

PD AAB-547-B1

Proj. 598-13-190
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re

LA/OPNS, Mr. Shepard J. Hollander

APR 20 1971

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/S/ Herman L. Myers
LA/OPNS, Herman L. Myers

Agricultural Sector Support PROP

On April 19 I chaired a PROP review on the Agricultural Sector Support Project. Representatives of the Regional (LA/DR) and Program (LA/DP) Offices were present.

The project has been approved through FY 1972 with the following conditions:

1. LA/DR will amend the PROP based on experience gained in the intervening period in Colombia and Brazil. Specific 1975 end-of-project status (EOPS) and intermediate (1972-1974) indicators will be given. Thus, if the purpose of the project continues to be the determination of optimum combinations of production technology for particular commodities in particular countries, the end-of-project status (EOPS) could be operational models in the form of input-output tables for Colombia, Brazil and four other countries. The outputs would be the collected and retired data needed for the tables. The inputs would be technicians and costs of other services to collect and analyze the data.
2. Indication of liaison with and coordination of collection, analyses and computerization of agricultural production, employment, and other data by the IBRD, IDB, FAO, other multilateral agencies, and the USDA.
3. Examination of the role of host country in planning and the decision-making process as it affects the usefulness of the model (this would examine the assumptions of host government actions and cooperation which might prove strategic to the changes which might be suggested by the analyses).

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Mr. Sleeper has agreed that except for costs of continuing the PASA 1972 funds in PIO/T would not be available until the revised PROP has been approved.

cc: LA/DR:LSleeper
LA/DP:RDelaney
OPNS Files

LA/OPNS:HLMyers:jb:4/28/71

598-13-190-546

NONCAPITAL PROJECT PAPER (PROP)

Regional

Project No. _____

Submission Date _____

Original _____

Project Title: Agricultural Sector Support

U.S. Obligation Span: FY 71 through FY 75

Physical Implementation Span: FY 71 through FY 75

Gross life-of-project financial requirements

U.S. Dollars ----- \$704,000

SUMMARY DESCRIPTION

Increasing concern with the functioning of their entire agricultural and educational systems on the part of Latin American countries has led to the growing importance of the sector loan as a vehicle for A.I.D. lending. As a result, new demands of a conceptual nature have been placed on the Latin American countries and on A.I.D. The kinds of analysis typically used to aid decision-making for program loans and project loans are not adequate for sector programs, and for this reason efforts have been made to create a new analytical framework for decision-making regarding sector loans. In 1970 the Latin American Bureau created the Sector Analysis and Strategy Staff to focus its attention on sector analysis in agriculture and education. This staff has prepared Interim Guidelines for the Preparation of a Sector Analysis, Sector Strategy, and Sector Loan in education, approved by the Bureau, distributed to the missions, and discussed at a workshop in Washington. It is now preparing similar guidelines for agriculture and has begun sector analyses of selected countries.

The targets to which this Agricultural Sector Support Project addresses itself are central to the problems of resource allocation in agriculture, and to A.I.D. involvement in Latin American lending in this area. They are:

- (1) The development and refinement of the sector analysis and strategy methodology, with the assistance of selected Latin American institutions;
- (2) The publication of country reports containing data for agricultural sector analysis and strategy, and for evaluation of progress;
- (3) Experimentation with specific agricultural technologies designed to adjust production processes to the economic, natural, and human resource endowments of individual countries, with particular attention to labor-surplus economics.

SETTING OR ENVIRONMENT

There is increasing concern with the stagnant nature of the agriculture sector and with consequent present and future implications for economic, social, and political development. The present state of agriculture, although improving slowly, tends to inhibit economic progress, to frustrate the improvement of rural life and to encourage urban migration. This is especially serious since over 65% of Latin American population is in the rural areas. During the past decade agricultural production increased at an average annual rate of 2.9%. However, since population increased at the same rate, per capita production has remained static.

Reliable data on rural income is sketchy, but it appears that rural incomes are significantly lower than those of the urban areas and that they have failed to increase proportionately with rises in GNP. These factors have led to unsatisfactory progress toward the attainment of acceptable quality of life for the mass of Latin America's farm population.

Many national and foreign assistance efforts in the past to improve agriculture were directed primarily toward the transfer of the techniques of production of the developed nations. In many cases these techniques

resulted in increased yields, but due to such factors as unreliable markets, expensive inputs, limited credit, low farm prices, and distortions between capital and labor intensities, expected benefits of improvements in overall agricultural production and increased profitability did not occur.

The major demands on the rural sector in Latin America are: (1) to provide higher levels of agricultural production; (2) to provide jobs for rapidly increasing rural populations; and (3) to facilitate more equitable distribution of income. However, both public and private resources to meet these demands are limited. An improved focus is required if significant agricultural progress is to be obtained within constraints such as employment, land tenure, demand and supply relationships, marketing, credit, capital, physical inputs, technology and institutional structures.

Just as in the case of the education sector, some general deficiencies, such as the following, are felt to have inhibited past national and foreign efforts to improve agriculture systems: (1) inadequate prior analyses; (2) piecemeal approaches; (3) imprecise strategies in terms of goals, output and input targets, and coherent packages of actions consistent with problem and constraint analyses, resource allocations and policy aims; (4) uncritical reliance on traditional approaches and solutions; and (5) lack of procedures for timely and periodic assessment of progress and problems and for a consequent refinement of analyses, plans, policies, resource allocations and operational activities.

The Latin American Bureau is attempting to eliminate these past deficiencies, using an approach to agricultural development which is in accordance with the mature relationship between the U.S. and Latin America and is aiming at assisting these countries in improving their analytical and decision-making processes from the national level to the farm level. The sectoral approach utilizes an analytical framework which allows the entire agricultural sector to be viewed at once so that large numbers of variables such as social, economic, technical, administrative, political, and attitudinal elements and their interactions can receive appropriate attention.

Particular consideration is given to the following elements in attempting to carry out more effective agricultural development programs: (1) detailed and systematic analyses of constraints and alternative implications of varying combinations of investment levels, capital-labor mixes, production mixes, technology levels, pricing policy and others on production, employment, and income distribution; (2) layout of comprehensive and quantitative sector strategies, goals, targets and actions; (3) cyclical processes of analysis, planning, implementation, evaluation and refinement; (4) improvements in the major management functions of data collection, manipulation, analysis, monitoring of progress and evaluation of efficiency; and (5) focusing capital and technical assistance available from the host country and from all major foreign assistance groups under the same sector strategy.

The Latin American Bureau, acutely aware of these issues as they relate to A.I.D. decision-making, established in 1970 a Sector Analysis and Strategy Staff, to focus its energies and abilities on the refinement of the sector analysis methodology and the application of sector analysis in agriculture and education. The implementation of these applications will bring new techniques and procedures to bear on problems, and will provide the necessary

feedback mechanism for continuous refinement of the analytical framework and the decision-making process, thereby seeking to increase the effectivity and productivity of USG assistance in Latin America. In addition, this approach will aid in the rationalization of information needs and will thereby simplify the process of deciding what data are needed from which to obtain that information.

Of particular relevance to the effective refinement and application of sector analysis and strategy methods are existing centers of competence in Latin American countries with excellent resources in terms of technical and analytical skills. The collaboration and assistance of such institutions and the utilization of their analytical skills will result in more rapid refinement of the sector approach methodology, and will help increase the analytical capabilities of institutions which can function as regional resources.

Finally, the application of analysis on a sector-wide basis will provide information and identify basic problems the solution of which will call for research and experimentation in specific agricultural technologies designed to adjust production processes to the economic, natural, and human resource endowments characteristic of various Latin American countries, with particular attention to labor-surplus economies.

STRATEGY

In broad terms, the strategy of this agricultural sector support project aims at the refinement of the sector approach methodology, the development of regional sector analysis capabilities, experimentation with alternative agricultural technologies, and the provision of appropriate data and linkages among these activities.

By entering into a mature professional relationship with selected Latin American institutions, A.I.D./W can help to strengthen its sector analysis methodology and thus place itself in a better position to assist the missions in internalizing it. The establishment of these relationships should accelerate the refinement of the sector analysis methodology, strengthen regional sector analysis and strategy capabilities, and provide a multiplier effect for the involvement of Latin Americans in sector planning and analysis. Specific tasks assigned to Latin American centers by the Sector Analysis and Strategy Staff, in particular the collection and tabulation of data for analysis, will also aid in the refinement of the sector analysis methodology.

The objective of such data collection is to complete obvious gaps in the existing information base for agricultural sector analysis. Because of the comprehensive nature of sector analysis, data requirements tend to be large, and special resources need to be set aside to allow for the systematic gathering of such information. In the agricultural sector this information would be published on a country-by-country basis.

The sector approach methodology, by focusing on the problem of providing the decision-maker with the minimum amount of information which will allow him to make correct decisions, identifies exactly those data required to provide that information. The publication of these data in time series form, in a single volume for each country, will simplify the task of future analysis and the task of evaluation of progress.

Research and experimentation in agriculture at the genetic level has resulted in breakthroughs which have opened new vistas for development--"The Green Revolution." The basic underlying theme of this research has been to adapt agricultural resources to the constraints of climate and natural resource endowments in developing countries. The analogous problem of adapting technological processes to the economic and human resource endowments of individual countries has, however, received inadequate attention. A basic strategy for this project is to support the beginnings of experimentation with altered agricultural technologies which will adjust production processes in individual countries to the above-mentioned constraints, with particular attention to labor-surplus economies. Regional research-experimentation on the human factor and its interface with plant and animal production systems would be a complement to the important genetic and production systems-animal nutrition research being conducted at CIMMYT and CIAT. Perhaps the most important production resource, grossly underutilized in Latin America, is the large and increasing pool of unemployed rural workers. This activity would concern itself with the engineering-technological aspects of more adequately using this resource.

Three kinds of contracts will be signed with Latin American institutions:

- (1) Contracts with foundations or centers of excellence performing high-level social science research to collaborate in the refinement of the sector approach methodology, and to assist the Sector Analysis and Strategy Staff in carrying out specific sector analysis assignments;
- (2) Contracts with centers specializing in statistical collection and reporting to prepare agricultural data and reports for sector analysis and strategy;
- (3) Contracts with agricultural research centers or experimental farms to carry out appropriate farm technology experiments as requested by A.I.D./W and the appropriate social science research center.

PLANNED TARGETS, RESULTS, AND OUTPUTS

(1) Publication of country reports containing the statistical time series needed for agricultural sector analyses and evaluation of progress. The first stage of this effort will be published reports for two countries, Colombia (November 71) and Brazil (December 72). Contracts will be signed with Latin American institutions for the collection and tabulation of data. Reports for other Latin American countries will be published throughout the duration of the project, with up to eight countries being covered during the project.

(2) In latter FY 71 at least one contract with selected Latin American institutions will be arranged for specific assignments in support of the

Sector Analysis and Strategy Staff's country sector analyses, beginning with Colombia and Brazil, and later including up to six other countries.

(3) In latter FY 72 a contract will be let for the beginnings of experimentation with specific agricultural technologies designed to adjust production processes to the economic and human resource endowments of individual countries. Of particular interest here are technological innovations which utilize labor in the most effective way.

The project will thus result in the refinement of the sector analysis methodology through specific sector analyses in selected countries. A major output will be publication of reports containing data for sector analyses. And finally, experimentation with agricultural technologies designed specifically for better utilization of Latin American human resources will be underway by FY 73.

COURSE OF ACTION

1. During FY 72 contracts will be negotiated for the collection, tabulation and publication of the microeconomic and macroeconomic data necessary for the completion of an analysis of the Colombian agricultural sector, and for portions of the data needed for an agricultural sector analysis of Brazil. The remaining Brazilian data will be contracted for during FY 72. The collection and tabulation of similar data for agricultural sector analyses in up to six other countries will be contracted for between late FY 72 and the end of this project.

Costs:	FY 71	Technicians	\$ 0	Other	\$ 0	Total	\$ 0
	FY 72	Technicians	10	Other	15	Total	25
	FY 73	Technicians	40	Other	30	Total	70
	FY 74	Technicians	35	Other	20	Total	55
	FY 75	Technicians	<u>14</u>	Other	<u>6</u>	Total	<u>20</u>
	Totals		\$99		\$71		\$170

2. As part of its ongoing program of producing country sector analyses and refining methodology, the Sector Analysis and Strategy Staff will contract during FY 71 and FY 72 for assistance with elements of its sector analysis efforts in Colombia and Brazil. Sector Analyses for up to six other countries are planned during the period between late FY 72 and the end of this project, and contracts will be made for assistance with these analyses during that period.

Costs:	FY 71	Technicians	\$13,700	Other	\$36,300	Total	\$ 50,000
	FY 72	Technicians	43,000	Other	17,000	Total	60,000
	FY 73	Technicians	87,000	Other	67,000	Total	154,000
	FY 74	Technicians	75,000	Other	60,000	Total	135,000
	FY 75	Technicians	50,000	Other	25,000	Total	<u>75,000</u>
	Totals						\$474,000

3. During FY 71 and FY 72 the Sector Analysis and Strategy Staff will proceed to identify an appropriate institution or institutions for experimentation with agricultural technologies designed to optimize utilization of land and labor, leading to contracts in the latter part of FY 72 and in FY 73 and FY 74.

Costs:	FY 71	Technicians	\$ 0	Other	\$ 0	Total	\$ 0
	FY 72	Technicians	16	Other	9	Total	25
	FY 73	Technicians	15	Other	5	Total	20
	FY 74	Technicians	11	Other	4	Total	15
	FY 75	Technicians	0	Other	0	Total	0
							<u>\$60,000</u>

All Costs: Fiscal Year Totals

FY 71	\$ 50,000
FY 72	110,000
FY 73	244,000
FY '74	205,000
FY 75	95,000
	<u>\$704,000</u>