

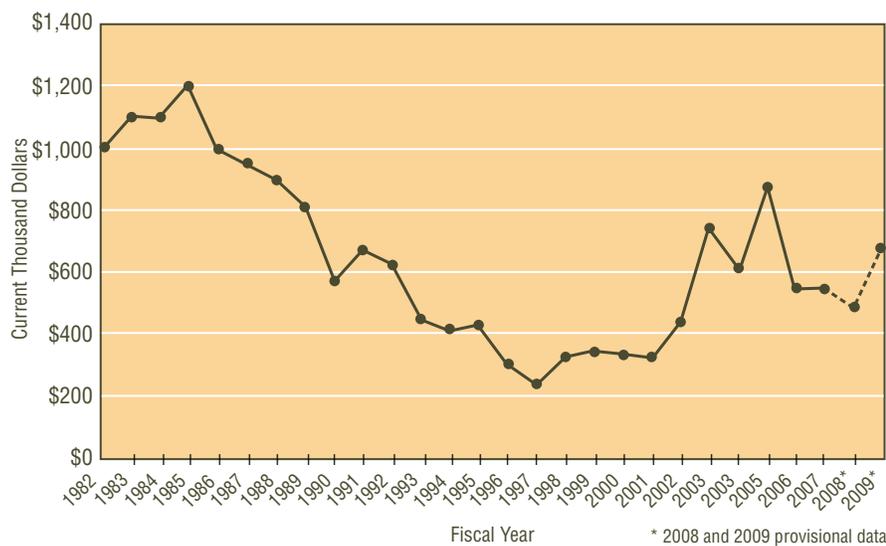
U.S. Foreign Assistance Reform: Food Security and Poverty Reduction

by John W. Mellor¹

Bread for the World Institute provides policy analysis on hunger and strategies to end it. The Institute educates its advocacy network, opinion leaders, policy makers and the public about hunger in the United States and abroad.

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USAID Agriculture Funding Trends, Fiscal Years 1982-2009



Source: USAID

Key Points

- U.S. aid programs should re-focus on catalyzing sustained, broad-based economic growth and poverty reduction instead of just supporting relatively small, self-contained projects.
- Along with this must be a renewed emphasis on developing the educational, research and policy institutions on which sustained development depends.
- Agricultural development is fundamental to poverty reduction, and is heavily dependent on public goods and public institutions.
- U.S. aid should invest in agriculture and related interventions to improve aggregate growth and poverty reduction over the long term.
- Long-term training of developing country nationals is essential for building capacity of key institutions.
- Rebuilding of USAID's technical competence, especially in agriculture, must be a high priority.

Abstract

In the last few decades, U.S. foreign assistance has largely supported a collection of disparate projects and interventions rather than a coherent, consistent program that is flexible and responsive to conditions in developing countries. As a result, it has not had a transformative impact at the country level. USAID should once again focus attention on broad-based measures and approaches that will improve agricultural and economic growth rates, and reduce poverty at the national level. This will involve renewed emphasis on agriculture and rural development, women's participation in the economy, education, infrastructure and capable national institutions and will require a much more deliberate development strategy carried out over a longer time horizon. To plan and implement such a strategy, USAID urgently needs to rebuild its technical capacity, especially in agriculture, rural development and economics that has been allowed to diminish over the past decades.

The world now has an estimated one billion hungry people—more than 100 million more than in 2007. The primary reason? The global demand for food has increased more rapidly than the supply, driving up prices rapidly. Even in the midst of a global recession, food prices have not fallen far from their 2008 peaks.

Since the world's poorest people spend 70 to 80 percent of their incomes on food, they are forced to buy less when prices rise. There is nothing else in the household budget to cut. The simple truth is that when there is an inadequate global supply of food, it is poor people who must eat less.



Todd Post

Many grain producers in Ethiopia bring their crops to the Ethiopia Commodity Exchange in Addis Ababa for traders and individuals to purchase.

Today's hunger crisis is a failure of agricultural production. Shortcomings in foreign assistance have played a role in the problem; thus, foreign assistance reform must play a key role in the solution.

The foreign assistance reforms that are needed are extensive: a complete restructuring of what is now a largely uncoordinated foreign aid effort spread over many agencies, combined with a redefinition of U.S. short-term and long-term objectives for development and foreign policy. However, if foreign assistance is to be successful in assuring food security, poverty reduction, women's participation, and sustainable growth that will eventually enable countries to function without foreign aid, there must also be fundamental changes in its operational priorities and delivery systems. This paper addresses these essential first steps in effective foreign assistance reform.

U.S. foreign aid in general, and USAID programs in particular, have lost focus in four key areas:

1. A shift away from projects and programs aimed at national impact to small, self-contained projects that are much less ambitious in scope.
2. A shift away from efforts to build national institutions, particularly the public institutions that are essential to self-sustaining progress towards a country's development objectives.
3. An underestimation of the role of technical expertise in development efforts today.
4. The de-emphasis of broad-based economic growth in favor of social sector interventions—including the virtual elimination of support for agriculture.

For low-income countries, the key to achieving any other development objective is long-term, self-sustaining growth that includes rapid reductions in food insecurity and poverty. This paper focuses on assistance to these countries. The importance of agriculture stems from the reality that, in low-income countries, anywhere from 60 to 90 percent of the population lives in rural areas and is dependent on agriculture—directly or indirectly—for nearly all income.

1. A shift away from projects and programs aimed at national impact to small, self-contained projects that are much less ambitious in scope. Smaller projects lend themselves to easy-to-measure quantitative “results”—the number of people vaccinated, the number of children enrolled in school—and are often carried out in historically underserved areas.

The problem arises when these projects are undertaken outside a larger strategic context and without rigorous economic analysis. Economic analysis is necessary to determine the relative costs and benefits of a project, particularly the opportunity costs (what else could have been done with the funding instead?) and to what degree the practice of investing in a variety of separate projects will contribute to the country's broader agenda for growth and poverty alleviation.²

A further complication, as noted in a 2006 DAC peer review³, is created by the fragmentation of development funding and responsibilities among numerous donor government departments and agencies. Each pursues its own set of small interventions without reference to host country priorities or an overarching development strategy. The result of all this is no overall impact on national development objectives.

2. A shift away from efforts to build national institutions, particularly the public institutions that are essential to self-sustaining progress towards a country's objectives. This shift hit agriculture particularly hard, because small farmers depend

heavily on public (i.e. government-provided) goods such as roads, research, and extension education, as well as on supportive legislation and policies.

Contractors and grantees who implement USAID projects have been pressured to meet specific objectives in a relatively short time. Since there is usually not enough time to develop the administrative and technical skills needed for the project, many “poach” scarce skilled staff members from elsewhere, particularly from host government offices. U.S. nongovernmental organizations (NGOs) implement a large share of U.S. development assistance and are strong in local-level grassroots programs, but those programs need to complement the building of national level institutions—not try to substitute for them.

In many cases, the poaching of skilled local personnel by USAID contractors and grantees, and the competition among donor countries for these personnel, has in fact reduced the capacity of host government institutions. This is harmful in ways beyond the lack of capacity itself: the public lacks confidence in a government perceived as “useless,” and indirectly, corruption is encouraged since there is so little possibility of government officials building a reputation for effective action. This is a problem in all low-income countries and is proving disastrous in Afghanistan. It is critical to build up the central government’s reputation in the eyes of its people, yet when village elders in Afghanistan are asked if the government is helping them, they reply, “No, it is the NGOs who do all the good works, and they will soon leave.”

Until recently, the government’s perceived lack of competence was often compounded by its neglect of the public goods needed by smallholder farmers (a neglect often encouraged by donors, who urged market orientation and a focus on urban areas). These factors together add up to a food security disaster that, in hindsight, could have been anticipated.

3. An underestimation of the role of technical expertise in development efforts today.

Economic growth is, to a considerable extent, a matter of increasing productivity—and increasing productivity often requires new technologies. In recent years, USAID has lost much of its technical expertise and is now largely staffed by generalist program and project managers. Technical expertise—to the extent that it was sought—has been increasingly outsourced.



USAID/Bangladesh helped to make small scale aquaculture a viable means of income for women and very poor farmers.

Once U.S. development policy lost its primary focus on broad-based economic growth, there began an era of rapidly changing foreign aid emphases. There were many programs whose funding was secured by program earmarks, which, in turn, reinforced the trend toward small projects and away from seeking national impact.

The decimation of technical staff is both a cause and an effect of all these shifts in goals and priorities.

4. Creating broad-based economic growth has been downplayed in favor of social sector interventions. As a result, support for agriculture has been virtually eliminated. Before the current hunger crisis began, the U.S. government had decreased the share of official development assistance (ODA) devoted to economic growth from about 75 percent to about 25 percent. Aid to agriculture virtually ceased. The United States is part of a general trend among aid donors away from support for agriculture. The neglect of agriculture is a key reason that low-income countries have suffered so much from the current crisis of high food prices.

Paying so little attention to agriculture reflects a lack of understanding of how increased prosperity for farmers leads to a broad expansion of employment in rural areas. This failure to appreciate agriculture’s importance also reinforced the tendency to divert funds from the public goods and government capacity that are especially important to agriculture. Governments increasingly adopted a simplistic analysis: if agriculture is important, the market will take care of it; no special action is needed. But because agriculture depends so heavily on public goods and services, this theory led to disaster for poor people.

Reforming Foreign Aid

So where does this lead us on foreign aid? We need a very radical change indeed. Success in reducing aggregate poverty and food insecurity in low-income countries requires explicit recognition that the majority of poor people live in rural areas or are being pushed into cities by rural poverty. (It is not a coincidence that cities are growing faster in poor African countries than in prospering Asian countries). In our efforts to reduce poverty and hunger, we must also recognize that rapid agricultural growth increases employment and reduces poverty and hunger by increasing the demand for rural non-farm goods and services that are produced by poor people. The lack of a development strategy and operating procedures that recognize these two realities has hampered the effectiveness of U.S. foreign aid.

Return to Agriculture

Donor and developing countries must invest in smallholder agriculture. The World Bank's influential 2008 World Development Report made a strong case for this. In the 1980s, the United States led the donor community out of agriculture. Perhaps the World Bank will now lead the way back.

But there is no reason why USAID should not quickly reassume its leadership role in agriculture. The United States is still greatly admired for its knowledge and experience in virtually all aspects of agricultural production, particularly in research, extension, and higher education. By

discontinuing its support for agriculture, our country lost a major opportunity to win global respect and influence a new generation of leaders in the field of agriculture and food security.

A minimum reasonable level of support for agriculture would be 25 percent of U.S. foreign assistance, given that agriculture is the basic engine of poverty reduction and food security and that our country has a great deal of expertise in the field. It will be a major undertaking to raise our agriculture assistance to anything close to 25 percent.

Focus on Improving National Aggregate Measures

When donors shifted attention from large-scale national impact to smaller projects, they also changed how they measure success. When progress is measured in terms of improvements in total poverty rates, food security rates, the degree of women's participation, or agricultural growth, there must be a focus on the "big picture." But evaluating only project-specific inputs and outputs rather than broad results allows assistance to become unfocused.

U.S. development assistance should aim to accelerate the agricultural growth rate of low-income countries from less than 3 percent (which is not even 1 percent faster than population growth) to the 4-6 percent growth rate achieved by fast-growth middle income countries.⁴

The combination of globalization and rapidly rising incomes in much of the world—and hence more demand for high-value agricultural products—makes such higher growth rates more achievable than in the past. Access to international markets would help low-income countries determine priorities for conducting research, for establishing cooperatives and other methods of realizing economies of scale, and ultimately for attracting private sector investment. Accelerating growth rates through such a broad, agriculture-based approach would address the bulk of a country's hunger and poverty, leaving focused programs to deal with the smaller but all too real remainder.

Focusing on national aggregate results such as reducing the poverty level will require a shift back to older indicators of success. The targets now set for individual projects are removed from an aggregate context, so they do not reflect the opportunity cost of investments. Will an investment in primary education have a greater



Richard Leonard

Small farmholders in Nicaragua are beginning to diversify their crops to provide food and additional income.

impact on development than a comparable investment in rural roads? Knowing the answer is clearly important to making decisions about how resources should be allocated. Answering it requires an understanding of the interactions amongst these alternatives. For example, education can be expanded more quickly if there are roads that attract teachers to live near the school rather than commute from a distant market town.

There are analytical tools to help determine the impacts of the various alternatives so that a decision can be made. But in order to use them, one must first question the assumptions being made and ensure that the analysis includes all the relevant information—this process is even more important than the numerical results of the analysis.

Measuring the national impact of a program would make it more complicated to gauge the impact of specific projects. However, this could be an important and needed opportunity for project managers to improve their understanding of development dynamics and strategies, particularly the role of national institutions.

Focus on Institution Building

A focus on national aggregate results immediately shifts the emphasis to building and strengthening national institutions, because it is only through national institutions

and programs that results at that level can be realized. For agriculture in low-income countries, those institutions will be largely in the public sector.

It takes time to establish and staff a competent research and extension network. There is an array of necessities for agriculture that are unlikely to be provided by the private sector in developing countries—establishing rural education and public health systems, building and sustaining irrigation and transportation networks, establishing a regulatory framework and accountability system. Getting all these in place is difficult and cannot be accomplished within a three-to-five-year time frame; it could take a decade or more.

However, there may be technologies that are nearly ready to be used on the ground and could have a quick impact. Also, farmers pay attention—when they see research farms being built, they realize that improvements are on the way. This was true in Afghanistan, where farmers reaped benefits from such efforts prior to the decades of disruption that began with the Soviet invasion in 1979.

Such a focus changes terms of reference for those private contractors, universities and NGOs actually implementing U.S. development assistance. The American program specialists would be expected to partner with host country nationals in national institutions, whether public or non-governmental. Expatriate staff would work on critical tasks—



USAID/Ben Barber

USAID has supported Mexico's agricultural programs to improve various crop production for farmers.

for example, crop research—but always in collaboration with nationals, working in national institutions. Talented and committed national staff would have strong incentives to work with the expatriate personnel, including in-service training and the opportunity for advanced study in the United States. The goal is that, within a few years, the national staff would be able to run viable, self-sustaining national institutions without outside advice.

Frequently, U.S. contractors and NGOs object that national institutions lack trained and committed staff and have problems with corruption. But it's part of the job to lead by example and to provide technical assistance and incentives for higher productivity. USAID did this successfully in Asia from the late 1950s to the 1970s. The United States played a key role in the agricultural universities of India,⁵ Bangladesh, Pakistan, Indonesia, Thailand, Malaysia, and Taiwan,⁶ and in turn, those universities all played a major role in their countries' accelerated agricultural growth and the associated dramatic decline in poverty rates—by 30 to 40 percent.

Although there was corruption in these countries, USAID contracting systems were largely able to prevent corruption in these universities, and technical assistance improved their efficiency. Ethiopia as an early recipient of U.S. aid received similar help. Despite the premature cessation of that aid, some gains remain; they are the basis for an optimistic view of Ethiopia's current focus on revitalizing its agriculture.

Helping national institutions to provide services is also critical to strengthening democratic governments. When foreigners are perceived as providing the services, it is foreigners who get credit, often at the expense of the government. Rather than complementing or guiding the efforts of governments, the “outsiders helping” approach undermines or weakens national institutions.

Long-Term Training of Nationals

Development requires nurturing public institutions that are staffed by educated people. Post-graduate education is more and more essential. At one time, the United States trained large numbers of Asian professionals; this had a major impact, not only in developing critical institutions that fueled the Green Revolution, but in building understanding of U.S. institutions and easing the way for complex negotiations on mutual interests.

Africa has benefited little from such training. The most important cause of the poor performance of African agriculture is the failure to train people for this critical work. There has also been little training for the few remaining low-income countries in Asia. In the past eight years in Afghanistan, there has been hardly a trace of advanced training. The Afghan extension service used to have more than 3,000 trained agriculturalists. It is now down to only

300. The agricultural college at Kabul University needs several professors with Ph.D. degrees in each of a dozen essential departments. (There has been a modest but very important program for sending staff to Bangalore, India, to earn master's degrees). The Ministry of Agriculture needs several highly trained people in each of about a dozen specialties, such as health inspection and phyto-sanitary requirements for exports. Many of the same experts are also needed in the private sector, adding to the shortages. When these needs are multiplied by all low-income countries, the trained specialist shortage is measured in the tens of thousands—thousands need to be trained every year. The past 20 years of neglect of such training comes at a huge cost in present-day effectiveness.



Ch. Damba, an agronomist, is teaching Mongolians how to plant vegetables. Damba received an Entrepreneur Award from the USAID-funded Training, Advocacy and Network Project.

Re-staffing of USAID Technical Competence

Development, especially in agriculture, is a technical process and requires technically competent personnel. USAID itself needs to invest in technically competent staff, not only in the area of agriculture but in every sector. This will mean developing a comprehensive strategy for re-staffing, setting priorities, and identifying the skills and expertise that are needed. Once hired, an agricultural expert cannot be transformed into a democracy expert.

USAID has been fortunate that NGOs and, to a large extent so far, private contractors, have been staffed with people dedicated to development who have been able to partially compensate for the lack of technical competence within USAID. Given the large pool of expertise outside the agency, one might explore options for moving such people into and out of government service on an expedited basis. But without the long-term, in-house technical capacity to plan and oversee grants and contracts, including rigorous evaluation and application of lessons learned, it is only a matter of time before the work quality of outside contractors declines radically.

Conclusion

Programs concentrating on improving nutrition, health, and education in poor communities all make people more productive. So they will be looking for work. It will be critical to have plans and resources in place to create jobs. Without the jobs created by broad-based, agriculture-driven rural growth, there is a danger that the social programs will create large numbers of healthy, educated, but unemployed young people—a major source of instability—and will not be sustainable without continued donor funding.

The needed changes in operating procedure are to focus on aggregate national improvement in agricultural growth rates, poverty reduction, women's participation, and food security. Such a turn away from individual small projects requires changes in the measures of project success. The other basic change is to recognize that well-performing public institutions to complement private sector efforts are essential. Most, if not all, aid projects should aim at leaving behind a well-operating national system.

These changes are complex and could be difficult. They will require top management to fully understand the issues and needs and then focus single-mindedly on achieving the necessary changes.

Endnotes

¹ John Mellor is former Director-General of the International Food Policy Research Institute (IFPRI), Chief Economist at USAID and Professor, Cornell University. I am most grateful to Bread for the World Institute staff and associates for their comments and suggestions.

² The de-emphasis on country level strategic planning reached its culmination in a recent directive for USAID field staff to refrain from development-specific strategic thinking altogether.

³ The 2006 DAC Peer Review of U.S. development cooperation policies and programs (http://www.oecd.org/document/27/0,3343,en_2649_34603_37829787_1_1_1_1,00.html).

⁴ As an example, Afghanistan can readily achieve this growth rate based on a combination of high value horticulture (largely for export) and

wheat (for domestic consumption). The Master Plan for Agriculture specified six horticultural crops (almonds, grapes, raisins, apricots, pomegranates and pistachios) that represent the bulk of an already large horticulture output and which can readily achieve an eight percent growth rate given the vibrant regional markets (e.g. India) in which Afghan products have a very positive consumer identity. Wheat has a large base of production and short term potential for a doubling of yields. The livestock sector, in addition, has the potential to serve a growing domestic market. Such a focus on the relative importance of current production and potential growth provides the commodity priorities for an initial allocation of research, extension, credit and infrastructure investments. This kind of commodity focus has not been coherently and consistently pursued.

⁵ A highly productive partnership between USAID, and the Rockefeller and Ford Foundations during the 1950s and 60s gave India a premier agricultural educational and research system. USAID allocated large sums to develop agricultural universities. These universities then provided the staff for the rapidly growing public institutions with which Rockefeller collaborated—collaboration which resulted in high-yielding corn, wheat and sorghum varieties. Significantly, the Foundation never hired Indian researchers on its staff. Instead, it worked with them in their national institutions, offering incentives in the form of scholarships and field allowances. The result was a national research and educational capacity that continued after the foreign aid left. Ford Foundation did similar work developing the extension system, using USAID-financed personnel at the agricultural universities. Rockefeller research results went out through those extension systems.

⁶ While he was still president of Taiwan, Teng-hui Lee, in a speech at Cornell University, was unstinting in giving major credit to the United States for the huge success in Taiwan's agriculture as the foundation of its takeoff into economic growth. None of this happens now.



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INSTITUTE

President, David Beckmann | Director, Asma Lateef

50 F Street NW, Suite 500, Washington, DC 20001
Tel 202.639.9400 Fax 202.639.9401
institute@bread.org www.bread.org/BFW-Institute

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