



Strategic Guidelines
for Programming
Assistance

*Agriculture
Development*



*Natural Resource
Management:*
Latin America
and the
Caribbean

Bureau for Latin
America and the
Caribbean

U.S. Agency for
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TABLE OF CONTENTS

Foreword	
I. Introduction	1
II. Agriculture and Natural Resource Management	2
III. Program Actions to Achieve Objectives	4
A. Objective 1: Policy Reform	4
B. Objective 2: Private Sector Response	6
C. Objective 3: Participation of the Disadvantaged	8
D. Objective 4: Natural Resource Management	9
IV. Resources	11

FOREWORD

The enclosed document, "Strategic Guidelines for Programming Assistance for Agricultural Development and Natural Resource Management: Latin America and the Caribbean," is the outgrowth of a lengthy consensus-building exercise within A.I.D.'s Bureau for Latin America and the Caribbean. It reflects the thinking of senior agricultural and environmental officers, both in Washington and in the Bureau's field missions. It also incorporates the insights and suggestions of external experts. The guidelines, although focused on the problems and opportunities of Latin America and the Caribbean, are consistent with overall Agency policy for assisting in agricultural development and sustainable natural resource management throughout the world.

The objective of the strategic guidelines is to provide a solid technical foundation for the Agency's allocation of resources for agriculture and natural resource management in Latin America and the Caribbean for the rest of the decade. Thus, the guidelines are released at this time in the anticipation that they can play a constructive role in the continuing formulation of Agency policy to contribute to broadly based, sustainable economic growth in the region.

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STRATEGIC GUIDELINES FOR PROGRAMMING ASSISTANCE FOR AGRICULTURAL DEVELOPMENT AND NATURAL RESOURCE MANAGEMENT

Latin America and the Caribbean

I. Introduction

Latin America and the Caribbean comprise a region in the throes of change. Throughout the hemisphere, governments are looking more and more to market forces and to free and open international trade. To reinforce and deepen these changes, the United States has launched the Enterprise for the Americas Initiative to foster increased trade and investment and reduce the burden of debt. For its part, the Agency for International Development (A.I.D.) has reassessed both the region's needs and its own special strengths, and sharpened the focus of its programs to play a constructive, directly complementary role.

A.I.D. has set three overarching objectives for its assistance to Latin America and the Caribbean. They are to:

- ◆ Support achievement of broadly based, sustainable economic growth;
- ◆ Support the evolution of stable, participatory democratic societies; and
- ◆ Respond to specific challenges to the attainment of broadly based, sustainable economic growth, and the evolution of stable, participatory democratic societies.

These strategic objectives are the fundamental criteria that guide the Agency's Bureau for Latin America and the Caribbean (LAC) in allocating the resources at its disposal. They are also the measure against which the Bureau's programs in agriculture and natural resource management, education, health, and other sectors are now judged. Presented here are the guidelines that shape the Agency's allocation of resources for agriculture and natural resource management in the region.

A.I.D.'s programs in agriculture and natural resource management in Latin America and the Caribbean flow primarily, though not exclusively, from the Agency's concern for broadly based, sustainable economic growth. Specifically, they derive from, and directly support, the four sub-objectives the Agency has set for itself to meet this first strategic objective in the LAC region. These four **objectives**, which furnish an overall organizational structure for these strategic guidelines, are to:

- ◆ Encourage the adoption of and continued adherence to outward-oriented economic policies that promote investment, productive employment, and diversification;
- ◆ Encourage a vigorous response by the private sector to a more favorable policy environment;

- ◆ Encourage accelerated opportunities for increased participation in the economy by the disadvantaged; and
- ◆ Encourage preservation and sustainable use of the natural resource base.

These strategic guidelines for programming assistance in agriculture and natural resource management are the outgrowth of a lengthy consensus-building exercise among the LAC Bureau's Washington office and its field missions. The guidelines describe in general terms the **program actions** that the Bureau proposes to take through its missions to respond to future challenges in these fields. This document is intended both for A.I.D.'s internal use and as a reference for host country governments, other donors, private voluntary agencies, contractors, and the general public. For ease of reference, the strategic guidelines are summarized in the figure on the following page.

II. Agriculture and Natural Resource Management in Development

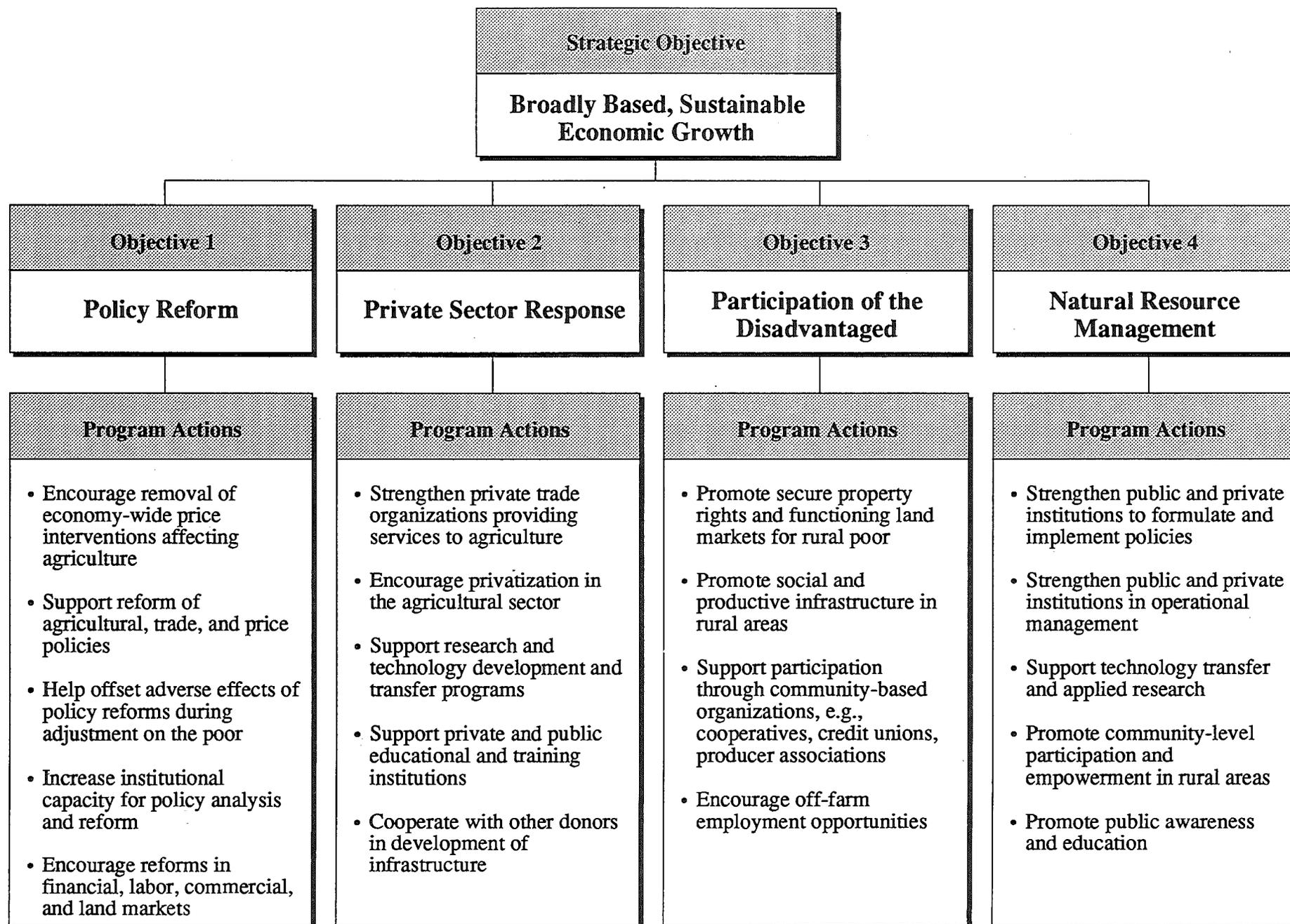
In most countries in Latin America and the Caribbean, development of agriculture is indispensable for the creation of sustained economic growth, and the challenges of natural resource management will loom large for the foreseeable future.

In roughly two thirds of the countries in which A.I.D. provides development assistance in Latin America and the Caribbean, agriculture ranks as a major contributor to Gross Domestic Product, generates more than a third of foreign exchange earnings, and is the principal source of jobs for the work force. Although the contribution of agriculture as a share of the economy can be expected to decline as development continues over time, the sector can still be important for broadly based, sustainable growth. As the 1991 Special Task Force on Development Assistance and Cooperation expressed it in its report, "The U.S. Interest in International Development,"

Agriculture is important not just because it employs a large percentage of the population in many developing countries or because of the share of GNP it represents. Agriculture is important because everybody eats food. The modernization of agriculture and the consequent reductions in real food prices distribute benefits broadly, and in favor of low-income groups. A vibrant agricultural sector induces secondary development, makes domestic industry more competitive in the international economy, and generates broad employment effects.

Successful agricultural development will involve sustainability, which in turn will require a balance between enhancement of the productivity of the natural resource base -- soil, water, vegetative cover, and marine resources -- and protection of the environment. The concerns and challenges are many. They include: intensification of production on good lands without the deleterious effects often associated with improperly managed high-input agriculture; prudent management of fragile and increasingly marginal lands; sustainable management of natural forests; integration of trees and woody species into household production and resource conservation systems; and, in some instances, protection of areas from economic exploitation. In sum, an approach is required in which ecology and economics are brought

Strategic Guidelines for Programming Assistance for Agricultural Development and Natural Resource Management



together and in which the tensions between production and protection, between short-term gains and long-term sustainability, and between personal profit and social welfare are taken explicitly into account.

III. Program Actions to Achieve Objectives

This section, which is the heart of the strategic guidelines, presents a broad menu of program actions that will contribute to the four objectives that A.I.D. has established to support its strategic objective of contributing to broadly based, sustainable economic growth in the LAC region. The menu is inclusive in the sense that it lays out the kinds of actions from which A.I.D. field missions, taking into account the special needs and conditions of the countries in which they are working, may wish to choose in designing agricultural and natural resource management programs. It is also exclusive in two senses: first, in that the process of developing the strategic guidelines has winnowed out agricultural and natural resource management program actions of relatively lower potential and priority; and, second, in that the guidelines do not include program actions pertaining to other sectors.

The exclusion of other sectoral program actions does not mean that they have no bearing on agricultural development and effective natural resource management. For example, basic education and population programs are normally carried out separately from agricultural development and natural resource management programs, but they are often critical to their success.

The remainder of this section is divided into four parts. The four parts -- Policy Reform, Private Sector Response, Participation of the Disadvantaged, and Natural Resource Management -- correspond to the objectives discussed above. Each part consists of a statement of the objective in question, the program actions pertaining to it, and illustrations of specific ways in which A.I.D. can provide support.

The organization of the guidelines by the four objectives is no more than a conceptual tool. In practice, there is considerable overlap both among program actions and among the objectives to which they can contribute. For example, private sector advocacy of policy change is often instrumental in the success of other natural resource management program actions. The same is true of security of land tenure for forest dwellers. In a similar vein, the presence of a legal infrastructure for property ownership not only can benefit the rural disadvantaged but also can act as an incentive for productive investment, which in turn can trigger a strong private sector supply response.

A. Objective 1: Policy Reform

Cumulative development experience in Latin America and the Caribbean and in other regions of the world points up the importance of appropriate policies, broadly defined, as essential for sustained macroeconomic and sectoral growth. Accordingly, A.I.D. attaches highest priority to the formulation, implementation, and maintenance of policies, laws, regulations, and institutions conducive to growth as the core of its agriculture and natural resource management strategic guidelines.

During most of the past two decades, policy frameworks in most countries of the region have adversely affected agricultural prices, production, investment, trade, and incomes. Although policies have become more accommodating in the past five years, much remains to be done to continue to stimulate and reinforce vigorous and sustainable growth in agricultural production throughout the region.

OBJECTIVE 1

To encourage the adoption of and continued adherence to outward-oriented economic policies that promote investment, productive employment, and diversification

PROGRAM ACTIONS

- ◆ **Encourage removal of economy-wide price interventions that discourage sustained agricultural growth and effective use of natural resources;**
- ◆ **Support reform of agricultural, trade, and price policies to provide a level playing field for sustainable agriculture;**
- ◆ **Develop effective schemes to offset immediate adverse effects of policy reforms on consumers, producers, and the government;**
- ◆ **Increase institutional capacity to conduct policy analysis and to design and implement policy reform in agriculture and natural resources; and**
- ◆ **Encourage complementary reforms in financial, labor, commercial, and land markets related to the agricultural sector.**

A.I.D.'s role in policy reform is to encourage, support, and cooperate with host country governments to bring about and maintain in force policy changes conducive to broadly based, sustainable economic growth. In practice, A.I.D. support can take many forms. Illustrative activities include:

- ◆ **Dialogue on the importance to agriculture of open, market-oriented economies with market-determined exchange rates and sound fiscal and monetary policies;**
- ◆ **Technical assistance to facilitate removal of quantitative restrictions on food, agricultural, and related products, to eliminate agricultural price controls, and to introduce uniform and minimal rates of tariff protection across all sectors;**

- ◆ Research and analysis leading to sound policy formulation affecting the agricultural sector, together with development of technical skills and institutional arrangements for conducting policy analysis in the future;
- ◆ Technical assistance to strengthen or set up institutions to promote open access to and rational use of the land base -- for example, land registries, cadasters, property law and the associated judicial system, and land finance institutions;
- ◆ Design of effective compensatory schemes -- targeted food programs for vulnerable households, domestic price stabilization programs, for example -- to alleviate the burden of structural adjustment and related policy reforms on the poor; and
- ◆ Technical assistance in the reform of rural financial markets, including maintenance of positive real interest rates and the design of policies and regulations that encourage both formal and informal institutions to mobilize capital and address rural clients' credit needs.

B. Objective 2: Private Sector Response

In the final analysis, agricultural development is the job not of government, but of private producers. Government plays an indispensable role in creating a policy environment conducive to growth, but it is the private sector that makes the critical decisions about where and how much to invest and what actually to produce.

A buoyant private sector needs government to articulate public policy, to provide a legal and regulatory framework for resource management, finance, commerce, health, safety, and protection of property, to enact and enforce this framework, and to provide and maintain basic infrastructure and other public goods. To the private sector falls the task of production, as well as input supply, marketing, and other support services. In principle, A.I.D. will support private sector initiative whenever that is suitable and possible, especially through private trade associations, cooperatives, and commodity groups.

Occasionally, the distinction between what falls appropriately to the public and private sectors is not clear-cut. This is especially true in the generation and diffusion of technology, which are essential to restore the productivity and competitive edge that many countries have lost over the past twenty years. In such cases, A.I.D. will support the development of divisions of labor between public and private sector institutions that respond effectively, and sustainably, to individual country conditions and needs.

As in the case of policy reform, A.I.D. can encourage a vigorous response by private producers in a variety of ways, including, for example:

- ◆ Organizational assistance to strengthen or, if necessary, start up national or regional trade and service associations targeted to growth in agricultural products, including non-traditional agricultural exports;

OBJECTIVE 2

To encourage a vigorous response by the private sector to a more favorable policy environment

PROGRAM ACTIONS

- ◆ **Strengthen private sector trade organizations that provide services to the agricultural sector, such as export promotion, marketing, marketing information, technical assistance, quality control, research, environmentally sound pest management, and technology transfer;**
- ◆ **Encourage privatization in the agricultural sector through transfer of selected productive public sector assets and functions to the private sector;**
- ◆ **Support research and technology development and transfer programs that will increase agricultural productivity, involving selected private and public sector institutions;**
- ◆ **Support and strengthen selected private and public institutions that provide quality education and training in agriculture and natural resources; and**
- ◆ **Catalyze and cooperate with other donors to develop infrastructure supportive of agricultural development and consistent with natural resource conservation.**

- ◆ **Developing programs to privatize public input-supply and commodity-marketing organizations, agroprocessing facilities, and financial institutions;**
- ◆ **Technical and management assistance to strengthen or, if necessary, start up national or regional institutions and programs that facilitate efficient markets in agriculture -- for example, market information services, and development, maintenance, and enforcement of product quality and phytosanitary/zoosanitary standards;**
- ◆ **Developing design options to establish sustainable institutional arrangements for generation, dissemination, and training in production and post-harvest-handling technology;**
- ◆ **Feasibility studies to guide investment of scarce resources in transport and communications infrastructure constraining the agricultural sector; and**

- ◆ Training and technical assistance to strengthen national or regional educational institutions in the transfer of applied technical and managerial skills in agricultural production, marketing, and processing, and in natural resource management.

C. Objective 3: Participation of the Disadvantaged

A.I.D. has a long-standing commitment to support broadened participation in the economy by disadvantaged groups. Such groups include small farmers, rural landless people, indigenous ethnic populations, and women. A.I.D. is committed to growth, but to growth with equity.

Many of the actions that contribute to increased economic participation by the disadvantaged also contribute to the LAC Bureau's strategic objective to support the evolution of stable, participatory democratic societies. For example, land registry reform and land information management, titling, and taxation projects can be instrumental in professionalizing governmental institutions. Formalizing tenure relationships facilitates the rule of law and the administration of justice. The development of community-based organizations for management of fragile lands not only benefits members in a narrow sense, but also inculcates acceptance of democratic decision-making more generally. Finally, support for land market liberalization may promote political stability in countries where lack of access to good agricultural land has traditionally been a cause of social unrest.

<p>OBJECTIVE 3</p> <p>To encourage accelerated opportunities for increased participation in the economy by the disadvantaged</p>
<p>PROGRAM ACTIONS</p> <ul style="list-style-type: none"> ◆ Promote secure property rights and a functioning land market; ◆ Promote basic social and productive infrastructure in rural areas, such as potable water, farm-to-market roads, and electricity, by working with host governments to mobilize and to reallocate resources; ◆ Support participation of the disadvantaged through community-based organizations, such as cooperatives, producer associations, and credit unions; and ◆ Encourage development of off-farm employment opportunities.

Ways in which A.I.D. can support heightened economic participation by the disadvantaged include:

- ◆ Developing options to set up reliable, low-cost rural land registration and titling systems, together with the design of mechanisms to finance land transactions;
- ◆ Dialogue in support of self-determination for agrarian reform beneficiaries, and technical assistance to strengthen the institutions, laws, and regulations that convey secure property rights both to them and to all rural people;
- ◆ Developing workable mechanisms to involve the disadvantaged -- indigenous people and women, in particular -- as active participants in the development and implementation of natural forest management initiatives;
- ◆ Identifying, designing, and mobilizing resources for employment-generation programs that build or maintain infrastructure -- irrigation canals, farm-to-market roads, for example -- in support of agricultural production;
- ◆ Identify opportunities for investments by both the public and private sectors in rural areas -- agroprocessing plants, rural access roads, for example -- that tie rural households into broader markets in which they can amplify their sources of economic livelihood beyond agriculture; and
- ◆ Training and organizational assistance to strengthen the capacity of cooperatives, producer associations, and credit unions to provide services effectively to their members.

D. Objective 4: Natural Resource Management

Although natural resource management is treated here as a separate objective, it is, in fact, the foundation on which sustainable agricultural development is built. Successful agricultural development will be sustainable agricultural development, which, in turn, will entail respect for and protection of the natural resource base.

A number of program actions discussed above can be expected to contribute to effective natural resource management. Increasing security of land tenure for rural households, for instance, carries with it incentives not only for treating land responsibly but also for investing in it as a sustainable resource.

Ways in which A.I.D. can support sustainable natural resource management include:

- ◆ Training and technical assistance to develop institutional capacity to plan for the sustainable management of and to regulate and protect forests, watersheds, coastal zones, and other natural resources;
- ◆ Technical assistance to enable non-governmental organizations to conduct analysis, to sponsor informed public debate, and to lobby constructively for policy reforms

dealing with the definition of the state's and local communities' rights and responsibilities in regulating, managing, and benefiting from public lands in ways that are environmentally and economically sustainable;

- ◆ Technical assistance in the development and application of appropriate economic valuation and environmental impact assessment methodologies in the design of natural resource policies, programs, and projects;

OBJECTIVE 4

To encourage preservation and sustainable use of the natural resource base

PROGRAM ACTIONS

- ◆ **Strengthen public and private institutions to formulate and implement policies and regulations affecting property rights, pesticide use, pollution control, and natural resource management and protection;**
 - ◆ **Strengthen public and private institutions, and cooperation between them, in operational management of forests, watersheds, and coastal zones;**
 - ◆ **Support technology transfer and applied research on sustainable agriculture and natural resources in selected public and private institutions;**
 - ◆ **Promote community-level participation and empowerment in the management of natural resources; and**
 - ◆ **Promote public awareness and education on natural resource issues.**
- ◆ Organizational assistance to facilitate decentralization of authority for enforcement of natural resource protection policies and management of community resources;
 - ◆ Research and training on management practices for fragile lands (including soil conservation, water and watershed management, natural forest management, agroforestry, and sustainable agricultural production systems) for both the public and private sectors; and

- ◆ Sponsoring innovative demonstration activities such as pilot natural forest management programs, integrated pest management programs, shrimp and lobster mariculture management, and private sector quality assurance programs, with potential for replication and adoption on a larger scale.

IV. Resources

The financial and technical resources to implement the Agency's strategic guidelines for agriculture and natural resource management in Latin America and the Caribbean come from several sources: A.I.D. itself, other U.S. government agencies, multilateral and other bilateral donors, and private sources, both for-profit and not-for-profit. The proportion of total development assistance that A.I.D. provides to Latin America and the Caribbean is relatively small. Thus, the Agency recognizes its obligation to coordinate closely with the programs of others to increase the efficiency of resource allocation by all parties and to promote and take advantage of opportunities for creative synergism. Coordination is especially important in light of the increasing attention that international donors have attached to the creation and maintenance of an overall policy environment conducive to growth.

In general, the Agency has three kinds of resources at its disposal to program assistance for agricultural and natural resource management in Latin America and the Caribbean. These resources are its personnel, funding allocations it receives from the U.S. Congress, and food commodities. Typically, the three kinds of resources are used in combination -- in policy dialogue, in projects, and in the form of non-project sector assistance -- to address specific challenges in host countries. They are:

- ◆ Personnel. Although lead responsibility for application of these guidelines lies with the LAC Bureau's agricultural development officers, the guidelines' cross-cutting nature demands involvement of other Agency personnel, especially environmental officers, program officers and economists, trade and investment specialists, private sector officers, and education, health, and population officers.
- ◆ Funding. A.I.D. typically receives two types of funding, Development Assistance and Economic Support Funds. In the past, the former was allocated largely through development projects, whereas the latter took the form of balance-of-payments support. Today, the two are seen more as complementary instruments to be used in concert in support of common objectives. This is especially true as the Agency puts relatively greater emphasis on policy reform and relatively less emphasis on project interventions.
- ◆ Commodities. A.I.D. is responsible for implementation of development assistance programs under Titles II and III of Public Law 480. The former are especially germane to meeting the food needs of vulnerable populations in host countries, and the latter, which often take the form of local currency contributions to A.I.D.-supported programs, to translate policy and institutional reforms into effective action.

V. Conclusion

The strategic guidelines presented in this document are intended to furnish an overall framework for programming A.I.D. assistance in agriculture and natural resource management in Latin America and the Caribbean until roughly the year 2000. As the decade progresses, emphases are likely to change in response to changing needs and concerns. As they do, the guidelines will be modified to reflect these changes and, thus, stay abreast of development challenges in the region.

