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AID FOOD AND AGRICULTURE STRATEGY

Sector Council
for
Food and Agriculture

U.S. Agency for International Development
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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

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MEMORANDUM FOR THE EXECUTIVE STAFF, AID/W AND OVERSEAS

SUBJECT: Food and Agriculture Sector Strategy

The attached Food and Agriculture Sector Strategy paper is now an approved Agency document. It provides comprehensive and flexible guidelines for the development of Bureau and country assistance programs and reflects the many useful comments on earlier drafts provided by the Agriculture Sector Council and many Missions.

The strategy paper takes full account of the wide variation of country needs and assistance opportunities. Whatever the stage of program development in specific countries, this strategy indicates that A.I.D. can provide some useful forms of assistance that will advance the implementation of the Agency's agriculture assistance policy. All Bureaus and Missions should ensure that their food and agriculture assistance programs are fully consistent with the guidance in the strategy paper.

M. Peter McPherson

Attachment:

Food and Agriculture Sector Strategy

November 4, 1983

AID STRATEGY FOR FOOD AND AGRICULTURE DEVELOPMENT ASSISTANCE

I. Introduction 1

II. Strategy to Improve Country Policies 2

 A. Examination of Country Policies 2

 B. Analysis and Dialogue 3

 C. Technical Collaboration and Training 3

III. Strategy to Strengthen Human Resources and Institutional
 Capacities, with Special Emphasis on Science and Technology 4

 A. Country-Level Problems 5

 B. Intercountry or Regional Problems 7

 C. Interregional or Global Problems 7

 D. Other Activities 8

IV. Strategy to Expand the Role of the Private Sector 9

 A. Analysis and Dialogue 9

 B. Help Countries Improve Efficiency and Effectiveness 10

V. Strategy to Utilize PL 480 Food Aid to Facilitate Development ... 10

 A. Support AID's Strategic Emphases 11

 B. Policy Dialogue 12

VI. Implications for Staff and Operations 12

...

...

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.....

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I. Introduction.

The objectives of U.S. assistance in food and agriculture as stated in the AID policy paper, Food and Agricultural Development (May 1982), are to enable countries to become self-reliant in food, assure food security, and achieve economic growth. These broad objectives are supported by the closely interrelated sub-objectives of increased food availability and improved food consumption. Emphasis will be on food self-reliance, not necessarily self-sufficiency. National comparative advantage will be promoted. Effectively increasing and helping sustain the productivity, incomes, and market participation of producers on small holdings will receive major attention.

This strategy paper focuses on how this policy is to be implemented. It specifies activities to be supported and provides guidance as to how the Agency can provide that support. It addresses only a part of the total Agency economic assistance program and should be read in conjunction with other AID strategy and concept papers.

Food and agriculture development assistance will concentrate on four areas:

o integrating all available assistance instruments, including PL 480 food aid.

This strategy paper discusses each of the above areas in turn. Within each of the four areas, opportunities for collaboration will be identified which will link and make better use of AID mission, regional, and central resources to achieve Agency objectives.

II. Strategy to Improve Country Policies.

There are three sub-elements to encouraging and supporting improved country policies to accelerate food and agriculture developmental

- improving developing country policies,
- strengthening human resources and institutional capacities with special emphasis on science and technology,
- expanding the role of the developing country private sector and the complementary role of the U.S. **private sector in assisting that** expansion, and to critically examine country policies affecting food and agriculture development and to concentrate assistance in countries where an appropriate policy framework already exists or where there is a commitment to improvement,
- to analyze the constraints to improved policies in countries where AID provides assistance and engage in dialogue with countries on changes in policies intended to improve agricultural incentives and opportunities, and
- to facilitate technical collaboration and provide training to improve country policy analysis and planning capacity.

A. Examination of Country Policies.

USAID missions will review host country policies affecting food and agriculture growth and development. The reviews will assess policies that affect productivity in the food system, including post-production elements. Productivity and production increases in the agricultural sector are often directly related to the demand generated from the urban and industrial sector for food, agricultural raw materials, and labor. The reviews will assess the growth strategy in the industrial sector as it impacts on agriculture. Such reviews (which preferably should be carried out by the host country with AID assistance) should also analyze the extent to which host country policies promote the dispersion of agriculturally-based and other industry, since growing local and regional markets may offer a significant potential demand in the long term for food, agricultural raw materials, and labor. Fiscal and monetary policies, including exchange rates, which are directed to the general economy but have major impacts on the well-being of people in agriculture will also be reviewed. Particular attention will be paid to the degree to which policies encourage competitive practices in input and product markets and the extent to which policies provide farmers with small holdings access to production inputs and benefits from their use. Other policies as indicators of host country commitment to development to be examined will include:

- incorporation of nutritional considerations and of population and health considerations explicitly in program and project objectives;
- improvement of management of public programs and institutions;
- recruitment retention and motivation of qualified staff;
- provision of adequate budget support, especially for recurrent costs;
- improvement of the status of women in the rural economy; and
- participation of beneficiaries and local representatives in planning, decision-making, and evaluation.

Food sector strategies can provide a framework to develop the required policy information. Agency policy encourages preparation of World Food Council or similar food sector strategies.

B..Analysis and Dialogue.

Analysis of constraints to improved policies will be made by missions. The resources of missions and regional bureaus can be supplemented by AID/w LS&TJ project resources, where necessary, to support such analyses. A pool of expertise will be identified by AID/W [S&T in collaboration with the regional bureaus to assist missions, if desired, to carry out more in-depth analyses.

Missions will engage in continuing dialogue with host country officials, as appropriate, regarding policy. Understanding of and regard for host country objectives by AID is fundamental to effective dialogue. Initiating changes which best ensure attainment

of common objectives shared by host countries and AID will enhance AID success in improving host country policies. It may be desirable to provide assistance in order to encourage recommended reforms such as support for flexible and innovative activities and assistance projects to test new ideas and approaches. Missions may consider food aid to induce policy reform. More emphasis might be placed on obtaining policy changes through ongoing or regular food assistance. Proposals for increased food aid for this purpose must demonstrate how the additional food will support policy reforms. AID often has limited leverage to encourage countries to adopt improved policies. Donor coordination, furthered by AID/W as well as the missions, can increase the leverage.

C. Technical Collaboration and Training.

One of the most effective and lasting contributions that AID can make to the policy process is to assist host countries to improve their institutional capabilities to carry out policy analysis as well as their capacities to implement the results of the analysis. Missions are encouraged to propose special activities, project components, or policy and planning projects for strengthening country capacities to collect, use, and/or analyze data for policy formulation and change. The emphasis of analytical assistance will be on:

- specific policy questions such as fertilizer pricing or food price support and stabilization;
- identification of the sequence of incremental decisions required for policy change; and
- information gathering and analysis techniques that involve decision-makers in the total process.

Training will be an integral part of AID efforts to strengthen institutional capacity for policy analysis.²

Less emphasis will be given to supporting large, quantitative sector modeling studies which, while of value to countries in some cases, generally have not responded to their priority needs.

III. Strategy to Develop Human Resources and Institutional Capacities, with Special Emphasis on Science and Technology.

Effective institutions are needed to carry out food and agriculture development. High priority will be given to strengthening institutions that give a developing country the capacity to L1] generate and apply a continuing stream of innovations designed to increase agricultural productivity and incomes, and L2] evaluate and adapt technologies transferred from developed countries and from international and regional organizations.

AID's strategy for strengthening human resources and institutional capacities for food and agriculture development is to improve simultaneously:

- the level of knowledge and technology that is applicable to developing countries, and
- the institutional processes of getting those technologies developed and adopted within those countries.

The scarcity of both financial and human resources, makes it imperative to select topics with the greatest impact. The strategy to support research and extension must set priorities based on needs, what others are doing, and what the AID can do best. The Agency will periodically review its research portfolio to improve focus and concentration on ongoing research, phase out lower priority research and add new topics for attention.

Three general levels of food and agriculture research and development activities will be pursued:

- those addressed to problems that are either country specific or that can be best resolved by relatively independent country program efforts;
- those addressed to inter-country problems that can be best resolved by collaboration among countries where the problems exist; and
- those addressed to interregional or global problems, or both, which can be best resolved by setting up or supporting research centers that assure focus on major problems of many countries and usually in more than one region.

A. Country Level Problems.

AID will help to develop strong institutional capacities to identify priority research needs; to train researchers, extension agents, and teachers; to adapt modern technology to local conditions; and to interact with and deliver that appropriate technology to farmers. The following conditions will be taken as evidence of government commitment:

- over time, stable budgetary support
 - consistency in technical and managerial leadership, staffing,
 - quality and longevity in reasonable insulation from domestic politics, and
 - government recognition that research is inherently a long-run endeavor.

Missions will assist recipient countries develop agendas for food and agriculture research derived from analyses of total national food systems. The strategy to strengthen human resources and institutional capacities in agricultural research and extension and in other areas at the country level will focus on key problems of high importance identified in the host country agendas. AID will use this problem focus as a means of assisting countries to strengthen systems to address them.

Specific applications of the strategy to individual countries will be tailored to opportunities, and should go beyond traditional approaches. For example, commodity oriented and resource-oriented research should be done on farmers'

fields as well as in experiment stations. Research should focus on systems of production as well as on specific commodities. Multidisciplinary teams of technicians, including biological and social scientists, should plan, implement, and evaluate the research and development activities. Such research should be linked with farmer advisory services and farmers in a two-way flow of problem identification, technology generation, testing, application, and feedback. Planning for technology development should consider complementary development of input distribution, credit availability, market access, policy support, and potential impact on people. Strengthening the relationship of the public sector research system with the private sector can be extremely effective in stimulating technology adoption. Special attention should be given to the distribution of the benefits from the system, particularly to strengthening participation of farm families on small holdings, landless and near-landless laborers, and women in the production, marketing, and consumption processes. Initial priorities in country development projects will be assigned to strengthening basic technology generation and diffusion functions which are necessary to assure that a process of continuing and broadly based agricultural progress is set in motion.

Certain program implications are implicit in all AID assistance to strengthen human resources and institutional capacities:

- Development of such capacities will often require a long-term commitment, e.g., 10 years or more.

Developing the capability to match the supply of technical resources with needs will be an important key to success in strengthening human resources and institutional capacities in the future. A primary source of such collaboration will come from Title XII Universities, based on revised and streamlined operating procedures and mechanisms. Other resources will be appropriate in specific circumstances, such as other U.S. agencies, private sector firms, PVOs, and other organizations. Ways will be developed to select and utilize technical collaboration resources more effectively for mutually satisfactory relationships.

AID will increasingly utilize selected local and regional institutions for training, special studies, design work, evaluation, and research as a means of strengthening such institutions. Missions and regional bureaus will give particular attention to identifying host country and regional institutions which are suitable for these roles. Where weaknesses exist in these institutions, support for training within the host country, in the U.S., and at third-country institutions should be considered.

In accordance with its policies, AID will, in certain circumstances, finance a share of recurrent costs of food and agriculture research, education, extension, and institution building projects.

Activities at all levels will be carried out in coordination with other donors. The Agency encourages joining with other donors particularly where they can provide some capital costs and AID can provide technical assistance and training.

B. Intercountry or Regional Problems.

Some research problems can be most effectively addressed at multi-country or regional levels. The Agency strategy will be to identify productivity-limiting problems spanning major ecological regions of the world. Institutions dealing with existing or projected national, regional, and international activities in the identified problem areas will be encouraged to help initiate and implement collaborative networks. Common themes served by a network might include irrigation and on-farm water management, farming systems, pest management, rainfed/ dryland crops, species evaluation, livestock, aquaculture, agroforestry, watershed management, and post-production problems associated with marketing, storage, and processing, etc. Networks will focus on developing intercountry programs concentrating on problems of general applicability.

Formal intercountry programs will be developed in appropriate areas through cooperation of concerned missions with the regional and S&T bureaus, utilizing steps such as the following:

- identification of specific subject areas and modes of cooperation through planning conferences that include staff from concerned developing country institutions and AID staff;
- implementation of specific activities in cooperating countries using mutually agreed upon program parameters;
- exchange of researchers among countries within the region;
- planning and implementation of special training activities in the subject areas of cooperation;
- visits to project sites, reviews of progress, and planning for future activities by host country researchers, outside experts, and AID staff in regular workshops; and
- incorporation of relevant international and regional research centers and CRSPs in intercountry programs and networks; in some cases the centers may be focal points for collaborative research activities.

If formal intercountry programming is impractical, informal coordination and exchange of information among country programs and research centers will be fostered.

C. Interregional or Global Problems.

International agricultural research centers (IARCs)-- the institutions supported by the Consultative Group for International Agricultural Research [CGIARJ plus **associated** centers funded by international donors outside the **CGIAR -provide an international research system that works** on most of the major food crops and animals, food policies, and improvement of

national research systems. The system extends to most areas of the developing world.

The AID Collaborative Research Support Programs [CRSPs] provide a means by which the talents of research scientists from the U.S. and developing countries can be mobilized to focus their collective efforts on solving priority problems of common interest.

AID's strategy will promote linkages between the international and regional centers and CRSPs and national programs.

Continued efforts will be directed toward informing national programs about the quality and relevance of research at the international and regional centers and of the CRSPs and toward helping keep the centers and CRSPs abreast of national needs, encouraging them to participate actively with national programs.

- The international and regional centers and CRSPs will be encouraged to give continued attention to problems of small farm families and low income consumers and to provide increased attention to the less favored production areas in the less developed countries.

Centrally funded research in the future will focus attention more on research that is innovative, of a more basic but **still problem-oriented nature**, that responds to LDC needs in the longrun as well as in the short-run. Centrally funded projects which apply largely to one region or subregion will be collaboratively planned, funded, managed, and evaluated with appropriate regional bureaus and/or missions. These activities will be phased into programs of regional bureaus and/or missions, as appropriate.

D. Other Activities.

While technology generation and transfer with particular emphasis on research and extension is a central point of AID's strategy to strengthen human resources and institutional capacities, these activities must be considered within the broader context of total agricultural development. AID will encourage projects designed to overcome major constraints in the food and agriculture system in other areas identified in CDSSs and regional strategies. The concern for strengthening human resources and institutional capacities applies to strategies to improve country policies and to expand the role of the private sector to improve distribution of production inputs, mobilization and allocation of financial resources, and marketing, processing, and conserving of products. Projects dealing with such areas as irrigation and on-farm water management, rural roads, agrarian reform, credit, livestock development, aquaculture, fisheries, pest management, natural resource management, agroforestry, and land resettlement will be considered for support where appropriate. Support for infrastructure program components together with technical collaboration may be necessary, in some situations, to achieve food and agriculture policy and institutional development objectives.

IV. Strategy to Expand the Role of the Private Sector.

There are two interrelated sub-elements to expanding the role of the private sector:

- to engage in dialogue with governments on changes in policies, regulations, and programs to encourage and strengthen private sector development, including small and medium scale enterprise; and
- where appropriate, to help countries improve the efficiency of public and parastatal enterprises engaged in food and agriculture-related activities or to help countries divest themselves of inappropriate or inefficient parastatals.

AID strategy is to improve the climate for the indigenous private sector in developing countries - and to facilitate U.S. private sector investment in those countries furthering development objectives. The private sector is considered broadly to include cooperatives and private and voluntary organizations as well as profit-seeking private enterprises. Furthermore, the strategy includes public and quasipublic organizations which desire to make their operations more efficient. Small farmers comprise the largest portion of the private sector.

No activity can be fully excluded for consideration for private sector participation. For example, even though agricultural research and extension are generally considered to be public sector functions, much research (especially applied and adaptive research) and extension work in the U.S. and in some LDCs is carried out by private businesses. Input manufacture and distribution [e.g., seeds, fertilizers, farm chemicals] and product marketing, processing, storage, and other aspects of reducing post-harvest losses are priority activities for the private sector. These are often operated by small-scale entrepreneurs, are service-oriented, and are often amenable to management improvement.

A. Analysis and Dialogue.

USAID missions will collect relevant information on the role of the private sector in the food and agriculture economy and analyze policies that affect operation of private sector institutions. Three areas that influence realization of the full potential of the private sector to contribute to food and agriculture development will receive special attention:

- government policies and regulations that discourage a supportive private sector role;
- private sector access to market and technical information, credit, infrastructure, services, and materials; and
- deficiencies in management and technical skills.

In countries with potential for improving the role of the private sector in contributing to food and agriculture development, missions are encouraged to collaborate with host governments and with host country and U.S. **private enterprise and other private organizations to carry out** more detailed

analyses to identify specific policies for change and specific opportunities to improve management. AID/W LS&T and PRE in collaboration with the regional bureaus] will identify and/or obtain in-house personnel and identify outside resources from U.S. private sector agri-business, consulting and other firms, farmer organizations, universities, and private and voluntary organizations LPVOs with knowledge of private enterprise and competitive markets related to food and agriculture development in LDCs to help carry out this analysis and provide subsequent technical collaboration, if desired.

Based on issues identified, missions will hold appropriate discussions with host governments to determine receptivity to change and how such changes might be implemented.

B. Help Countries Improve Efficiency and Effectiveness.

Taking into account the roles and activities of other donors, USAID missions are encouraged to propose special activities, project components, or projects to improve management capabilities and otherwise expand the role of the private sector in promoting food and agriculture development, including small-scale and medium-scale rural enterprises and marketing.

V. Strategy to Utilize PL 480 Food Aid to Facilitate Development[

There are two interrelated sub-elements to utilizing PL 480 food aid more effectively to facilitate development:

0 to support AID's strategic

1~ases to improve country policies, strengthen human resources and institutional capacities, and enhance the role of the private sector as well as to meet food security and nutritional needs of low-income countries, and to provide a context for policy dialogue on total U.S. economic assistance to recipient countries.

A. Support AID's Strategic Emphases.

Missions will integrate PL 480 food aid into total country development strategies, with emphasis on the role of food aid in supporting improved country policies, strengthened human resources and institutional capacities, and expanded private sector roles.* Mechanisms to support these strategies include policy dialogue, self-help measures, local currency programming, and the use of commodities as an in-kind resource. Country-level food and agriculture strategies will provide short-, intermediate-, and longterm frameworks for development utilizing food aid. The strategies will prescribe selective timephasing of food aid programs, highlighting those areas where the food-recipient countries can take specific action and areas that AID, in concert with other donors, can promote.

- Timely food supplies or local currency food sales proceeds can cushion temporary disruptive effects of change and strengthen a government's resolve to pursue important policy and management reforms. Self-help measures and policy

dialogue can promote commodity price and subsidy adjustments which encourage increased agricultural production and expand private sector activity.

Food aid can support development of both formal and informal institutions. Self-help measures may call for organizational changes or improved operating or reporting procedures. Food aid sales proceeds can support training programs and construction of essential physical infrastructure. Such proceeds may also support bilateral agriculture and rural development projects and facilitate private sector activities. Where U.S.- owned local currencies are available (i.e., in India and Pakistan) to other U.S. government agencies, missions should encourage those agencies to select and implement activities which support food and agricultural development. Title II feeding and food-for-work programs can use the food itself as a means of supporting institutional and related physical infrastructure development.

Food aid can support human resource development through the use of local currency for such investments as nutrition, health, and/or population planning programs. Title II feeding programs directly contribute to human resource development by averting malnutrition and the permanent detrimental effects it can have on pre-school children, students, women, and other undernourished sources of "human capital".

Food aid programs must be examined to insure that they exert positive rather than "disincentive" effects on the recipient's agricultural production and marketing. Disincentive effects can occur by depressing the prices of locally produced commodities; causing or delaying the correction of inappropriate host government policies relating to agricultural production and distribution; and promoting a change in taste preferences for imported foods that can't be produced locally. Due caution must also be exercised to avoid budgetary dependency on food aid generated revenues. Generally, price disincentive effects can be avoided if host government food policies are appropriate and food aid is allocated in such a way that overall demand for the commodity is augmented as supply is increased, leaving prices relatively unchanged. Price and other potential disincentive effects can be minimized through creative uses of the PL 480 developmental mechanisms identified above.

B. Policy Dialogue.

PL 480 negotiations can provide an opportunity for dialogue with host country governments to improve country policies, strengthen human resources and institutional capacities, and expand private sector roles. The capability to engage host governments in productive dialogue may be enhanced when PL 480 and non-food AID resource levels are discussed at the same time. U.S. Mission Country-Teams will use the opportunity of the negotiations and followup discussions

to pursue program and policy dialogue in the context of total U.S. assistance to the country. The greatest potential for entering into productive dialogue normally exists prior to the firm commitment of the resources. Dialogue should, however, be an ongoing process with the host government. Mid-term reviews of Title I or annual reviews of Title II might provide additional opportunities for effectively engaging host governments in continuing discussions.

VI. Implications for Staff and Operations.

An important part of the food and agriculture development assistance strategy is to assure that trained and experienced people are available to get the job done. For many AID missions with significant food and agriculture, natural resource management, and rural development programs, the technical staff levels are already smaller than the minimum necessary to carry out the required functions. A similar situation exists in AID/W.

All field and AID/W operational units concerned with food and agriculture, natural resource management, and rural development technology generation and transfer and all Agency management levels concerned with manpower planning, recruitment, career development, and training will give highest priority to assuring that positions are established and retained and that qualified staff are in place to implement approved Agency strategies.

In addition, AID/W and missions will seek ways to more effectively utilize alternative means of program and project planning, management, and evaluation.

Training needs will be reviewed and opportunities developed to improve capabilities of present staff to respond better to new Agency strategies.

Concentration on fewer numbers of major projects with longer continuity and reduction of USAID involvement in day-to-day implementation will permit staff to focus their managerial and technical capabilities more effectively.

Technical Support to Missions [TSMs], the Joint Career Corps [JCCs], Indefinite Quantity Contracts [IQCs], and other innovative modes along with professional foreign service national employees, can be utilized to supplement mission staff

FOOTNOTES AND REFERENCES

1. The introductions to this and the following three sections borrow from AID Policy Paper Food and Agricultural Development (May 1982) to provide context for the proposed strategies.
2. "Participant Training Strategy Paper", August 1983.
3. "AID Priorities for Research in Agriculture", January 6, 1983, Draft (to be revised).
4. "Essential Elements of Development Administration: Considerations for Program Design and Implementation," June 15, 1983.
5. AID Policy Paper, Food and Agriculture Development (May 1982).
6. AID Policy Paper, Food and Agriculture Development (May 1982) and AID Policy Paper, Recurrent Costs (May 1982).
7. It is recognized that food aid can have multiple objectives - foreign policy, market development, economic development, and humanitarian relief. The focus of this strategy is on economic development.
8. UNCLAS State 821304, AIDAC from McPherson, dated January 27, 1982, "Integration of PL 480 Resources."