TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Agricultural Policy, Agricultural Innovation And Climate Change Analysis In Latin America And The Caribbean
▪ TC Number:	RG-T3434
▪ Team Leader/Members:	De Salvo, Carmine Paolo (CSD/RND) Team Leader; Munoz, Gonzalo P. (CSD/RND) Alternate Team Leader; Alcaraz Rivero, Andrea Sergia (CSD/RND); Almeida, Juliana Salles (CSD/CCS); Damiani Marti, Octavio Jorge (CSD/RND); Encarnacion Encarnacion, Yonaida M. (CID/CDR); Garcia Negro, Alvaro (CSD/RND); Negret Garrido, Cesar Andres (LEG/SGO); Rios Galvez, Ana R. (CSD/RND); Valle Porrua, Yolanda (CSD/CSD)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	19 Jan 2020
▪ Beneficiary:	Latin America and the Caribbean countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Sustainability(SUS)
▪ IDB Funding Requested:	US$250,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	May, 2020
▪ Types of consultants:	Individual consultant and non-consultancy services
▪ Prepared by Unit:	CSD/RND-Env, Rural Dev & Disaster Risk
▪ Unit of Disbursement Responsibility:	CSD-Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Environmental sustainability

II. Objectives and Justification of the TC

2.1 The objective of this Technical Cooperation (TC) is to contribute to sustainable development by generating policy recommendations for a more efficient allocation of fiscal resources in the agricultural sector in Latin America and the Caribbean (LAC). Specifically, it will focus on analyzing the current structure and levels of policy support to the sector, with a particular emphasis on agricultural research and climate change, to identify forms of support that are the most efficient and consistent with economic, social and environmental goals.

2.2 To achieve its objective, the TC will finance studies in the following areas: (i) trends in agricultural prices, production, trade and consumption; (ii) structure and levels of support to the agricultural and fisheries sectors in the region (iii) analysis of the forms of budgetary support on agricultural productivity, including the contrast between the support to private beneficiaries with support for general public services among others; (iv) analysis of the effects of agricultural policy on greenhouse gas (GHG) emissions

and (v) on the status of food security in the region. Also, the TC will finance the dissemination of the findings through the publication of the studies and the organization of trainings and workshops for government officials in selected countries.

2.3 The TC is relevant given the significant effect that policy support has on agricultural competitiveness and productivity (Anriquez et al., 2016) as well as environmental impacts associated with production practices and natural resource use. In a global context in which protectionism is looming, evidence-based analysis and policy making is essential to achieve greater productivity and competitivity through increased efficiency in the use of public resources. Available evidence shows that spending in public goods and services, such as infrastructure, research, and innovation, yields high economic and social returns (Anriquez et al., 2016, Nin Pratt et al., 2015, Stads et al., 2016).

2.4 The Producer Support Estimate (PSE) methodology and its complements, used for this TC, are the most appropriate to gather and produce evidence for well-informed policymaking processes. The region has an increasing share in global agricultural trade (threatened now by the COVID-19 crisis), holding a much larger portion of agricultural commodities' market than in the past (13%, in comparison to 8% in the mid-1990s). An analysis conducted by Nin-Pratt et al. (2015) suggests an increase in regional output per worker and total factor productivity for the LAC agricultural sector (up to 82 and 45% respectively). However, technological change and productivity growth have had unequal development within the region, and several differences can be encountered in the performance of Latin American and Caribbean countries. The PSE methodology allows for maximum comparability across countries and time, as it is now used by several international organizations (IDB, OCDE, World Bank, IFPRI, FAO), covering over 90 countries in the world. The activities of these institutions are coordinated through the International Consortium on Agricultural Policy Monitoring, of which the IDB is a member.

2.5 Also, the relevance of the agricultural sector for climate change actions in LAC countries is highlighted in their National Determined Contributions (NDCs). Given that emissions generated by agriculture production and land use change caused by the expansion of the agriculture sector contributes to more than 40% of LAC countries GHG emissions, it is central to take actions in this sector to be able to achieve the climate goals included in their NDCs (ECLAC, 2015). This sector is also one of the most vulnerable to climate impacts as well. Hence, it is necessary to maintain efficient agricultural policies that encourage productivity and generate conditions for growth in the sector while promoting sustainable development.

2.6 The TC is consistent with the updated Institutional Strategy 2010-2020 (AB-3008). It aligns with Update to the Institutional Strategy's (UIS) development challenge of productivity and innovation, through the studies on agricultural policy support allocation; and with the cross-cut indicator for climate change and environmental sustainability, through the studies on GHG emissions and food security related to agricultural policies. The TC is also aligned with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) through the indicators: "National agricultural policy reviews based on the PSE methodology", "National fisheries policy reviews based on FSE methodology", and "National analyses on effects of agricultural policy on GHG emissions". The TC supports the objective of promoting initiatives that helps the agriculture sector to transition to the use of more sustainable practices and technologies as it is established in the Ordinary Capital Strategic Development Program for Sustainability (GN-2819-1).

2.7 The set of countries selected for this TC will be prioritized based on several criteria, including: (i) coverage of different socio-economic and environmental conditions across Latin America and the Caribbean; (ii) similar previous studies conducted in recent years in other countries and regionally; and (iii) the relevance of the expected findings for the policy dialogue on agriculture, fisheries, and the environment.

III. Description of Activities/Components and Budget

3.1 **Component I. Agricultural and Fisheries Sectors Policy and GHG Emissions Analysis.** This component will finance 5 agricultural policy studies, and 2 fisheries policy studies, applying the OECD's Producer Support Estimate[1] (PSE) methodology and its adaptation to the fisheries sector through the Fisheries Support Estimate (FSE) methodology, to measure and compare the level and composition of domestic support to agriculture and fisheries over time and across countries. The OECD PSE, FSE and related indicators' conceptual model is based on supply/demand interactions among farmers, consumers and taxpayers in the economy in order to measure incentives or disincentives to the agricultural sector and assess their underlying factors. These methodologies represent an important tool in monitoring and evaluating agricultural and fisheries policy. The PSE and FSE quantify the analysis of policy support and allow for the evaluation of their impacts on farmers' and fishers' incomes, respectively.

3.2 The PSE analysis will be complemented, in 3 countries, 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 policies on producers, consumers and taxpayers; and (iii) improved coordination of policy responses to food price increases and other external shocks.

3.3 Finally, in 3 of the countries, the PSE methodology will be complemented by an analysis of the effects of agricultural policy on greenhouse gas emissions and food security, mitigation opportunities and recommended policies to support the decarbonization of the agriculture sector, replicating and adapting the example of a pilot study conducted by the IDB in Jamaica.

3.4 The activities will include the contracting of local consultants in each country as well as the contracting of specialized regional agencies, such as FAO and/or IFPRI, which have extensive experience in the agricultural sector, the PSE and FSE indicators and climate change mitigation and adaptation.

3.5 The expected outputs of this component are: (i) 5 national agricultural policy reviews based on the PSE methodology; (ii) 2 national fisheries policy reviews based on the FSE methodology; (iii) 3 VCA analysis (iii) 3 national analyses of effects of agricultural policy on GHG emissions and food security; and (iv) 5 targeted national policy reform

[1] The structure of the OECD's Producer Support Estimate methodology can be divided into two main categories: support to the producer (PSE) and support via General Services (GSSE). PSE, in turn, consists of the Market Price Support (MPS) and budget transfers to producers (BT). The MPS seeks to measure the benefit perceived by domestic producers, by the effect of border measures (tariffs, quotas, etc.) and domestic price support resulting in a price above its competition from imports. Calculations are performed for a basket of products representing at least 70% of the gross value of agricultural production on average during the three years prior to the study.

proposals aimed at improving fiscal resource allocation, and increase efficiency and productivity in the agricultural sector. 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[2].

3.6 The Bank will obtain non objection letters from the selected countries prior to the commencement of this component.

3.7 **Component II. Dissemination, Training and Capacity Building.** This component will finance national and regional workshops to discuss and validate the findings. Furthermore, representatives of local authorities and universities will be trained on the PSE/FSE methodology. These training activities will ensure that the countries increase their ability to apply the PSE/FSE methodology on a regular basis to monitor the effectiveness of agricultural policies / measures and introduce corrective measures, if warranted.

3.8 The expected outputs of this component are: (i) 6 (5 national and 1 regional, to be organized in one of the participating countries) workshops to discuss and validate the findings of the studies and discuss countries' commitment to the proposed policy reforms; (ii) training (in person or online) of staff in the sectoral ministries linked to agricultural policies and research entities/academia on the PSE/FSE methodology in 5 countries (provided by the contracted consultants in collaboration with RND staff); and (iii) dissemination through blogs, webinars, and newsletters. The intellectual property rights of the products of this TC will be the property of the Bank.

3.9 At the end of the TC, it is expected that three policy reforms will be implemented in the countries participating in the initiative.

3.10 The total cost of this TC will be US$250,000, which will be financed by the Ordinary Capital Strategic Development Program for Sustainability (SUS).

Indicative Budget (US$)

Activity/Component	Description	IDB/SUS	Total Funding
Component I	Agricultural and Fisheries Sectors Policy and GHG Emissions Analysis.	200,000.00	200,000.00
	PSE studies[3]	75,000.00	75,000.00
	FSE y GHG studies	55,000.00	55,000.00
	Quality control and coordination	70,000.00	70,000.00
Component II	Dissemination, Training and Capacity Building.	50,000.00	50,000.00
	International and national workshops	35,000.00	35,000.00
	Training sessions and materials	15,000.00	15,000.00
Total		**250,000.00**	**250,000.00**

[2] A comprehensive list of related studies published by the IDB and its technical counterparts in the past is available here.

[3] VCA and policy reform proposals will be included in PSE studies, as described in section 3.5.

IV. Executing Agency and Execution Structure

4.1 In order to support the Ministries of Agriculture and Fisheries in the process of carrying out the studies, the IDB -through the Environment, Rural Development, and Disaster Risk Management Division (RND)- will be the executing agency of the TC as its objective is mainly to support the preparation of the studies. The choice of the IDB as Executing Agency is justified by the regional character of this Technical Cooperation. During the execution of the TC, the Bank team will share with the governments the terms of reference of the studies to be carried out and seek their explicit collaboration in the development of the studies. Consultants experience, findings and intermediate and final reports produced in the different studies will also be shared with government counterparts for comments and corrections. Carmine Paolo De Salvo (RND/CHA) and Gonzalo Muñoz (CSD/RND) will jointly share execution responsibilities of the proposed TC. Sectoral specialists in the respective countries will also participate in the studies and their supervision. The Climate Change Division (CSD/CCS) will also support the implementation of the TC. The technical counterparts in the respective governments will be public policy planning offices in the Ministries of Agriculture and Fisheries.

4.2 The TC supervision will be conducted by the CSD/RND team in Washington DC in coordination with CSD/RND sector specialists in the countries who will also be the focal points in their respective countries. The data collection and research will be conducted by local contractuals who will be hired and paid through the TC. The work of the contractuals will be monitored bi-monthly and as often as additionally required by the TC team. Since this supervision will be done remotely and by sectoral specialists in the countries, there will be no additional cost associated with monitoring and data revision. The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services. The single source procurement process included in the procurement plan is justified by the continuation of service with a consultant that has perfomed similar tasks in the past with outstanding results. As studies covering topics such as climate change must build up on the findings obtained in agricultural policy studies, the first half of the TC period will be used to conduct the group of PSE/FSE studies while the climate change studies will take place during the second half.

4.3 RND has executed similar TCs with an excellent track-record for the deliverables and is currently successfully executing similar TCs in the Caribbean Region (ATN/OC-15039-RG) and Central American Region (ATN/OC-15773-RG). Additionally, TC RG-T3073 is currently being implemented for selected countries in the region. 2 country studies have been completed so far and 4 are under preparation. During 2013-2016, similar studies were conducted in collaboration with the Climate Change Division, especially in Jamaica. Other studies facilitated by similar initiatives are: an analysis of agricultural policies and programs in LAC, with their main trends and commonalities (Gurria, et al., 2016; Egas and De Salvo, 2018); a study on the effects of the composition of agricultural support on rural incomes (Anríquez, et al., 2016); and a related study aiming to shed light on the impacts of specific types of private subsidies and public goods interventions on agricultural growth and productivity (López, et al., 2017). These studies have improved the policy dialogue in the countries object of this TC and forthcoming studies funded by this TC will be able to take a closer look to the

characteristics of domestic agricultural, fisheries and trade policies, and will help to create the information needed to update the mentioned regional studies.

V. Major Issues

5.1 The main risk during the execution of the TC is the availability of information to carry out the analysis, especially in the context of the COVID-19 crisis. To mitigate this risk, Governments will express their interest and commitment in this study and will assign technical counterparts for supporting the gathering and analysis of information. Even if formal letters from the governments are not necessary for this type of TCs, RND will continue the application of the good practice of securing a commitment letter from each country before starting the execution of the study. Another risk is the change of policy priorities in countries that will change their administration during the execution of this TC and, therefore, the sustainability of the efforts made. This risk is mitigated by the permanent dialogue of the IDB in the different countries and the neutral, evidence-based nature of the proposed studies.

VI. Exceptions to Bank Policy

6.1 There are no exceptions to Bank Policy.

VII. Environmental and Social Strategy

7.1 The ESG classification for this operation is C.

Required Annexes:

Results Matrix_95385.pdf

Terms of Reference_72884.pdf

Procurement Plan_52242.pdf