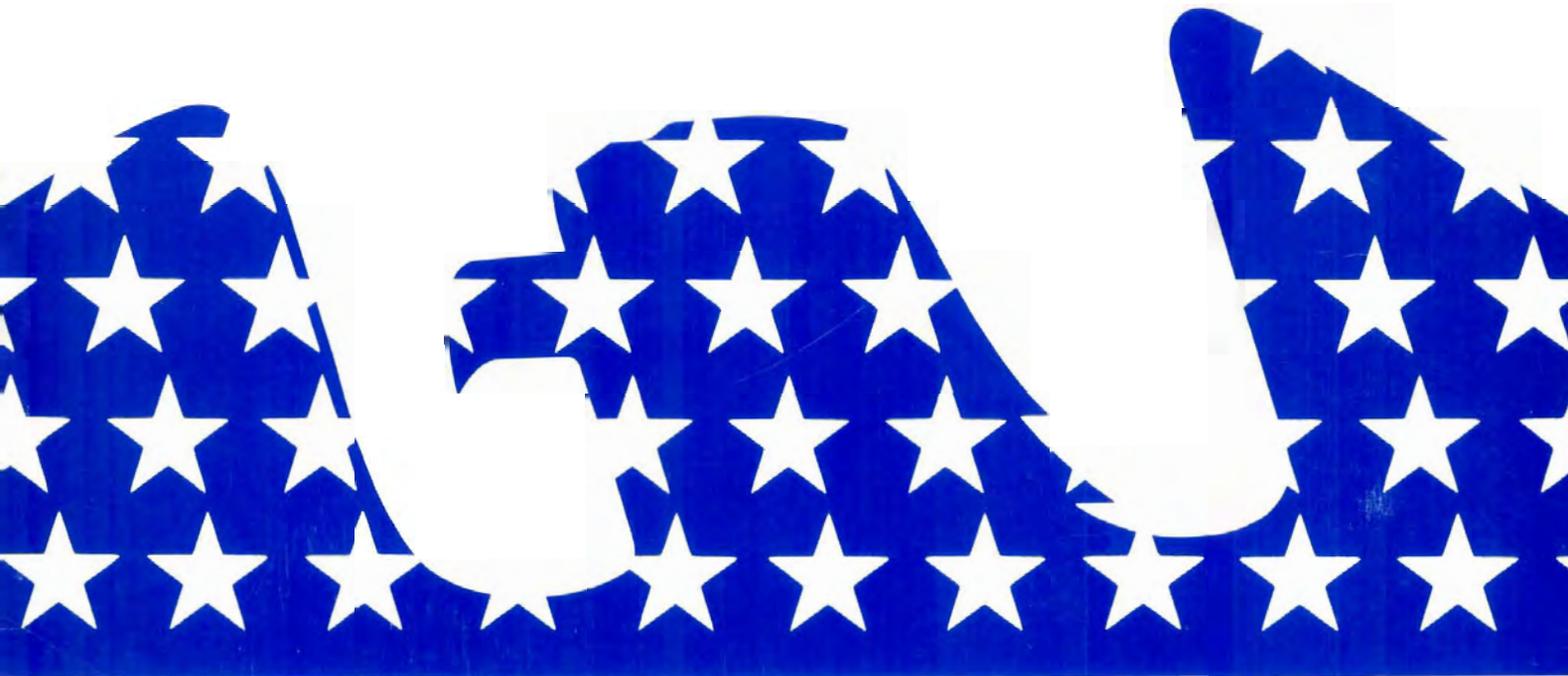


**A.I.D. Policy Paper**

**FOOD AND AGRICULTURAL DEVELOPMENT**



**U.S. Agency for International Development  
Washington, D.C. 20523**

**May 1982**

**A.I.D. Policy Paper**

# **Food and Agricultural Development**

**Bureau for Program and Policy Coordination  
U.S. Agency for International Development  
Washington, D.C. 20523**

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## PREFACE

At the request of the Administrator an inter-bureau Task Force, including IDCA and BIFAD representation, was established to review A.I.D. policy on food and agricultural development assistance, and to make recommendations based on experience in developing countries and A.I.D.

This statement constitutes the report of the Task Force. It sets forth the overall objectives and policy elements of A.I.D. food and agricultural assistance funded from Development Assistance, Economic Support Fund and PL 480 budgets. It provides the basis for development of an A.I.D. Strategy Paper on Food and Agricultural Development that will delineate a strategy for linking the resources A.I.D. can draw upon for accomplishing its policy objectives.

This statement will also form the basis for discussions with other USG agencies, leading to the formulation of a U.S. Policy Statement on Food and Agricultural Development Assistance that will include policy implications for U.S. participation in multilateral organizations that provide food and agricultural assistance.

This statement supplements the A.I.D. **Agricultural Development Policy Paper** of June 1978 by providing a focus on major elements of A.I.D. policy.

The fulfillment of this policy requires long-term commitment from the United States and other donor nations and from developing countries, as well as from the private and public sector institutions involved. With mutual commitment to the policy, significant accomplishments can be expected over the next twenty years. Hunger and suffering will not be eliminated, but a significant number of additional countries will have become self-reliant in food and able to assure food security for their populations.

*"Increasing food production in developing countries is critically important—for some, literally a matter of life and death. It is also an indispensable basis for overall development. The United States has always made food and agriculture an important emphasis of its economic assistance programs. We have provided massive amounts of food to fight starvation, but we have also undertaken successful agricultural research, welcomed thousands of foreign students for instruction and training at our finest institutes, and helped make discoveries of the high-yielding varieties of the Green Revolution available throughout the world."*

Ronald Reagan, PRESIDENT

*Remarks to the World Affairs  
Council of Philadelphia,  
October 15, 1981*

## Background

Food production and consumption prospects are seriously deteriorating in a number of low-income, food-deficit countries. The basic causes of continuing hunger and malnutrition in these countries are inadequate food availability and inability of the malnourished to purchase or otherwise acquire and consume the food they need.<sup>1</sup> While this chronic deficiency receives less attention than outright starvation, it has a far wider impact on human lives and productivity.

Real progress has been made toward food and agricultural self-reliance in a number of Asian and Latin American countries, but many other countries remain beset with serious and precarious problems. Millions in Asia, Latin America and the Near East are still impoverished and malnourished. A deepening food crisis with chronic famine conditions in some areas is developing in sub-Saharan Africa, where per capita food and agricultural production continue to decline in a majority of countries.

Future prospects are influenced by two major factors: population growth and income growth. About 90 percent of the almost two billion increase in world population projected for the year 2000 will occur in developing countries, many of which are unable to assure adequate food supplies even for their current populations. Continuing per capita income growth in the middle-income and advanced developing countries is expected to generate substantial increases in the demand for basic grains for direct human consumption and for livestock production. Unless the production of major staples and/or other agricultural commodities in developing countries improves significantly more than it did during the 1960-75 period, and unless the effective demand of low-income families is increased through broad-based growth, a deterioration in per capita food availability and consumption, especially in low-income countries, may occur.

This is a grim picture, but it is by no means hopeless. The experience of the last 30 years shows that carefully planned and administered economic assistance, when combined with the fundamental efforts that a government and its people must themselves undertake, can establish a dynamic, self-sustaining food and agricultural system. U.S. assistance in the form of scientific and management expertise, and food and financial aid, has made critical contributions to the creation of such systems in South Korea,

<sup>1</sup>Inadequate nutrient absorption linked to disease and poor sanitation is a significant auxiliary cause, especially among infants and children.

Brazil and Taiwan and to emerging self-reliance in countries such as India, Thailand and the Philippines.<sup>2</sup>

Experience over the last three decades also shows that dynamic agricultural growth is in most countries a necessary though not sufficient condition for broadly-based overall economic growth that permits the conquest of hunger, malnutrition and sustained improvement in per capita living standards. Broadly-based and shared economic growth, along with the effective provision of voluntary family planning services, will also bring about a reduction in rapid population growth. The United States should continue sustained support of efforts by the entire donor and international community to help developing countries achieve these goals.

The President of the United States has recently highlighted the importance of developing country food and agricultural problems and the role the U.S. is prepared to play in helping countries resolve these problems.<sup>3</sup>

## I. Objectives

The overall objective of United States bilateral economic assistance is to stimulate in developing countries broadly-based, self-sustaining economic growth that promotes international peace and stability and that assists people to conquer poverty, hunger, illness and ignorance (see Sections 101 and 531 of the Foreign Assistance Act).

The objectives of U.S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly-based economic growth.

These broad objectives entail two major sub-objectives, namely:

1. Increased food availability, through:
  - increased agricultural production, with an emphasis on increasing and sustaining the

<sup>2</sup>Self-reliance in food is defined as the ability of a country to assure continuing food security to its population from a combination of domestic production and importation of food at commercial terms paid from foreign exchange earnings. Short-run food security implies the ability to maintain normal consumption levels in the face of an emergency food shortage. Long-run food security is defined as the ability of a country to assure a nutritionally adequate food supply to its population on a continuing basis. Several of the countries mentioned above have clearly not yet achieved long-run food security in terms of nutritional adequacy. See p. 7 for further discussion.

<sup>3</sup>Of particular relevance are the "Remarks of the President to the World Affairs Council of Philadelphia" October 15, 1981, and the President's Statement of October 24, 1981, at Andrews Air Force Base on his return from the "North-South" Summit Conference at Cancun, Mexico.

productivity, incomes and market participation of small farmers, with special attention to food production;

- greater economic efficiency in the marketing and distribution of agricultural and food production, exports and imports; and
- 2. **Improved food consumption in rural and urban areas, through:**
  - expanded productive employment and incomes of men and women who at present lack the purchasing power to obtain adequate food;
  - increased awareness and incorporation of sound nutritional principles in the design and implementation of production, marketing, health and education policies and programs, including improved access to, and utilization of, food for those at nutritional risk;
  - effective direct distribution of food from domestic or external sources to those facing severe malnutrition and temporary food shortages (i.e., a short-run lack of food security).

A.I.D. will seek to concentrate assistance for food and agricultural development in countries that share these objectives and are committed to an appropriate policy framework as elaborated in the following section on "Elements of Policy."

In supporting the objective of food self-reliance, A.I.D. does not rigidly subscribe to the goal of food self-sufficiency. A.I.D. supports a balanced approach involving economically viable expansion of agricultural production, including production for export and importation of food and agricultural products where comparative advantage exists.<sup>4</sup> As in the case of domestic food production, the employment, consumption and nutritional implications of export expansion will also be considered.

## II. Elements of Policy

A.I.D. will emphasize four major, inter-related elements to accomplish food and agricultural development objectives:

- **improve country policies to remove constraints to food and agricultural production, marketing and consumption;**
- **develop human resources and institutional capabilities, especially to generate, adapt and apply improved science and technology for food and agricultural development, and conduct research on developing country food and agriculture problems;**

<sup>4</sup>In determining a balanced approach between production for domestic consumption and export, a country will weigh the risks inherent in increased dependence on world agricultural markets. These risks can be reduced somewhat by diversified production for export.

- **expand the role of developing country private sectors in agricultural and rural development, and the complementary role of the U.S. private sector in assisting this expansion; and**
- **employ all available assistance instruments in an integrated manner, including provision of PL 480 food aid in a way that contributes to the other three strategy elements as well as meeting food security and nutritional needs.**

Each of these elements is intended to increase the effectiveness of U.S. economic assistance resources. While the mix of these elements will vary according to the differing needs and problems among countries, the achievement of lasting food security requires greater attention to each of them in most developing countries.

The United States has strong technical competence in identifying and solving problems in food and agriculture. Maximum utilization will be made of this competence. A.I.D., other elements of the U.S. Government, such as USDA, cooperating universities and private sector organizations are prepared to make a long-term commitment to help those countries prepared likewise to make the requisite policy and resource commitments.

A main thrust of the policy is on the development of a domestic human and institutional capacity that permits a country to develop and apply food and agricultural science and technology. This recognizes the location-specific requirements for the effective application of improved agricultural technology. However, the policy also requires a more vigorous effort by A.I.D. to support the identification, transfer and adaptation of existing appropriate technologies, as well as the carrying out of food and agricultural research and application of improved technologies through U.S., international, regional and national institutions. These recommendations recognize that the continuing advance of agricultural technology, while not sufficient in itself, is an essential prerequisite to sustained improvement in food and agricultural performance. The policy also envisions strengthening institutional capability in other critical areas such as the management of irrigation and credit systems.

In pursuing this policy, A.I.D. will encourage countries to promote participation in food and agricultural development by the large majority of rural producers and workers, men and women, through:

- **broadened access to production incentives and resources, including land and water, as well as opportunity to take advantage of education and training and other productive services;**

- increased productivity, employment and incomes; and
- expanded involvement in making policy and program decisions, including those affecting the development and operation of institutions that affect their productivity and well-being.

The policy also includes an emphasis on effectively increasing the productivity, incomes and market participation of small producers. These producers comprise the great majority of rural economic units in most countries and are thus important for both increased food production and consumption.<sup>5</sup> Evidence indicates they tend to employ land and purchased inputs in an economically efficient manner relative to large farmers. Furthermore, the demand for goods and services by the bulk of small farmers and their families who participate in market sales and purchases may constitute an important stimulus to off-farm rural enterprise and the generation of employment opportunities for landless laborers and for families engaged primarily in subsistence agriculture.<sup>6</sup>

Improvement of the employment opportunities of the landless and near-landless is a crucial requirement for improved food consumption in many countries.

#### A. Improved Country Policies

The success or failure of the development process in a country depends heavily on its policy framework and the determination of the country itself. External assistance, while helpful and particularly critical in low-income countries, is in no case sufficient to achieve national food and agricultural development objectives. **Sound country policies are fundamental to agricultural growth and to the effectiveness of external**

<sup>5</sup>The definition of a "small producer" will vary from country to country and region to region within countries. Influencing factors include sectoral (agriculture or industry), sub-sectoral or commodity mix, soil quality in the case of agriculture, etc.

<sup>6</sup>Of particular interest to A.I.D. are those small producers whose marketable surplus can be increased. It is recommended that a paper be prepared to analyze the extent to which increased production by commercial and/or semi-commercial farmers in developing countries will also meet employment and food consumption objectives through increased employment on such farms and indirectly through stimulus to off-farm rural enterprise. Although available evidence confirms the relatively high economic efficiency of small farmers, the question is complex. An analytical paper might explore further this question as well. In his Philadelphia World Affairs Council remarks, op. cit., President Reagan indicated that the focus of American food and agricultural development assistance will be on "raising the productivity of the small farmer, building the capacity to pursue agricultural research and stimulating productive enterprises that generate employment and purchasing power."

economic assistance. An appropriate policy framework is one that:

1. relies largely on free markets, the provision of adequate production incentives and the provision of equitable access to resources so that the broad majority of farmers, rural private sector entrepreneurs and workers—both men and women—have productive opportunities for employment, saving and investment; and
2. gives sufficient priority to complementary public sector investments in rural infrastructure and institutions that interact effectively with rural populations and complement and encourage rather than compete with healthy private sector growth.

Incentives are affected by direct attempts by government to influence the prices of food or agricultural products and inputs, but in many countries macro-economic policies affecting exchange rates, interest and wage rates and tariffs and taxes have an even more powerful impact on incentives to produce, employ, consume, save and invest. Furthermore, a wide range of government-promulgated regulations and privileges affect equitable access to such resources and services as land, water, credit, extension and marketing facilities. That is, distorted policies have hampered agricultural growth and have hurt the poor by excluding them from access to productive resources and employment.

Essential public sector investments are generally those that yield substantial returns to the economy but are of such a nature that the private sector is not prepared to undertake them, especially in low-income countries (reasons include high cost, uncertain or low returns in the short run, and/or difficulty for an individual investor to capture the returns). These investments usually include such major physical infrastructure as road networks and gravity irrigation systems as well as institutions for agricultural research, training and extension and for basic education and health services and control of epidemic diseases. However, in some aspects of research and extension, health services or training, for example, there may be more scope for private sector involvement than is often acknowledged.

- As part of its development assistance programming, A.I.D. will critically examine country policies affecting food and agricultural development and will seek to concentrate assistance in those countries where an appropriate policy framework already exists or where there is commitment to improvement.
- A.I.D. will analyze the constraints to improved policies in countries where it provides

assistance and will engage in dialogue with countries on changes in policies intended to improve incentives and opportunities.

- Technical assistance and training to improve a country's policy analysis and planning capacity will also be provided.

As part of its concern for improving the quantity and quality of food consumption, A.I.D. will continue its efforts on how to integrate effectively the implications of nutritional problems and practices into the design, implementation and evaluation of projects and programs. This concern includes but goes far beyond specialized efforts to correct specific nutritional deficiencies (e.g., Vitamin A, iodine, iron). A concern for nutritional implications will be included in dialogue on agricultural policies and in the design of assistance for planning and policy analysis; agricultural research and extension; education and training; marketing and processing; and food aid and food security. It will also be included in the formulation of assistance for health services, potable water and sanitation.

The incorporation of nutritional considerations raises complex, multi-sectoral issues that will be addressed further in an A.I.D. Nutrition Policy Paper in preparation.

#### **B. Development of Human Resources and Institutional Capacity**

A major priority of A.I.D. policy is to assist countries to develop and/or strengthen private and public institutions dealing with the host of technical, administrative, economic and social problems constraining increased and more efficient food and agricultural production, marketing and consumption.

Effective institutions provide a country the self-sustaining capacity to solve critical development problems. Furthermore, they:

- enhance a country's ability to marshal its own human and financial resources for food and agricultural development;
- enable individuals to obtain access to the skills, resources and services needed to increase their productivity, incomes and well-being; and
- increase the absorptive capacity and effectiveness of external assistance, thereby fostering development that continues beyond the period during which assistance is provided.

The creation and strengthening of institutional capacity, including development of the human resources needed for effective institutions, often requires a long-term commitment and effort—e.g., ten years or more—from A.I.D., the host country, other donors and cooperating organizations (Universities, PVO's, etc.).

Missions must provide a sufficiently long-term assessment of how A.I.D. and other resources will be utilized to improve institutional capacities crucial to food and agricultural development in the host country.

Effective public and/or private institutions are required in most phases of food and agricultural development, including planning and policy analysis; construction, maintenance and operation of rural infrastructure (e.g., irrigation systems and rural roads); delivery of inputs, credit and other services; storage, marketing and processing of farm products; and other areas such as local government and taxation, and resource conservation and management.

Particularly vital to the establishment of self-reliant, sustainable food and agricultural systems are national institutions that give a country the capacity (1) to generate and apply a continuing stream of innovations designed to increase agricultural productivity and incomes; and (2) to evaluate and adapt technologies transferred from developed countries and international institutions. Advances in food and agricultural science and technology have not only increased productivity but have also facilitated the substitution of less expensive and more abundant resources for more expensive and increasingly scarce resources.

While the economic returns to agricultural research have been extremely high, it does take time to develop and test new technologies and to strengthen the national and local institutions required to adapt and apply technologies to location-specific conditions. The need to develop new technologies and strengthen institutions is especially critical for the large areas of the developing world that will continue to be dependent upon rain-fed agriculture.

In view of these considerations, A.I.D. will continue to provide direct support for food and agricultural research, training and technical assistance by U.S. and regional institutions, and by the system of international agricultural research centers. Collaborative projects with these institutions will be coordinated closely with efforts to improve national systems; networks for sharing knowledge among these institutions will be strengthened.

There are important interrelationships between country policies and institutional development. Institutions develop, implement and monitor policies that profoundly affect food and agricultural development. At the same time, the process of institutional development and of science and technology transfer, generation and application should be guided by a sound economic policy environment which reflects

market forces. If this does not happen, improved agricultural technology may not be adopted by farmers, or if adopted, it may be inappropriate to the broader economic environment. For example, in some countries distorted economic policies have made capital artificially cheap and labor artificially expensive, resulting in the introduction of excessively capital-intensive technology. By the same token, production incentives alone are not usually sufficient to yield sustained advances in agricultural production. A continuous stream of productivity increasing, cost-reducing farm technology is also required.

- A.I.D. will therefore give special emphasis, with a sufficiently long-term commitment, to helping countries develop the institutional capacity for food and agricultural planning and policy analysis; basic and adaptive research, education and training; and disseminating improved technology and related information in a cost-effective manner.
- Social scientists (e.g., economists, anthropologists, development planners and policy analysts) and physical and biological scientists and technicians from developing countries and the United States will work together to conduct applied research and to develop individual and institutional capabilities intended to increase the productivities and incomes of the broad majority of rural producers.
- U.S. universities will marshal their best talent to play a major role in implementing A.I.D. assistance for food and agricultural institutional development. Other U.S. government agencies, particularly USDA, agribusiness enterprises, cooperatives and private voluntary organizations will also play significant roles.
- Aspects of agricultural research to be considered will include: innovative research to increase the genetic capabilities of plants and animals that are used as food; research on existing and more profitable farming and marketing systems, including their social, employment, energy, ecological and nutritional implications (including multiple cropping and water management); field-testing involving farmers; research and control of debilitating human and animal diseases that constrain agricultural productivity; and regular feedback to researchers of farmer experience with improved technologies.

A.I.D. will also encourage:

- an expanded role where appropriate for private enterprise in the provision of agricultural research and the dissemination of improved technology as well as in the processing, preservation and marketing of agricultural commodities (see following section);

- research and other institutions that expand access by low-income, small producers to improved technology, productive resources and services;<sup>7</sup> and

- voluntary institutions that mobilize local efforts for agricultural and social development. Local institutions, including farmer organizations and land tenure arrangements, can also be critical in assuring that the majority of farmers benefit from improved technology and infrastructure. Clarity of ownership and title is critical to stimulating increased capital investment (and therefore production) at the level of the individual farmer.

Consequently, A.I.D. will give favorable consideration to requests for assistance in the form of feasible projects and programs that:

- establish wider access to agricultural assets, including land, and in providing more secure tenure arrangements; and
- strengthen local participatory organizations of agricultural producers that help assure access by farmers to resources and services and, through farmer involvement, improve the efficiency of such activities as irrigation utilization and maintenance.

Adequate human resources development is essential if food and agricultural institutions are to be effective. This means adequate training for professional and technical staff and for farmers.

A.I.D. will support:

- in-country training of scientists, technicians, managers, extension agents, and also farmers and skilled workers in food and nutrition, and agricultural and rural development, with expansion as necessary, of in-country training facilities;
- external training, in the United States or third countries.

Important in these regards, is the special role of and concern for women, including their role as agricultural producers, workers, and family food providers. Greater efforts are therefore required to expand opportunities for women to serve as administrators, scientists, technicians, extension workers and other food and agricultural professionals. A.I.D. will provide support to promote the enhancement of the role of women through:

- research and analysis;
- planning and policy dialogue;

<sup>7</sup>Section 103A of the Foreign Assistance Act requires that agricultural research carried out under the Act take account of the special needs of small farmers in setting research priorities, as well as support research on the various factors affecting small farmers, and emphasize field-testing and research dissemination.

- design and implementation of institutional and human resource development and other programs; and
- A.I.D. staff recruitment, training and placement.

### C. Expanding the Role of Developing Country and U.S. Private Sectors

Private sector business enterprises, including farmers and manufacturing, trade and service firms, account for the bulk of food and agriculture-related economic activity in many developing countries. Non-profit private and voluntary organizations (PVO's) also make significant contributions to food and agricultural development in many countries, as do universities (some developing country universities are entirely private; i.e., non-government, and others are perceived as private or quasi-government, due to their largely autonomous nature, even where mandated and funded by government).

Given an appropriate policy environment and the complementary support of public sector institutions and physical infrastructure, the private sector can constitute a dynamic, efficient and innovative mainspring for food and agricultural development. Furthermore, most private sector rural enterprise in developing countries tends to be relatively small-scale and labor-intensive. It thus also has the potential for generating substantial employment and purchasing power.

Realization of the full potential of the private sector to contribute to food and agricultural development requires attention to:

- government policies and regulations that encourage rather than discourage the private sector;
- programs to overcome deficiencies in management and technical skills; and
- private sector access to market and technical information, credit, infrastructure, services and materials.

In some countries long-established public enterprises or para-statal organizations dominate agricultural marketing, processing, storage and/or distribution activities. These operations are often highly inefficient and tend to discourage food and agricultural production. Avenues for improvement include: (1) policy and

<sup>8</sup>Such enterprises were often initiated for arguably laudible motives, such as reducing sharp, seasonal fluctuations in farm prices. Performance of public enterprises in accomplishing such objectives has been spotty, however, and the cost has been high. Private sector alternatives, including increased on-farm storage capacity, need more attention.

management reforms that give public enterprises a greater market orientation and put them on a commercial basis; (2) encouraging greater competition from private enterprises in the same spheres; and/or (3) turning public enterprise management and/or assets over to the private sector.<sup>8</sup>

A.I.D. will:

- identify private and public sector institutions, such as banks, technical institutes, and trade and marketing associations, through which technical and financial assistance can be effectively provided to private enterprise;
- engage in dialogue with governments on changes in policies and other regulations to encourage and strengthen private sector development, including small and medium-scale enterprise; and
- where appropriate, help countries improve the efficiency of public and para-statal enterprise engaged in food and agriculture-related activities. This is a complex issue that will be addressed further in a separate paper.

A.I.D. also encourages utilization of the invaluable skills and resources of the American private sector—of agribusiness enterprises, other firms and consultants, universities, cooperatives and other farmer organizations, and private and voluntary organizations—to stimulate broadly-based food and agricultural development.<sup>9</sup>

- A major effort will be made to involve U.S. business firms in strengthening developing country private enterprise.
- A.I.D. will develop mechanisms and processes to facilitate the involvement of the U.S. private business community in food and agricultural development, including technical assistance and training as well as direct and joint investment.

Private and voluntary organizations (PVOs) have a number of potential strengths for assisting food and agricultural development. PVOs can be effective in developing local institutions that organize local energies to provide both development and social services and productive inputs. Compared with the public sector, they often provide flexible, low-cost approaches that take local attitudes and conditions into account. Through their U.S. networks, they have the further advantage of mobilizing private

<sup>9</sup>U.S. universities will be used principally in support of A.I.D. policy to develop and strengthen institutions and train people serving agricultural and rural development as set forth in section B above. Such universities may also be utilized to support and strengthen the role of the private sector, including such activities as training, technical assistance, and joint efforts with PVO's and other public or private institutions.

American resources and commitment for development.

- A.I.D. will encourage and seek to strengthen PVOs that are committed to sustained food and agricultural development consistent with A.I.D. policy, and that have indicated through performance or potential the ability to provide effective developmental assistance.

#### D. Providing Food Aid and Food Security.

Food security considerations have played an increasingly important role in international discussions of food and hunger. The concept of international food security implies assurance world-wide of regular and adequate basic food supplies.

In emergencies or dire food shortages, national food security requires adequate capacity to channel available food supplies to population groups experiencing severe food shortages so as to maintain normal consumption levels. In the longer term, the achievement of national food security requires a country to be self-reliant in food and agriculture, to be capable of assuring its population a continuing, nutritionally adequate food supply through increased domestic production, more efficient distribution, expanded purchasing power and international trade, and a healthier and better informed population.

While external assistance can help accomplish these objectives, the responsibility for food security, especially in the longer term, is fundamentally that of each country. In the short term, international food assistance—led by the United States as the world's largest food aid donor—plays a vital role in assuring food security.

The United States has agreed to back up its pledge of food aid under the International Food Aid Convention with a national grain reserve—4 million tons of U.S. Government-owned, privately-held wheat, of which 300,000 tons may be used for disaster relief in any one year regardless of U.S. domestic supply conditions.<sup>10</sup>

PL 480 food aid can be a valuable development resource for augmenting local production, enhancing short- and long-term food security and reducing malnutrition, providing it is made available under conditions that support rather

than discourage domestic food and agricultural production. PL 480 food commodities can enhance food security through augmenting domestic food sales and distribution programs and may also be used to help build national food reserves. Local currency generated from these food sales provides financial resources to assist with development of food and agricultural institutions and infrastructure.

- A.I.D. seeks to improve the impact of both PL 480 commodities and local currency proceeds on food and agricultural development, including increasing their integration with other U.S. bilateral financial and technical assistance at both the policy and project levels. PL 480 resources should support A.I.D.'s strategic emphases to improve country policies, develop human and institutional capacity and enhance the role of the private sector in food and agricultural development.

- The negotiation of PL 480 agreements is an opportunity for discussion of these issues with country governments and for including broader policy issues such as agricultural pricing and overall policy toward the private sector. Policy dialogue on PL 480 must reach agreement on supplying and/or conditioning food aid in a way that avoids disincentives to increased food and agricultural production through food subsidies or lowered government priority to domestic production. A.I.D. will pursue such policy dialogue in the context of total U.S. assistance to the country.

PL 480 Title II programs not only directly alleviate hunger and malnutrition but also have the potential to support human resource development and self-help efforts that increase the employment and employability of the lowest income groups. A.I.D. will continue to give greater emphasis in the use of PL 480 Title II resources to programs that have been shown to have greater nutritional impact, such as maternal-child health combined with nutrition education programs, rather than school-feeding programs, and encourage PVOs to design and implement Title II programs so that governments and local communities eventually assume responsibility for them and/or replace them with programs that increase production and incomes.

<sup>10</sup> Under the U.S. Wheat Reserve Act of 1981. The 300,000 tons are to be used through PL 480 Title II after existing Title II resources have been committed or exhausted. In addition, access by foreign buyers to U.S. grain reserves held for commercial purposes also helps to assure food security. A related question is the extent to which it is feasible and desirable for a developing country to hold food reserves as opposed to financial reserves to meet short-term food security problems. This is a complex question that depends

upon a range of factors, including the size of the country, its location relative to international sources of supply, the nature of its comparative advantage for domestic food production and production for export, the effectiveness of its import and export infrastructure, its access to the recently-established IMF Food Financing Facility and other factors. It is recommended that guidelines be prepared on this question, including on the appropriate role for A.I.D. assistance.

### III. Programming Implications

United States assistance strategy at the country level requires multi-disciplinary analysis of the policy, socio-economic, institutional and private sector settings for food and agricultural development as well as a long-term commitment of the United States and host countries. These will vary according to the differing needs and problems of countries. The precise content of assistance will thus depend on the conclusions of this analysis. The modes of assistance will be a combination of technical, capital, commodity and food aid assistance.

Although the context of A.I.D.'s assistance may vary from country-to-country for the reasons indicated above, the need to utilize limited budget and staff resources as effectively as possible implies a focused country assistance strategy, concentrating on a limited number of core sectors and sub-sectors. Missions should think in terms of long-term efforts in a few priority areas that involve joint and collaborative efforts with host country public and/or private institutions at every stage: identification and design, implementation, monitoring and evaluation. This approach should also permit some freeing-up of USAID staff for the important but relatively neglected implementation stage. It should be recognized that long-term commitment does imply that a certain portion of A.I.D.'s portfolio will be "mortgaged" for periods of a decade or so. But this is "mortgaging" consciously undertaken because of its positive developmental impact. Technical assistance in the form of training opportunities and technical advisors will comprise a major mode of A.I.D. support for food and agricultural development.

The main U.S. sources of technical expertise are A.I.D. staff, American universities, private sector firms and organizations (agribusiness, consultants and other firms, cooperatives, farmer and private voluntary organizations), the Department of Agriculture and other U.S. Government agencies. A.I.D. will also draw upon technical assistance from other developing countries as well as on the food and agriculture development experience of the U.N. Food and Agriculture Organization (FAO), World Food Council (WFC), International Fund for Agricultural Development (IFAD), World Food Program (WFP) and other donor agencies.

In the utilization of these technical assistance resources A.I.D. will:

- encourage and strengthen the capacities of the

various sources of U.S. and developing country technical assistance to, in turn, strengthen the counterpart capacities of host countries to address and solve their own food and agricultural development problems;

- give greater emphasis and importance to the Agency's science and technology capabilities, including creation of a strong professional staff; and
- enhance the role of American university expertise, as provided for by Title XII of the Foreign Assistance Act, in the implementation of A.I.D. food and agricultural development policy.

A.I.D. will also provide, under appropriate conditions, capital assistance, food aid, agricultural or other enterprise credit and/or commodity assistance. Such assistance can be especially critical to the development efforts of low-income countries. Capital assistance in particular is often closely linked to policy and/or institutional improvement in a project—e.g., capital assistance to construct or rehabilitate physical structures of an irrigation system linked to technical assistance for improved water management. Similar linkages should improve the effectiveness and lasting impact of all forms of assistance—e.g., elimination of subsidies or converting to private sector distribution as part of fertilizer assistance; interest rate reform as part of assistance for agricultural credit. Therefore, A.I.D. will provide capital, food, credit or commodity assistance only when:

- a need for such assistance exists and other sources of financing have first been explored, including co-financing arrangements between A.I.D., other donors and/or private sources; and
- such assistance is linked to proposed changes or effective performance in the areas of institutional development, technology transfer or development, and/or economic policy. Country performance will be closely monitored and evaluated to determine whether such assistance should be continued.

For low-income countries with severe local resource constraints, A.I.D. will consider financing a share of recurrent costs of food and agricultural research, education, extension or related institutions during the project development phase (up to ten years under current A.I.D. procedures), providing that the policy and institutional frameworks assure effective utilization and the country is making maximum and/or increasing domestic resource mobilization efforts.