

BIFAD FY-92(93) BUDGET PANEL

REPORT

PRESENTED TO

THE BOARD FOR FOOD AND AGRICULTURE DEVELOPMENT

August 1991

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EXECUTIVE SUMMARY

Changing Priorities:

The United States Agency for International Development (USAID) has undergone several major programmatic shifts throughout its existence. However, it has focused on agriculture as the major engine of development and the major sector through which to improve the welfare of poor majorities in Third World nations. This focus has been changing during the past decade with new approaches to development assistance.

The United States Agency for International Development (USAID) recently released a new mission statement and several new initiatives emphasizing promotion of open and free democratic societies and the growth of free markets and individual initiative. The new four programmatic initiatives are (a) the environment; (b) democratic initiatives; (c) a business and development partnership; and (d) family development. These initiatives are meant to permeate current and future programs and projects. Missions are not expected to reorganize Mission portfolios specifically around them.

The new Mission statement and the four new initiatives were developed in response to economical, political, and social changes occurring in several areas of the world and on the agency's perception of a new world order which has evolved.

Funding Trends:

Changes that have occurred during the past decade are mirrored by data describing AID's portfolio of development projects. There are three significant and easily identifiable trends in these data.

First, although it is arguable whether or not overall funding for agriculture increased or decreased during the past decade, it is clear that funding through the Development Assistance (DA) account declined substantially. This is reflected by the fact that agriculture represented over 50% of the development assistance account in 1982; it represented only 30% in 1991.

Second, there has been a declining trend in funding for technology generation and transfer in the agricultural account. Data are not available for the entire decade. However, those for the period 1989 to 1992 reflect this downward trend. Overall Agency funding for this period increased slightly from \$180.6 million to \$183 million, indicating a decline in real terms. More disturbing is a 28% decline in funding from this period in Development Assistance/Development Fund for Africa Accounts (\$172.3 million to \$123.4 million).

Third, funding of agriculture from the Economic Support Fund (ESF) and Special Activities Initiative (SAI) accounts has increased more rapidly than for the Development Assistance (DA)/Development Fund for Africa (DFA) account. In 1989, DA/DFA funds represented 61.5% of the total funding for projects designated by AID for agriculture and natural resource development. In 1992, they only represented 58.5% of the total. These figures reflect a trend throughout the past decade. It is of special concern since ESF and SAI funds are typically used to support direct cash transfers and large infrastructure projects.

Major Issues:

There are five major issues related to these trends which deserve special attention.

The first is an appropriate balance among types of projects within agriculture accounts. It is appropriate to emphasize policy change, but sustained progress in agricultural productivity and development also requires improved technologies, human resources and infrastructure. The agriculture sector is still the major engine of growth in most developing countries and the major source of income for poor majorities. Its growth is largely dependent on maintaining adequate research and extension systems, in addition to physical infrastructure. Furthermore, most investments in physical and human infrastructure will need to be made in the public sector. The private sector depends on these public sector inputs for it to generate growth. Past investments in the public sector were problematic, but not because they were public sector investments per se. Rather, it was because not enough simultaneous attention was given to supporting private sector development.

The second issue is the need for an appropriate balance among agriculture and other development assistance programs. During the past decade funds have been taken from agriculture to provide increased support for health, child survival and population projects. Since agricultural development increases productivity and economic growth upon which the latter services depend, has the pendulum now reached its apex; and is it now time to begin to correct the imbalance among accounts created by this trend?

The third issue, which is related to appropriate balance among development assistance accounts, is the complementarity of agriculture/nutrition with child survival. The world food problem is far from resolved. Given the projected continuation of high population growth rates, a major food shortage may be pending. Shortages impact directly on the health status of affected nations and on child survival rates within them.

The fourth issue is the complementarity of agricultural development with environmental preservation and natural resource conservation and management. They must be simultaneously

addressed. Control of deforestation and soil erosion in the tropics is dependent on identification of appropriate production systems for marginal hillside farmers. Effective watershed management projects in these regions will require alteration of production systems of these farmers, merely because they have nowhere else to farm. Agriculture research and extension programs need to identify how better to collaborate with PVOs and NGOs that work with these populations.

The fifth issue is the comparative advantage of the U.S. in development assistance. The U.S. has a clear comparative advantage in agricultural research and development (R&D). This is required to ensure that agricultural production increases fast enough in a sustainable environment to feed rapidly growing populations. (Even with successful population programs, world population will double within the next 30 years; and food production must be increased to keep pace.) The U.S. also has a comparative advantage in human capital and institutional development. Higher education is one of the products for which there is a major demand overseas, and the U.S. has a proven track record in building institutions overseas. Other nations and multilateral assistance agencies have a comparative advantage in providing capital and infrastructure for development projects.

Recommendations:

- (1) Based on the major analysis of budgetary trends and what is occurring in the Agency, and in concert with the major conclusions and recommendations of the Schuh Task Force Report, BIFADEC should strongly encourage the Agency to increase the level of funding for agriculture in the Agency's portfolio.
- (2) We recommend that the Agency give due attention to the need for more balance among the four categories of agricultural activity which are analyzed in Section II of this report, which are: technology development, policy and planning, infrastructure/service, and natural resources management. Specifically, we recommend that relatively greater attention be given to technology development and transfer activities.
- (3) We recommend that greater recognition be given to the interrelationship between production agriculture and environmental and natural resource conservation programs. It is particularly important that these interdependencies be explored systematically and incorporate into the design of projects, be they primarily agricultural, or primarily environmental or directed to natural resource conservation.

- (4) We recommend that greater recognition be given to the importance of the link between food and nutrition areas and programs related to health and child survival. Ultimately, the survival of children and the health of third world populations depend on adequate and nutritious diets. These, in turn, depend on adequate supplies of inexpensive foods.
- (5) We recommend that the BIFADEC articulate a general university concern to the Administrator that the Agency's new initiatives are being taken to reflect program and project initiatives rather than general guidance about special concerns that should be reflected in projects and programs.

The Board should explicitly request the Administrator to clarify this point with missions through additional guidance, since it appears agricultural projects are being phased out so that new projects can be designed which focus the new initiatives.

- (6) We recommend that the Agency revisit comparative advantage issues. Funding for large infrastructure projects and other capital intensive activities are readily available in international capital markets for those companies that have their internal economy in order. For the others, large infrastructure investments won't have a high payoff. The Agency should be discouraged from transferring large quantities of capital as inducements to LDCs to get their policies in order, when it is clearly in their best interests to do so without AID inputs. Other donors have more capital to provide to LDCs than does AID. The comparative U.S. advantage in development assistance is in human resource development and science and technology transfer. BIFADEC and AID should specifically support enhanced cooperation among donors addressing common problems, and to ensure that an appropriate division of labor among them be established in the LDCs. These areas should receive greater priority in the Agency's programming process.
- (7) The Agency should increase support for the University Center for Cooperation in Development. This funding should be used to maintain current university support grant programs and to develop new programs consistent with the Center's goals. We recommend that the Agency allocate \$30,000,000 to the Center for fiscal year 1993 for these purposes.

- a. We recommend that several programmatic activities which are, or will be, administered by the Center be funded at the following levels for FY-93:

• Linkage Grants	\$5,000,000
• Program Support Grants	5,000,000
• HBCU Research Grants	2,000,000

- b. We recommend that the Center staff determine how to best program the additional \$18,000,000 taking into account its program priorities and recommendations of the Center Task Force.

(8) International research for sustaining agriculture is very important to AID's development assistance programs. BIFAD supports its various components essential for agricultural and economic development. AID's Collaborative Research Support Programs have demonstrated to be highly effective in producing and disseminating new technology, coordinating with the International Agricultural Research Centers, also important in the international research network, and collaborating with participating country research institutions, end users of the new technology. It is important that the momentum of existing CRSPs be adequately maintained in this international network.

- a. We recommend that an additional \$3,000,000 be allocated to existing CRSPs. In addition, we recommend that \$5,000,000 of new funding be allocated to the new Sustainable Agriculture CRSP to facilitate resource conservation and management linkages with existing CRSPs. At least \$1,000,000 of this amount should be allocated to the planning phase of the CRSP.
- b. We also recommend that \$10,000,000 of FY-93 funds be allocated to new and/or revised CRSPs and CRSP-like research programs which are being developed by the S&T Office of Agriculture. The new CRSPs include Integrated Pest Management and Horticulture and the revised CRSP would be in nutrition. The new CRSP-like program will be in Post-Harvest Technologies.

I. USAID PROGRAM CONTENT

USAID has undergone several major programmatic shifts during its existence. However, it has focused on agriculture as the major engine of development and the major sector through which to improve the welfare of poor majorities in Third World nations. This focus may be waning today with the advent of a new approach to development assistance.

Large scale U.S. governmental development assistance efforts began with the post-World War II Marshall Plan. Development assistance provided to third world nations was initiated by Point IV of President Truman's inaugural address in 1949 and focused on agricultural development. The U.S. government asked land grant universities to play a major role in this effort. Initially, most assistance was in the form of institution building in agricultural higher education, research and extension. Major programs to create and strengthen educational and scientific infrastructures for agriculture in developing countries continued unabated through the early 1970's.

In the early 1970's, Robert McNamara, who was then President of the World Bank, articulated a new approach, namely to provide assistance directly to the "poorest of the poor" in Third World nations. The approach was adopted by all major donors, including AID. During the 70's, there was a corresponding downturn in attention to support systems for agriculture, and an increase in rural development projects. These programs were heavily invested for approximately eight years. Eventually, they were abandoned when it was determined that they failed to lead to economic growth.

During the waning period of this era, the U.S. Congress passed the Title XII Amendment to the Foreign Assistance Act, which directed AID to give increased attention to agricultural development and to the use of U.S. land grant universities in these programs. The law created the Board for International Food and Agricultural Development (BIFAD) and directed AID to initiate new programs involving U.S. universities in related agricultural research and institutional building efforts. The administration of Peter McPherson reflected the intent of this act in its program pillars which included technology transfer and institution building in the Third World.

The AID program currently appears to be at another watershed. The current administration has elaborated a new mission statement and identified several new initiatives. The mission statement emphasizes promotion of open and free democratic societies and support for broad-based economic growth, free markets, and the social economic well-being of individuals. These goals are

supported by four programmatic initiatives, namely, (a) the environment; (b) democratic initiatives; (c) a business and development partnership; and (d) family development.

In addition, the administration identified two internal initiatives, namely, (a) strategic management, and (b) evaluation. They are meant to support programs designed to improve health and access to family planning, to increase the productivity of farming and other economic activities that directly impact the poor, and to increase access to education and literacy for the poor.

The programmatic initiatives are expected to permeate current and future programs and projects. According to the Administrator, the initiatives are not designed to redirect the portfolio of AID-funded activities per se. That is, there is no intent to reorganize Mission project portfolios specifically around these initiatives. There is logic to this position in that economic growth will be required in order to successfully make these initiatives operational. A minimum level of economic growth is a prerequisite for democratic decision-making, at least that associated with the distribution of resources in society. Concern for the environment and natural resource conservation is likely to occur only after reaching a threshold level of economic development. In rural areas, natural resource degradation problems are often interwoven with agricultural production systems. Capital accumulation through private sector initiatives among the poor will only occur after minimal levels of sustenance have been met.

II. PROGRAM AND BUDGETARY TRENDS

Data found in the Congressional Presentation for 1992 indicate that development assistance funds appropriated for the Agriculture, Rural Development, Nutrition (103) account decreased by over 12% between 1990 and 1991. This trend is merely a continuation of the same general trend of the previous decade.

The Congressional Presentation does not detail 1992 requests by functional accounts, so it cannot be determined whether a further decline is projected. Totals exclude projected programming in agriculture through the Development Fund for Africa (DFA). The total volume of Economic Support Funds (ESF) dedicated to development assistance is higher than that of Development Assistance (DA) Funds for 1990. The same is true for appropriated funding for 1991 and requested funding for 1992.

Over time more ESF dollars and fewer DA dollars are being allocated to agriculture. This has important implications for the agriculture portfolio in that ESF dollars have a more ambiguous link with conventional agricultural development projects. ESF funded projects often represent large cash transfers to finance

balance-of-payments and other general support in the context of structural adjustment programs.

They do not build the human capital in developing countries so that something is left behind as a result of the development project.*

Trends in funding can be assessed in greater detail by using a new activity code for budgeting and expenditure reporting which was initiated by the Agency in April, 1990. The Agency currently identifies funding for agriculture by using 16 categories of the activity code dealing with agriculture per se and with natural resources and infrastructure. In order to clarify trends in funding for agriculture as defined by these categories, they have been collapsed into four general categories as indicated below:

I. Technology Development

AGTD - Agricultural Technology Development & Diffusion
AGED - Agricultural Education

II. Planning/Policy

AGMP - Agricultural Management, Planning and Policy
AGLS - Agricultural Land Use and Settlement

III. Infrastructure/Services

INRE - Rural Electrification
INRD - Rural Roads
AGAB - Agribusiness
AGCR - Agricultural Credit
AGIR - Irrigation
AGMK - Agricultural Marketing
AGPM - Pest Management

IV. Natural Resources Management

NRFR - Forestry
NRMP - Environmental Management, Planning and Policy
NRLD - Agricultural Land Development
NRSL - Soils
NRWR - Water Resources Management

* Increasing, AID is also using funds from another non-traditional account - The Special Activities Initiative (SAI) - to support agriculture related projects.

Table 1 provides an overview of overall funding trends for agriculture. Assuming that core agriculture projects are represented by the categories that begin with AG, the data indicate that funding for agriculture from all accounts has remained more or less stable from 1989 to 1992 (less than 1% increase). However, funding from DA/DFA accounts has decreased by over 14% during this period. The data indicate that support from DA and DFA accounts for higher education and agricultural technology has decreased substantially. These accounts traditionally have supported core programs in these areas.

Trends in funding for the four general categories stated on the previous page for the period 1989-1992 are also depicted in Table 1 for the Agency generally, and for the DFA and DA accounts specifically. This breakdown allows for identification of changes in relative contributions of the traditional accounts (DFA, DA) and the new accounts (ESF, SAI).

Assuming that planned funding figures for 1991 and requested figures for 1992 will approximate real figures, data indicate that combined funding levels for agricultural projects from all accounts will increase from \$849 million to \$994 million between 1989 and 1992. Funding from DFA and DA accounts will remain stable, fluctuating within the range of \$500 to \$600 million.

There are significant variations in trends for general and specific categories. Total funding for Technology Development is projected to remain stable from 1989 to 1992. However, funding from the DA/DFA accounts is projected to decrease by over 28%. Total funding and funding from DA/DFA accounts is projected to increase for Policy and Planning. The same trends are evident for the Natural Resource Management category; however the increases are much more substantial. Overall funding is projected to increase by over 200% and funding from the DA/DFA accounts by 82%. These figures indicate that the Agency is giving clear priority to the natural resource management area. In 1989, funding allocated to this area represented 16.7 percent of the \$849 million allocated to agriculture. In 1992, it is projected to represent almost 30% of the \$996 million to be allocated to agriculture. The projected increase (23% to 37%) is equally significant for the DA/DFA accounts. Data suggest minor fluctuations in the Infrastructure/Service category, with a 7.4% decrease projected in overall funding and a projected increase of 1.4% in DA/DFA funding for this period.

Table 1: AID Funds for Agriculture by Budget Categories: 1989-1992

	<u>1989</u>		<u>1990</u>		<u>1991</u>		<u>1992</u>	
	<u>Agency</u>	<u>DA/DFA</u>	<u>Agency</u>	<u>DA/DFA</u>	<u>Agency</u>	<u>DA/DFA</u>	<u>Agency</u>	<u>DA/DFA</u>
Technology Development:								
AGED	41,648	36,965	24,793	23,743	21,767	17,707	23,300	17,250
<u>AGTD</u>	<u>138,983</u>	<u>135,371</u>	<u>127,403</u>	<u>123,678</u>	<u>160,005</u>	<u>109,465</u>	<u>159,695</u>	<u>106,135</u>
Total	180,631	172,336	152,196	147,421	181,772	127,172	182,995	123,385
Policy and Planning:								
AGLS	124,864	16,163	11,829	9,631	68,235	14,235	103,218	15,068
<u>AGMP</u>	<u>142,330</u>	<u>66,925</u>	<u>132,301</u>	<u>78,857</u>	<u>152,247</u>	<u>57,205</u>	<u>167,235</u>	<u>74,295</u>
Total	267,194	83,088	144,130	88,488	220,482	71,440	270,453	89,363
Infrastructure/Service:								
INRD	67,245	18,397	79,694	25,319	74,928	21,718	40,120	20,210
INRE	-----	-----	11,643	11,643	10,995	10,995	9,967	5,967
AGAB	35,319	30,985	46,735	42,144	52,315	40,060	82,534	54,219
AGMK	39,607	29,177	45,578	41,108	39,268	32,058	44,053	35,723
AGCR	44,207	26,099	35,608	33,108	24,830	19,020	23,133	16,097
AGPM	19,705	10,705	13,414	13,414	10,636	10,486	7,857	7,857
<u>AGIR</u>	<u>53,067</u>	<u>40,977</u>	<u>48,995</u>	<u>19,512</u>	<u>46,993</u>	<u>14,448</u>	<u>33,266</u>	<u>10,807</u>
Total	259,150	147,340	281,667	186,248	259,965	148,785	240,930	150,880
Natural Resource Management:								
NRLD	12,907	6,157	19,258	17,269	26,483	21,428	18,640	17,429
NRFR	42,357	39,437	74,145	37,438	88,661	38,267	91,659	44,166
NRMP	45,858	45,83	87,478	82,752	128,611	105,879	141,134	120,372
NRWR	28,202	16,368	43,390	24,123	40,435	18,687	36,429	22,426
<u>NRSL</u>	<u>12,836</u>	<u>11,771</u>	<u>12,847</u>	<u>12,847</u>	<u>14,043</u>	<u>14,043</u>	<u>13,791</u>	<u>13,791</u>
Total	142,160	119,566	237,118	174,429	298,233	198,304	301,653	218,184
TOTAL	849,135	522,330	815,111	596,586	960,452	545,701	996,031	581,812

Allocations of ESF/SAI funds to agriculture are projected to increase from 26.8% of total funding for agriculture in 1990 to 41.5% in 1992. One way to assess the changing character of the demand portfolio in agriculture is to verify which projects are associated with large ESF/SAI contributions to specific agricultural categories. For 1992, large differences are projected for several categories. Summary data about these large ESF/SAI funded projects, by code category, are presented in Table 2. Two categories for Honduras represent the same project.

**Table 2: Contribution of ESF/SAI Large Projects
To The Total Funding Provided for
Agricultural Assistance Project**

<u>Country (Project)</u>	<u>Category</u>	<u>Amount</u>	<u>% of Total</u>
LAC (Andean Narcotics Initiative)	AGLS	\$ 75.0 Mil	7.54
Egypt (Ag. Production Credit)	AGMP	54.0 Mil	5.43
Philippines (Nat. Resources Man.)	NRFR	40.0 Mil	4.02
Egypt (Nat. Ag. Research Program)	AGTD	28.0 Mil	2.82
Philippines (Agribus. Assis. Sys.)	AGMP	16.1 Mil	1.62
Panama (Nat. Resources Manage.)	NRFR	9.0 Mil	0.90
Honduras (Structural Adjustment)	AGLS	8.6 Mil	0.86
Honduras (Structural Adjustment)	AGMP	8.6 Mil	0.86
East Eur (Restruc. Ag & Agribus.)	AGTD	8.1 Mil	0.82
Total for Eight (8) Projects.....		\$247.4 Mil	24.87%

Data in the Table indicate that ESF contributions to agricultural components, as defined by the 16 categories, of eight projects is \$247.4 million or about 25% of the total portfolio. The eight projects represent about 60% of the total ESF dollars projected to be allocated to agriculture in 1992. As project titles suggest, with the exception of the Egyptian Agricultural Research Program, the funds will probably not be used for activities that are considered to be mainstream traditional agricultural development. Apparently, project objectives typically revolve around narcotic production controls and structural adjustments. The projects are likely to involve substantial cash transfers. This issue will be revisited in the next section when the distribution of ESF/SAI funds for agriculture projects by country/region is discussed.

III. PROGRAM ANALYSIS AND ISSUES

Back to Basics: Agricultural Development

The Schuh report identifies as a serious mistake the relative

de-emphasizing of agricultural development by both bilateral and multilateral development agencies. It notes that the world food problem is far from resolved. Rapid productivity increasing technologies for grains and cereals do not exist.

Given the projected continuation of high population growth rates, the world may experience another major food shortage in the not-too-distant future. In addition to lowering nutrition levels in humans, a shortage will impact negatively on economic growth, particularly in the developing countries.

This trend also ignores the important contributions which agricultural development makes to overall economic development, particularly in developing countries where agriculture remains the major engine of growth. Increased food production results in reduced food prices which benefit rural and urban poor more than others. Increased production results in more equitable resource distribution. Increased productivity also induces secondary development by enlarging the market for other goods and services and by making national industries more competitive in the international economy.

Balancing Development Activities

The Agency is currently giving high priority to getting policies in place which will make it possible for other development inputs to be effective. Appropriate policies are necessary; however, alone they are not sufficient. They will not generate development if improved technology, adequate infrastructure and human resources do not exist to improve productivity. This has caused the World Bank to move away from an emphasis on policy change to human resource development, technology generation and infrastructure development.

In agriculture, it is important to maintain agricultural research and extension systems which are capable of conducting maintenance research, adapting new varieties to local conditions, and disseminating new technologies to farm populations. Maintenance research is particularly important in that, while it may not lead to increased yields, it defends against blights and other disasters which may result in famine and starvation in developing countries. This requires attention to research and extension institutions, as well as to institutions that develop human resources. Development of the physical infrastructure is also essential for economic growth. Roads must be built and maintained in order for products to move to markets and labor to new job sites.

It is also important to maintain a balance between private and public sector investments. Most investments in physical infrastructure and human resources will need to be made in the public sector. Recent attempts to transform socialist economies to

free market economies place great emphasis on the importance of the private sector. However, it should not be forgotten that the private sector requires commensurate public sector investments in agriculture in order to be effective. Governments will need assistance in providing these inputs to agricultural development. Past investments in the public sector were problematic, not because they were public sector investments per se; but rather, it was because not enough attention was given to supporting private sector development and appropriate policy frameworks.

Furthermore, it should be remembered that small scale economies are limited in the extent to which they can absorb and gestate international private sector capital infusions of any magnitude, unless they are invested in plantation crops such as bananas, rubber, etc. Thus, one should not expect multinationals to invest in these countries.

Current Demand Profiles

The changing demand for inputs to AID's portfolio of agriculture projects is illustrated in Table 3. The Table contains summary data about several large ESF/SAI funded projects in seven countries and/or regions. The Agency proposes to allocate \$310.7 million which is 31% of all agricultural related investments, to just seven countries/regions and eleven projects. Except for several projects in Egypt and the Philippines, they are all oriented to restructuring the economy and/or to promoting alternatives to drug related crops. Much of this funding is for direct cash transfers, including \$54 million of the agricultural production credit project in Egypt. These funds were officially assigned to the agricultural policy category and probably include significant leveraging funds. The extent to which some of this funding is allocated to investments in science and technology, human capital development, and other basic investments in the agricultural sector is questionable.

The New Initiatives

The new initiatives represent a mandate to broaden AID's development assistance portfolio in several ways. First, the democracy initiative and the family and development initiative suggest that greater attention should be focused on political and social development. Second, the partnership for business and development suggests that greater attention be focused on working with the private sector. Third, the environment initiative represents an explicit recognition of the priority to be given to addressing environmental concerns, both global and local.

Despite the reassurances of Agency administrators, it is likely that these initiatives will have a major impact on the design of future agricultural programs and projects in the regional bureaus. Missions are currently reviewing how to adjust their

portfolios to better reflect the new initiatives. New projects that explicitly address democratic initiative goals, environmental issues, private sector development, and family needs are being formulated. If the purpose of the new initiatives is not to generate specific projects designed to address these goals, then it will be important to reaffirm this position with the regional bureaus and their missions.

Table 3: Programmatic Content of Large Projects

Country/ Region	Project	Proposed 1992 Allocation
ENE/Reg.	Restructuring Ag. & Agribusiness	\$15,000,000
	Restructuring Agriculture (USDA)	10,000,000
Egypt	Irrigation Management	19,000,000
	Nat. Ag. Research Program	5,000,000
	Agricul. Production Credit	60,000,000
Philippines	Agribusiness System Assistance	23,000,000
	Natural Resources Management	40,000,000
Bolivia	Alternative Development	11,970,000
Guatemala	Economic Stabilization	4,600,000
Honduras	Structural Adjustment Program	17,200,000
LAC/Andes	Andean Narcotics Initiative	75,000,000
TOTAL.....		\$310,770,000

The university community should give greater consideration to how these new emphases can be operationalized within existing and projected programs. The issue can be expressed in two ways. First, how can existing projects be altered in form to accommodate greater private sector involvement, broader participation, and/or the need to work with the family as a unit? Second, how can future projects be designed in ways which incorporate these considerations more completely? Similar consideration should be given to the management structure for these projects and to assessing project impact through systematic review and evaluation procedures.

Comparative Advantages

In comparing itself with other industrialized nation-states, the United States has comparative advantages in several areas of development assistance. These advantages are consistent with clear development priorities. The first is the U.S. comparative advantage among donors in agricultural research and development. Investments in Agricultural R&D are required to ensure that agricultural development grows fast enough in a sustainable environment to feed rapidly growing populations. In most nations these populations are increasingly found off the farm and in urban settings. Thus, increasing food production and reducing its costs is an important way to distribute benefits to the poor. This will require that the productivity of those that remain in agriculture increase at a sufficiently rapid rate to feed and clothe those who leave or already work outside of the agricultural sector.

The U.S. also holds a comparative advantage in human capital and institutional development. Higher education is one of the few products for which there is a major demand overseas, and the U.S.

has a proven track record in building institutions overseas. Human capital and viable institutions are essential for sustained economic growth and development. Neither requires large investments of capital. However, both require long-term commitment and patience. Therefore, in addition to the elaboration of new projects of this type, it will be important to sustain and nurture those which are currently underway or which have been recently completed in order to maximize their impacts.

Environment/Natural Resource - Production Agriculture Overlap

The environment and natural resource conservation and management are currently being given considerable attention by the U.S. Congress and by development assistance agencies, including AID. Concerns about global warming, natural resource degradation and biological diversity and their impact on the ability of planet Earth to sustain an ever larger human population are being articulated by the citizenry of western industrialized countries. The number of new assistance projects and the volume of money directed to addressing these concerns in the Third World have increased markedly in recent years.

It is important not to lose sight of the fact that agricultural production initiatives often underpin environmental initiatives. It is not possible to address problems of deforestation and soil erosion in the tropics without considering the farmers who are cultivating the marginally productive hillsides to sustain themselves and their families. Effective watershed management projects require that production systems be altered, not eliminated. Most of these subsistence farmers have no alternative but to continue farming the land.

In dealing with these problems, it is important to identify ways in which to merge the resources and capabilities of PVOs and other NGOs, including U.S. universities. U.S. land grant universities have a comparative advantage in providing agricultural expertise to environmental initiatives. They can and should be making a substantial contribution to the design and implementation of environmental and natural resource conservation and management projects.

Matching University Resources with Agency Needs

The Center for University Cooperation in Development was recently inaugurated. Its role is to support the BIFADEC and the Agency's partnership with U.S. universities under an expanded mandate and broader base of university cooperation. This will require an increase in the resources allocated to the Center, both human and financial. The Center has recently elaborated a program outline which includes a discussion of services to be provided and long term program initiatives.

The Center is envisioned as the primary representative of the university community in the Agency. Initiatives which it is contemplating include; sustaining the progress of LDC universities,

interchange of Agency and university resources, more effective use of university resources by AID, promoting the internationalization of U.S. universities, and strengthening the commitment of universities to development. In addition, the Center should give attention to maintaining current university support programs, such as the University MOUs and accompanying Program Support Grants and the HBCUs research grant program. Sufficient resources should be allocated to the Center to maintain these programs as well as to develop programs to carry out new initiatives.

IV. RECOMMENDATIONS

- (1) Based on the major conclusions and recommendations of the Schuh Task Force Report and what is occurring in the Agency, BIFADEC should strongly encourage the Agency to Increase the level of funding for agriculture in the Agency portfolio.
- (2) We recommend that the Agency give due attention to the need for more balance among the four categories of agricultural activity which were analyzed in Section II of the Report. Specifically, we recommend that relatively greater attention be given to technology development.
- (3) We recommend that greater recognition be given to the inter-relationship production agriculture and environmental and natural resource conservation programs. It is particularly important that this link be explored systematically and incorporate into the design of projects, be they primarily agricultural, or primarily environmental or directed to natural resource conservation.
- (4) We recommend that greater recognition be given to the importance of the link between food and nutrition areas and programs related to health and child survival. Ultimately, the survival of children and the health of Third World populations depend on adequate and nutritious diets. These, in turn, depend on adequate supplies of affordable foods.
- (5) We recommend that the BIFADEC articulate a general university concern to the Administrator that the Agency's new initiatives may be taken to reflect program and project initiatives rather than general guidance about special concerns that should be reflected in projects and programs. The Board should explicitly request the Administrator to clarify this point with missions through additional guidance.
- (6) We recommend that the Agency revisit comparative advantage issues. Funding for large infrastructure projects and other capital intensive activities are

readily available in international capital markets for those companies that have their internal economy in order. For the others, large infrastructure investments won't have a high payoff. The Agency should be discouraged from transferring large quantities of capital as inducements to LDCs to get their policies in order, when it is clearly in their best interests to do so without AID inputs. Other donors have more capital to provide to LDCs than does AID. The comparative advantage of the U.S. in development assistance is in human resource development, and science and technology generation and transfer. BIFADEC and AID should specifically support enhanced cooperation among donors addressing common problems, and to ensure that an appropriate division of labor among them be established in the LDCs. These areas should receive greater priority in the Agency's programming process.

(7) The Agency should increase its support for the University Center for Cooperation in Development. This funding should be used to maintain current university support grant programs and to develop new programs consistent with the goals of the Center. We recommend that the Agency allocate \$30,000,000 to the Center for fiscal year 1993 for these purposes.

a. We recommend that several programmatic activities which are, or will be, administered by the Center be funded at the following levels for FY-93:

• Linkage Grants	\$ 5,000,000
• Program Support Grants	5,000,000
• HBCU Research Grants	2,000,000

b. We recommend that the Center staff determine how to best program the additional \$18,000,000 taking into account its program priorities and recommendations of the Center Task Force.

(8) International research for sustaining agriculture is very important to AID's development assistance programs. BIFAD supports its various components essential for agricultural and economic development. AID's Collaborative Research Support Programs have demonstrated to be highly effective in producing and disseminating new technology, coordinating with the International Agricultural Research Centers, also important in the international research network, and collaborating with participating country research institutions, end users of the new technology. It is important that the momentum of existing CRSPs be adequately maintained in this international network.

- a. We recommend that an additional \$3,000,000 be allocated to existing CRSPs. In addition, we recommend that \$5,000,000 of new funding be allocated to the new Sustainable Agriculture CRSP to facilitate resource conservation and management linkages with existing CRSPs. At least \$1,000,000 of this amount should be allocated to the planning phase of the CRSP.

- b. We also recommend that \$10,000,000 of FY-93 funds be allocated to new and/or revised CRSPs and CRSP-like research programs which are being developed by the S&T Office of Agriculture. The new CRSPs include Integrated Pest Management and Horticulture and the revised CRSP would be in nutrition. The new CRSP-like program will be in Post-Harvest Technologies.