as opposed to other forms of agriculture. The study also failed to factor in the 15-20% subsidy given to farmers as part of the project when it calculated the increased profitability of paddy fields. Other studies have also criticized GALASA's assumption that farmers in Kerala are ignorant of sophisticated technology in the light of Kerala farmers success in breeding modern crops.

The Challenge ...

As an independent researcher, you believe that the GALASA study is flawed and incomplete. However, the political climate is sympathetic to its argument and powerful groups have a stake in its success. Your challenge is to consider how to respond to the GALASA publication. Discuss...

What happened next?

The government accepted the results of the GALASA study even before the final results were made known. Declaring the programme to be an 'unequivocal success', the finance minister offered government support to extend the project to 0.18 million hectares in his 2000 budget. The government increased the total farmers' subsidies to the tune of 800 million rupees. In the second year of study the project was run in another area, and rice yield was increased by a much smaller margin; from 4 t/ha to 5 t/ha.

In 2000-2001 Kerala suffered a major financial crisis. The finance minister was unable to honour his promise to fund the project. With a change of government in 2001, the programme faltered and was discontinued.

Similar patterns of using research in policy have been evident in other instances of Indian development. In the 'planned economic development' phase, research resonated with the dominant paradigm of policy makers to support the nationalization of banks in India. Although it was well adopted by policy makers, there is significant doubt over whether this research has led to improved and effective policy.

For more information, see the GDN case study:

http://www.gdnet.org/rapnet/research/studies/case_studies/Case_Study_02_Full.html

Questions

- What could be done to improve the quality of agriculture research?
- How could you mount a critique of the GALASA project against the tide of political will?
- What are the lessons for bridging research and policy?