Analysis of agricultural, fisheries, climate change and food security policies in LAC (D1459)

Description:

The general objective of this Technical Cooperation is to contribute to food security, agricultural productivity and climate change mitigation, by supporting the governments of the region to: (i) improve the efficiency and effectiveness of agricultural policies by a more efficient allocation of resources in the agricultural and fisheries sectors, (ii) identify opportunities to reduce GHG emissions linked to agricultural policies; (iii) develop agricultural policies that strengthen the functioning of food systems.

Latin America and the Caribbean have seen an increase in the number of people who face hunger in recent years (even before the COVID-19 crisis). In fact, the region had gone from having 38 million people in a condition of hunger in 2014 to 42.5 million in 2018. The situation was aggravated by the COVID-19 pandemic. In 2020, 59.7 million people in LAC were undernourished (30% increase in the number of people living with hunger with respect to 2019) and 267 million people experienced food insecurity (41% of the population). The conflict between Russia and Ukraine can further deepen poverty and increase food insecurity in the LAC region. Stronger inflationary pressures became of concern because of increases in food, fossil fuels, and fertilizers prices. In fact, amid the Russia-Ukraine conflict, some commodity prices rose to levels not seen since the spike of the food crisis of 2008 and, in some cases, reached an all-time high. The potential impacts of fertilizers supplies might have on Latin America, and the Caribbean agricultural sector is critical. Russia accounts for 15% of global fertilizer exports, and prices almost doubled last year's average. The conflict also drives up the cost of natural gas, the primary input for some fertilizers. This could further affect food availability and access.

To reduce adverse effects on food security the countries in the LAC region should rely on a comprehensive strategy that addresses the risks associated with both demand and supply of food, in the short and medium terms, considering policies that strengthen the food system. The IDB is well positioned to assist its member countries in Latin America and the Caribbean in confronting the emerging food security challenges. To achieve this goal, this proposal of Technical Cooperation will finance three Components: (i) Agricultural and Fisheries Policy Analysis; (ii) Effects of Agricultural Policies on GHG Emissions; (iii) Food System Analysis.

Component I. Agricultural and Fisheries Policy Analysis. This component will apply the OECD's Producer Support Estimate (PSE) and the Fisheries Support Estimate (FSE) methodologies to measure and compare across countries the level and composition of public policy support to the agricultural and fisheries sectors. The OECD methodologies are based on supply/demand interactions among farmers, consumers, and taxpayers in the economy to measure incentives and/or disincentives to the agricultural sector and assess their underlying factors. The PSE and FSE methodologies quantify the policy support and allow for the evaluation of their impacts on farmers' and fishers' incomes, respectively. The PSE analysis will be complemented, where appropriate, by a Value Chain Analysis (VCA), to help identify internal bottlenecks to improving agricultural productivity (input markets, agricultural research, and extension) and reducing farm to market costs (marketing infrastructure, grades and standards, animal and plant health inspection systems). Issues examined would include, among others: (i) expenditure on subsidies to producers vs. public goods; (ii) impact of current fiscal and trade policies on producers, consumers, and taxpayers.

Component II: Effects of Agricultural Policies on GHG Emissions. The PSE methodology will be complemented by an analysis of the effects of agricultural policies on greenhouse gas emissions (GHG). The main objective of combining both analyses is to understand how agricultural policies affect the level of GHG emissions in the sector. If policies encourage agricultural sub-sectors with high GHG emissions, then agricultural policies are in conflict ware opposed to climate change mitigation commitments.

Component III. Food System Analysis. This component will analyze the relationship between agricultural policies and food security. For this purpose, it will study the effect of the agricultural policies on the four dimensions of food security, namely: (i) food availability (food supply at national or local level, through the country's agricultural production or trade); (ii) food access (availability of financial and physical resources for households to obtain an appropriate quantity of food); (iii) food use (food quality to attain an adequate nutritional status); and (iv) food stability (ability to maintain a constant access to food). These dimensions represent the pillars of the agri-food system, including all the links and actors that conform the supply chain (i.e. input suppliers, producers, transporters, and traders).

Submitted by:
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Status:
Under Evaluation

Category:
Client Support

Tags:

Team Leader Name
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Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?
Yes

Team Leader Responsible Department
CSD

Are there specific countries that will directly benefit from your proposal?
Yes

Mark the specific countries that will be directly benefited from your proposal?
Bolivia

Colombia

Dominican Republic

El Salvador

Haiti

Peru

Where applicable, describe how the proposal aligns with the respective country strategy (for each country selected)
This analysis is aligned with El Salvador Country Strategy 2021-2024 (CS) (GN-3046-1) Priority Area A, "Efficiency and fiscal sustainability". According to the CS, in agriculture, the dialogue will focus on structuring a medium-term strategy to enhance the provision of public and private agricultural services and private sector initiatives to boost the sector's productivity and competitiveness. The PSE and FSE indicators provided in this TC will measure the provision of public goods for the agricultural sector in El Salvador.
The TC is aligned with the Colombia Country Strategy 2019-2022 (CS) (GN-2972) Strategic Area A "Economic productivity" under the Agricultural development subsection. As stated in the CS, to increase agricultural productivity and the complexity of the export basket, there is a need to reorient public spending in the sector to the provision of public goods. The analyses performed under this TC will help Colombia to achieve this optimal mix.
Regarding Haiti, this TC it is aligned with Country Strategy 2017-2021 (CS) (GN-2904) Strategic Area (i) "Improve the business climate to enhance productivity" where it shown that low productivity compared to other countries contributes to increased concerns in several areas, including: (i) food security; (ii) demographic pressures and informal urban growth. The outputs expected under this TC will help towards this strategic area.
It is aligned with Bolivia Country Strategy 2022-2025 (CS) (GN-3088) Priority Area "Economic reconstruction and boosting productivity". The agricultural sector maintained positive growth rates despite the pandemic but has a great deal of room for productivity improvement. PSE indicators will help Bolivia to measure its agriculture policy mix and optimize it. Regarding Barbados Country Strategy 2019-2023 (CS) (GN-2953) the priority Area (i) fostering fiscal sustainability and a more efficient public sector aligns with PSE indicators towards a better understating of the public sector investments.
It is aligned with Peru Country Strategy 2022-2026 (CS) (GN-3110) Priority Area I "Productive development". The agricultural policy analysis proposed in this TC will help Peru to address the optimal policy mix to improve productivity.
Regarding Dominican Republic Country Strategy 2021-2024 (CS), the TC is aligned with priority area B "Sustainable and inclusive productive reactivation" given that PSE figures helps the country to develop more efficient policies towards domestic and export sector.

Does the proposal align to one or more sector frameworks?
Yes, the proposal aligns with at least one sector framework

Identify and describe how the proposal aligns to the sector framework(s)
This TC is also aligned with the **Food Security Sector Framework** Document, especially its chapter "Main achievements and challenges in the region in relation to Food Security" four dimensions of analysis (i) Food availability; (ii) Food access; (iii) Food utilization; (iv) Food stability. This multidimensional approach will be utilized in this proposed TC.
This proposal is aligned with the **Agricultural Sector Framework** Document (GN-2709-10) in all the four challenge areas. The first challenge is to boost production to feed a growing population. The region's agricultural productivity has risen steadily since 2000 (especially until 2011), but the gap with developed countries continues to be wide. To boost productivity, the region needs to make substantial investments to improve the basic conditions that allow the sector to develop, namely irrigation, transportation, and telecommunications infrastructure, as well as innovation, animal and plant health, and information and statistics services, among others. The products of this TC will help governments quantify and understand agricultural spending to shift the investment towards the most productive ones.
The second challenge is to reduce the impact of Agriculture on the environment. Agriculture and land-use change (which is primarily driven by Agriculture) account for 42% of greenhouse gas (GHG) emissions in LAC (3.5% of global GHG emissions). The proposed studies on GHG emissions here aligns with this challenge. The third challenge consists of reducing poverty and inequality in the sector. Addressing poverty in agricultural producers requires boosting their productivity and reducing their

vulnerability. PSE and Food Security studies proposed in this TC helps governments to address this challenge. Lastly, the fourth challenge for the sector is to provide the necessary components of a healthy diet.

Select the regional challenges and cross-cutting issues to which the proposal aligns to
Social Inclusion and Equality

Productivity and Innovation

Climate Change and Environmental Sustainability

Institutional Capacity and Rule of Law

Justify the alignment to each selection above
Social inclusion and equality: Agricultural policy analyses aim to monitor and evaluate developments in agricultural policy, establish a common base for policy dialogue among countries and provide helpful information to relevant public and private stakeholders.

Productivity and innovation: This TC will help to improve strategies to allocate public spending in public services that allow innovation and increases in productivity

Institutional Capacity and Rule of Law: This TC will estimate the annual monetary value of gross transfers arising from policy measures that create enabling conditions for the primary agricultural sector through the development of private or public services and institutions and infrastructures.

Climate change and environmental sustainability: the indicators for climate change and environmental sustainability through the studies on GHG emissions related to agricultural policies and food security are a cross-cutting theme. This will help in aligning country operations with the Paris Agreement as of 2023.

What is the estimated funding that you need in order to implement this proposal?
500.000

Select the expected outputs of this proposal
Upstream strategies, action plans, etc.)

Policy Dialogues

Events (other than policy dialogues)

Knowledge Products

Please provide a brief description of the output(s) selected above (The number of units planned, and the estimated cost). If you selected others, please specify.
Component I ($200.000). The expected outputs of this component are: (i) five national agricultural policy reviews based on the PSE methodology; (ii) three national fisheries policy reviews based on the FSE methodology; (iii) four national workshops to discuss and validate the findings of the studies; (iv) training of staff in the sectoral ministries linked to agricultural policies and research entities/academia on the PSE/FSE methodology.
Component II ($100.000). The expected outputs of this component are: (i) four national analyses of the effects of agricultural policy on greenhouse gas emissions. The decision on the application of certain tools in some countries and not others (and therefore the different number of studies for each methodology) depends on the fact that certain studies have already been conducted recently in certain countries.
Component III ($200.000). The expected outputs of this component are: (i) four analyses of agricultural policies and their effects on food security dimensions; (ii) two workshops to discuss and validate the findings of the studies

Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior, etc.)
The products of this TC should lead to two main outcomes:
- Improved efficiency in the allocation of agricultural public support. The knowledge provided through the main outputs of the TC will help governments improve the efficiency of the combination of government policy support tools in the agricultural and fishery sectors. These tools include the public intervention to determine local domestic prices, regulate and promote or restrict imports and exports, subsidize inputs and credit. However, they also include the provision of public goods such as: rural infrastructure, scientific agricultural research, animal and plant health and food safety systems.
- Internalized capacity to conduct agricultural policy and food security analysis in government institutions. The outcome would be achieved if at least some of the governments involved in the TC decide to continue adopting the suggested analytical methodologies as an input to policy making processes.

(0) **Attachments**

0 Comments