

## TC Document

### I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Support to Agricultural Policy Analysis to Improve Food Security, Competitiveness and Adaptation to Climate Change in the Caribbean Region
▪ TC Number:	RG-T2622
▪ Team Leader/Members:	Carmine Paolo De Salvo (INE/RND), Team Leader; Cesar Falconi (INE/RND); Rachel Boyce (INE/RND); Yolanda Valle (INE/RND); and Escarlata Baza (LEG/SGO)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Research and Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	April 21 <sup>st</sup> , 2015
▪ Beneficiary:	Caribbean Countries: Suriname, Guyana, Jamaica, Trinidad and Tobago, Barbados, and Bahamas
▪ Executing Agency and contact name	IDB (INE/RND)
▪ Donors providing funding:	Food Security Fund (FOD)
▪ IDB Funding Requested:	US\$300,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	24 months (same as execution period)
▪ Required start date:	July 1 <sup>st</sup> , 2015
▪ Types of consultants:	Individual contractuales and specialized agencies
▪ Prepared by Unit:	INE/RND
▪ Unit of Disbursement Responsibility:	INE/RND
▪ TC Included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	Y
▪ GCI-9 Sector Priority:	Food security, climate change and regional integration

### II. Objectives and Justification of the TC

- 2.1 For most of the past fifty years, real agricultural commodity prices followed a downward trend punctuated by short-lived peaks that were not matched by equally pronounced and short-lived price falls but rather were separated by extended price troughs. Since around 2002 it appears that food prices have departed from this secular decline: prices have now been above trend for longer than any time in the previous forty years and food price inflation has been faster than overall inflation in most countries. Prices have also become increasingly volatile with successively higher peaks in 2007-2008, 2010-2011 and, most recently, in 2012. Given their geographical location and reliance on food imports, the Caribbean countries are among the most vulnerable in the world to food price increases and climate change with a high incidence on rural poverty. The Caribbean countries also show the highest import tariffs. This situation is particularly concerning given that, in addition to higher import tariffs, the shipping structures of the Caribbean islands provide for very

little direct service and low connectivity, which in turn leads to higher ocean freight rates<sup>1</sup>.

- 2.2 The objective of the proposed Technical Cooperation (TC) is therefore to generate policy recommendations for a more efficient allocation of fiscal resources that could lead to reduced vulnerability to volatile food prices in Caribbean countries.
- 2.3 To achieve this 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 sector in a context of greater openness to trade in Barbados, Bahamas, Jamaica, Trinidad & Tobago, Guyana and Suriname (this will include six separate knowledge products with country specific recommendations which are also coherent at the regional level); (iii) value chains analyses for the most relevant crops in the Caribbean countries; and (iv) cost/benefit analysis of different forms of budgetary support, including private subsidies versus general public services such as: animal and plant health, food safety, innovation and infrastructure in irrigation and drainage, among others.
- 2.4 The results will be disseminated through national workshops which will focus on addressing the specific structural/policy bottlenecks at the national level as well as one regional workshop which would ensure that the implemented policy reforms are consistent for the region as a whole. The results will also propose policy reforms for public expenditure and policies aimed at achieving a more efficient allocation of fiscal resources and public goods investments in the Caribbean region.
- 2.5 This TC is aligned with the Bank's GCI-9 sector priorities, and especially with the sector priority: Protect the environment, respond to climate change, promote renewable energy, and ensure food security, as it will contribute to strengthening the IDB's presence in the policy dialogue on climate change and food security and encourage the design of sustainable policies that will enhance agricultural productivity and food security.

### III. Description of Activities/Components and Budget

- 3.1 **Component I: Agricultural Sector Policy Analysis.** This component will finance six agriculture policy studies, applying the Organization for Economic Cooperation and Development's (OECD) Producer Support Estimate (PSE) methodology<sup>2</sup> to compare changes in the level and composition of domestic support to agriculture over time; an important tool in monitoring and evaluating the changes in agricultural policy. The PSE quantifies the discussion on agricultural policy structure and allows for the evaluation of its impacts on farmers' incomes. The PSE analysis will be complemented by Value Chain Analysis (VCA) to help identify internal bottlenecks that might hinder agricultural productivity and affect farm to market costs. Issues to be examined in this component would include, among others: (i) expenditure on subsidies to producers versus 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.

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<sup>1</sup> World Bank (2012) High Food Prices - Latin American and the Caribbean Responses to a New Normal.

<sup>2</sup> The IDB has applied the PSE methodology in 16 countries to date, in some cases providing the basis of the analysis of national food and agricultural policies starting in 2003. These include: Argentina, Belize, Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Nicaragua, El Salvador, Panama, Paraguay, Peru, and Uruguay. In addition, OECD calculates on regular base estimators for Mexico, Chile and Brazil.

- 3.2 Activities for this component will include the hiring of local contractuels in each country as well as the hiring of specialized regional agencies, such as the International Centre for Tropical Agriculture, which have extensive experience in the agricultural sector, the PSE indicators and the OECD methodology. CIAT's expertise and knowledge based on improving productivity complements the agricultural policy analysis content of the TC, so that there will be a positive synergy between these data sources. Other benefits of CIAT being a part of the work program include its activities in countries where the IDB does not have a strong or active lending program in agriculture and its contacts with the major commodity producer associations in the region. Prior satisfactory services that CIAT has provided to the Bank on the same topics complement the justification.
- 3.3 The expected outputs of this component are: (i) six national agricultural policy reviews based on the PSE methodology; and (ii) targeted national policy reform proposals aimed at increasing fiscal resource allocation, efficiency and productivity in the agricultural sector.
- 3.4 **Component II: Training and Capacity Building.** This component will finance national and regional workshops to discuss, validate and disseminate the findings of the studies financed under Component I. Furthermore, under this component, the IDB team will train representatives of local authorities and universities on the PSE methodology. These training activities will ensure that the countries increase their ability to apply the PSE methodology on a regular basis to monitor the efficiency and effectiveness of agricultural policies/measures and introduce corrective measures if warranted.
- 3.5 The expected outputs of component II are: (i) seven (six national and one regional) workshops to discuss and validate the findings of the studies and ensure countries' commitment to proposed policy reforms; and (ii) training of staff in the ministries of agriculture and other related ministries such as the ministries of finance in addition to research entities/academia on the PSE methodology.
- 3.6 The outputs from component I and II are expected to contribute to the following outcomes: (i) initiation/implementation of policy reform undertakings and more efficient allocation of fiscal resources to agricultural policies and programs; and (ii) agricultural sector productivity gains.

**Indicative Results Matrix**

<b>Outputs - Component I</b>	<b>Baseline</b>	<b>Final Target</b>
National agricultural policy reviews based on the PSE methodology	0	6
Targeted national policy reform proposals	0	6
<b>Outputs - Component II</b>	<b>Baseline</b>	<b>Final Target</b>
Workshops to discuss and validate the findings of the studies	0	7 (6 national and 1 regional)
Training sessions on the PSE methodology	0	6

#### Indicative Budget

Activity/Component	Description	IDB/Fund Funding US\$	Counterpart Funding	Total Funding US\$
Agricultural sector policy analysis	Consultancies	230,000		230,000
Training and Capacity Building	Logistics, workshops and Consultancies	70,000		70,000
<b>Total</b>		<b>300,000</b>		<b>300,000</b>

#### IV. Executing Agency and Execution Structure

- 4.1 In order to support the ministries of agriculture 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. Moreover, RND has executed similar TCs in the past with an excellent track-record in the deliverables. During 2013-2014, similar studies were conducted in collaboration with the Climate Change Division for countries in Central and South America. 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, contractuals experience and findings, and intermediate and final reports produced in the different studies. Carmine Paolo De Salvo (INE/RND) and Cesar Falconi (INE/RND) will jointly share execution responsibilities of the proposed TC.
- 4.2 The TC supervision will be conducted by the INE/RND team in Washington DC in coordination with INE/RND sector specialists in the countries who will also be the focal points in their respective countries.
- 4.3 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, there will be no additional cost associated with monitoring and data revision.
- 4.4 The six beneficiary countries have already sent official letters giving no objection to the execution of the TC (Annex I).
- 4.5 Procurement. The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures.
- 4.6 The project team recommends the single source selection (SSS) method for contracting the International Center for Tropical Agriculture (CIAT), a regional specialized institution, in order to conduct specific policy studies using PSE methodology. The contracting of CIAT without a competitive process is justified in the exceptional knowledge this institution brings to the objectives of this project and is also based on prior satisfactory services that it has provided to the Bank.

## **V. Major Issues**

- 5.1 The main risk during the execution of the TC is the availability of information to carry out the analysis. To mitigate this risk, the governments have already expressed their interest and commitment in this study (see Annex I) and will assign technical counterparts for supporting the gathering and analysis of information.

## **VI. Exceptions to Bank Policy**

- 6.1 This project will comply with all standards and rules as have been put forward by the IDB. There are no exceptions to IDB policy.

## **VII. Environmental and Social Strategy**

- 7.1 It is not anticipated that the activities to be financed in this TC will have negative direct or indirect social or environmental effects. According to the Bank's Safeguards Screening Toolkit, this operation is classified as category "C". No environmental assessments studies or consultations are required.

### **Required Annexes:**

- Annex I: Letters of request ([Trinidad and Tobago](#), [Suriname](#), [Barbados](#), [Jamaica](#), [Guyana](#), and [Bahamas](#))
- Annex II: Terms of reference ([39676580](#), [39676584](#) and [39676590](#))
- Annex III: [Procurement plan](#)

**SUPPORT TO AGRICULTURAL POLICY ANALYSIS TO IMPROVE FOOD SECURITY,  
COMPETITIVENES AND ADAPTATION TO CLIMATE CHANGE IN THE CARIBBEAN  
REGION  
RG-T2622**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the Food Security Fund (FOD) through a communication dated April 21, 2015 and signed by Mr. Kai Hertz, (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$300,000** in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

ORIGINAL SIGNED

07/10/2015

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Sonia M. Rivera  
Chief  
Grants and Cofinancing Management Unit  
ORP/GCM

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Date

**APPROVAL**

Approved:

ORIGINAL SIGNED

07/14/2015

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Pedro Martel  
Chief a.i.  
Environment, Rural Development Disaster Risk  
Management Division  
INE/RND

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Date