

*Food security, bio fuels and food price inflation:
Policy conflicts and structural reforms*

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Pre-course preparation for participants

The following notes are provided as a guide to participant preparations for the training program. These notes outline the contributions by participants and provide an explanation of the activities you will complete during the course. You should read these notes carefully and complete the pre-course preparation tasks.

The aim of the program is to build policy development skills in dealing with issues where policy conflicts can arise with structural reforms and more generally. Recent experiences with policy responses to food security concerns, high energy costs and high food prices are used to show how conflicts can arise. The program has a set of core training materials, participant contributions, class exercises and a case study role-play exercise.

The value of the training will be enhanced if you actively participate in the program activities. The contributions you bring to the course are an important component of the program. It complements the core training materials and presentations by the presenters. The group will learn some lessons from the policy experiences in your country.

The focus of the training program

Inconsistencies in policy actions are an impediment to economic development and wealth creation. They can occur in a variety of circumstances. In this program the focus is on structural reforms and the policy conflicts that can arise when dealing with other issues that suddenly become a source of public concern. But the principles developed during the program can be applied more generally.

Industry or sector based structural reforms in agriculture are an inevitable and desirable aspect of economic development. It refers to policy reform and the adjustment that occurs as resources shift to more productive uses. Policy changes that remove support or market distortions will create adjustment pressures. How the structural reforms are implemented is important from a political and economic development perspective.

There are often situations where a new policy issue arises at a time when a structural reform is either underway or has just been fully implemented. Political pressures for a

response can sometimes lead to arbitrary policy actions that don't consider the wider consequences. The actions may seem appropriate but fail to recognise what it means for the objectives of other policy positions or long term development goals. Policy conflicts can arise which have unintended consequences.

The training program is about policy consistency in the context of structural reform and industry development. The program covers two themes in policy development:

- managing adjustment issues associated with policy reform; and
- managing related issues that could affect the response to structural reforms.

Regional experiences in responding to three issues are used as training examples to show how policy conflicts can arise with structural reforms and more generally. The issues are:

- food security concerns;
- food price inflation concerns; and
- concerns about high energy costs and energy security.

The core training material is based on the economic principles that can be used to guide the development of policy responses. Applying the principles to a set of circumstances in your country is a key element of the training. This will be achieved through individual contributions to three course activities. Each participant is required to:

- **Activity 1:** present a small briefing note on your understanding or experience of a structural reform issue in your country – *in advance of the program*;
- **Activity 2:** present a small briefing note on your understanding or experience of the policy response in your country to one of three related issues – *also in advance of the program* – you can choose between: food security concerns, food price inflation or high energy costs; and
- **Activity 3:** complete a group case-study exercise – *during the program* – on policy development for a situation in your country involving structural reform and the response to one of the related issues of concern – this exercise will conclude with a role-play presentation on the final day of the course.

Information used to prepare the two briefing notes will serve two purposes. Firstly, they provide a basis for sharing some experiences in regional policy development which will contribute to the two themes of the training program. Secondly, they may be used as inputs for the group case study exercise.

Activity 1 – participant contribution on a structural reform issue

The first contribution requires each participant individually to prepare a 2-3 page briefing note that outlines the key elements of a structural reform issue you are familiar with. The note will need to be submitted before the course commences and each participant will give a short presentation on the first day of the course. The aim of this exercise is to give the group an initial perspective on an issue that is relevant in your home country situation.

It is preferable if your contribution is an industry specific situation of a recent or current structural reform issue. The alternative is a sector wide issue. You will need to do some pre-course research and perhaps discuss the content of the briefing note with your work

colleagues. The briefing note should summarise the issue in simple terms. It could also raise unresolved questions about the issue for discussion purposes. The group will have an opportunity to react to your contribution.

In selecting an issue for this contribution relevant considerations would include:

- a policy change that has recently occurred or is currently being investigated that will create pressures for economic change – for example, a trade liberalisation decision, a domestic regulatory reform, etc;
- farm level adjustment pressures that have raised political concerns – this may be caused by changing market conditions and/or a policy change;
- policy measures that have been implemented to facilitate adjustment.

To provide some guidance on the scope of your contribution, you may wish to consider the following points in your briefing note:

- cause and context of the structural reform issue – what sort of policy change, market conditions, physical environment, etc;
- the nature of the adjustment pressures associated with the reform – income losses, restricted diversification options, training & skills, poverty, labour migration to jobs outside of agriculture, etc;
- physical/financial constraints on farmer adjustment and social welfare concerns;
- other policy measures in place that may be affecting the response to the structural reform – for example, trade protection, domestic support programs, etc;
- government measures to facilitate adjustment.

You will be asked to make a 5-10 minute presentation of your contribution to the group. To support your presentation you will need to prepare 4-5 power-point slides that cover the key points in your briefing note in dot form. The briefing note and slides must be emailed to the Alex Kats at the Australian APEC Study Centre (alex@apcc.org.au) by **Monday 8 June**. Your briefing note will be copied for distribution and the slides will be loaded onto a lap top projector system.

Activity 2 – participant contribution on a related issue

The second contribution requires each participant to prepare a 2-3 page briefing note on **one** of the three issues used as training examples – food security concerns, food price inflation *or* high energy costs. The aim of this exercise is to give the group a perspective on the policy responses to these issues in your home country situation.

You have a choice in selecting the issue you will review in the briefing note. However, only one contribution on each issue is required from each country:

- you will need to contact the other participants from your country and decide amongst yourselves which of the issues you will cover;
- Alex Kats will be providing you with the contact details for other participants from your country – you will need to advise Alex of the issue you have selected;
- if there are more than three participants from one country, two people can make a joint contribution on one of the issues;

- the program has two sessions for participant presentations on the briefing notes prepared for this activity for these issues.

You will be asked to make a 5-10 minute presentation of your contribution to the group. To support your presentation you will need to prepare 4-5 power-point slides that cover the key points in your briefing note in dot-dash form. The briefing note and slides must be emailed to the Alex Kats at the Australian APEC Study Centre (alex@apec.org.au) by **Monday 8 June**. Your briefing note will be copied for distribution and the slides will be loaded onto a lap top projector system.

You will need to do some pre-course research and perhaps discuss the content of the briefing note with your country colleagues. The briefing note should summarise the issue in simple terms. It should detail any policy actions that were implemented and describe the objectives of those measures. It should also reflect on any policy conflicts with structural reforms. The group will have an opportunity to react to your contribution.

To provide some guidance on the scope of your contribution you may wish to consider the following points in your briefing note:

- cause and context of the issue – what was the concern, what caused the problem, what sort of impact, who was affected, what industries were affected, links to world market conditions, is it an export or import issue, etc;
- the nature and objectives of the policy actions to address the issue – what sort of policy actions, what was the aim of the policy measures, details on assistance measures, are the policy measures still in place;
- expected and actual outcomes of the policy actions – who gains, who loses, were the policy measures successful, unintended consequences;
- alternative policy actions – other approaches that could have been used;
- implications for other policy positions or long term development goals – policy conflicts, affect on structural reforms, what are the implications.

Activity 3 – Group case study exercise

The third contribution will involve your participation in a group case study exercise undertaken during the course. All participants will be placed in country based groups and collectively prepare a piece of policy advice on a mutually agreeable issue.

The aim of this exercise is to apply the training to a real situation in your home country. It has been developed as a role-play situation and can make use of the information you have gathered for the briefing notes – in activities 1 and 2.

The role-play is a request by the Head of the Ministry of Agriculture for your group to collectively prepare a briefing note on the options for addressing a policy issue that could have implications for an existing or proposed structural reform. Your group has to advise the Minister on the wider implications of the policy options and give the reasons for a recommended course of action.

On the final day of the course each group will make a short role-play presentation to a panel of the Head of the Ministry and the Chief of Staff for the Minister. Each group will

prepare a short briefing paper (5-8 pages) on their case study issue for circulation the day before the final presentation. The briefing note will need to cover:

- the nature of the issue – causes and concerns;
- policy options to address the issue including implications of taking no action;
- a recommended course of action and the reasons for the recommendation; and
- direct and indirect consequences of taking this action.

Each group will prepare a set of power point slides for a presentation of 10-15 minutes. The expert panel will react to the presentation – group members will have to respond to questions raised by the panel and other class participants. The role-play panel members are former senior public service officials with many years of experience in policy development and structural reforms.

Each group will need to agree on how they will share the work tasks to complete the exercise. Group members will be expected to meet and work on this exercise at mutually agreeable times during the course. Some time will be allocated during the course for groups to work on the case study.

The choice of the case study issue will be collectively decided by the members of the group. It should be based on a current issue that the group members are familiar with. It has to cover the two themes of policy development in the training program:

- structural reform; and
- related issues that could affect the response to structural reform.

This means the case study will involve one of the three issues used as training examples – food security concerns, food price inflation or high energy costs – and a current structural reform issue. The advice required is how to deal with the nominated issue and achieve policy consistency with the structural reform or longer term development goal.

The group case study exercise will be discussed in more detail at the course. To prepare for this exercise you will need to think about a potential case study issue and collect some information relevant to the topic. You are encouraged to contact the other participants from your country and discuss the case study topic. Alternatively you may wish to wait and decide on the case study when the group meets at the start of the course.

It will be important to do some preliminary research on the issue you will nominate to your group. The information gathered for the briefing notes – activities 1 and 2 – will be useful for this exercise. All participants must come to the course sufficiently prepared to complete case study of their choice. It is advisable to bring some reference material on a flash drive to help you prepare the briefing paper:

- each group will need a lap top to facilitate the training exercises – it is highly recommended that you bring a lap top and a USB flash drive to the course.

In the role-play situation you should assume the panel members have no knowledge of your case study issue. The following points provide some general guidance on what may be relevant in the preparation of the Ministerial briefing paper. It will not be necessary to

address each of these points in your case study briefing paper. They are provided to help focus your pre-course preparations.

1. What's the issue?

- Define the impact or effect of the issue – food security concerns, food price inflation or high energy costs.
- Define the structural reform or industry development issue that may be affected by the policy response.
- Define the industry facing adjustment pressures – who is affected, in what way.

2. What are the structural features of the industry affected?

- Describe the industry – how many firms/farms/employees.
- Linkages to world market conditions – is the issue related to exports or imports
- Are there other policies in place policies – trade protection, domestic assistance measures, regulations that restrict competition?

3. What are the features of the adjustment issue?

- Pressure for firms/farms to exit the industry – employment issues
- Are market conditions contributing to the adjustment pressures
- Has adjustment occurred in the past – what was involved
- Do firms/farms need to restructure to improve their viability

4. Who is affected by the issue?

- Who gains, who losers?
- How are they affected?
- Any industry proposals for adjustment assistance?
- Public perceptions of the impact of structural reform – political issues.
- Are there spill-over effects for other industries?
- Role of Government organisations.
- What is their position on policy reform, adjustment assistance.

5. What are the options for a Government policy response?

- Implications of taking no action – let market conditions determine the outcome.
- Any relevant obligations under international trade agreements?
- Long term or short term policy actions?
- Is transitional assistance or exit assistance required?
- Is funding of the policy actions an issue – cost, source of funding.
- Objectives of policy actions.
- Do we need increased investment, improved productivity, increased scale of production units (firms/farms), infrastructure development, output diversification
- Need for retraining, relocation, job search for displaced labour.

6. What are the policy recommendations?

- Expected outcomes of the policy actions.
- Issues of policy consistency.
- Advantages and disadvantages with proposed policy response.
- Do the policy proposals create precedents?

If you have any further questions about the pre-course preparations please contact the Academic Coordinator, David Harris – dnharris@hotmail.net.au

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