

SUMMARY OF CY 1971 - 1972 IMPLEMENTATION OF
AGRICULTURE SECTOR LOAN 514-L-064

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I Introduction and Summary

This report summarizes the data provided in the quarterly progress reports on Loan 514-L-064 received from the Ministry of Agriculture during 1972 and its final report received in March, 1973. Additional data provided by the Ministry and other sector agencies, in response to questions arising from an examination of the progress reports, have been incorporated into this report. The report is also supplemented by information obtained by Mission personnel on numerous field visits made throughout CY 1971 and CY 1972 to observe the progress of the activities supported by the loan. The report summarizes the performance of all implementing agencies showing for each: (1) financial flow data, and (2) status of program accomplishments.

Total receipts of funds by the sub-implementing agencies under the loan were near targeted levels. (See Table 1) The major problem on the financial side in 1972 was irregularity in the flow of official funds during the early part of the year, only partly compensated for by Agency short-term borrowing from banks or suppliers. Consequently, there was a resulting shortfall in achievement of some of the physical targets. These deficiencies substantially will be carried forward and added to those targets programmed for execution in CY 1973, particularly where related to construction.

Financial input targets under Loan 514-L-064 were revised so as to reduce the GOC input for CY 1971 and CY 1972 by 250.3 million pesos from the original level of 2,956.1 million to 2,705.8 million. The reduction consists of 60.9 million in budgetary funds, and 189.4 million in non-budgetary income. In percentage terms, the overall target with regard to commingled funds was reduced to 92.9% of the original target. As regards GOC inputs, the revised targets provide for a budgetary input of 95.6% of the original target and a non-budgetary input of 87.8% of the original target. The original and revised targets are presented in Table No. 1 organized by individual entities.

Three-fourths of the reduction corresponds to the non-budgetary category. Non-budgetary income is derived in large part from non-AID external credit, internal credit, transfers and the sale of products and services. No change

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was made in the targets for non-AID external credit (such shortfalls in receipts as accrued on this account are being carried over into 1973). However, the remaining types of non-budgetary income are not subject to obligation and later payment as in the case of budgetary authorizations; it is thus unrealistic to assume that shortfalls in receipts could be carried over into and recuperated in the subsequent year (1973). It should also be noted that these types of non-budgetary income were very difficult to estimate when the original targets were established nearly two years ago, and that the degree of variation is not entirely unexpected. The agencies principally affected were INCORA and ICA. In the case of the former, the adjustment also took into account and corrected an error built into the initial targets, resulting from the way that agrarian reform bonds were treated, i. e., the original target used authorization rather than monetization data. The reduction in budgetary input targets affected the same two agencies. In the case of the latter (ICA), it corresponded to legitimate changes in program policy, i. e., a decision not to expand the graduate school and to transfer certain extension responsibilities to producer associations. As regards INCORA, most of the budgetary shortfall resulted from slower than planned generation of PL 480 counterpart funds programmed for activities that do not lend themselves to compensatory acceleration in the future.

Comparing CY 1971 and CY 1972 with the respective loan targets, it should be noted that there was a marked improvement in CY 1972 in terms of funds actually received by the agencies. In CY 1971 the agencies received 73.4% of their programmed receipts, while during CY 1972 they reached 92.2% of the targets.

Expenditures for the two years were 77.3% of the target, with CY 1971 (in relation to CY 1971 targets) being slightly higher in percentage terms than CY 1972. It should be kept in mind: (1) that the Loan Agreement targets called for a 35% increase in expenditures from CY 1971 to CY 1972, and (2) that in CY 1971 receipts just about equalled expenditures, whereas in CY 1972 income exceeded expenditures due in good part to large disbursements to the agencies late in the year. Given Colombian crop seasons and specific credit needs early in the calendar year, the end-year buildup of availability was deliberate and has served to avoid in 1973 problems encountered in previous years.

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As concerns physical progress, the following is a summary of the main points described in the agency-by-agency sections of this report.

1. During the course of CY 1972 the "pick and shovel" access road program was organized and work began on some 40 farm-to-market roads. The program, in addition to building access roads using labor-intensive techniques, provided employment to approximately 4,000 people living near these roads. Extension services were provided in the same areas in an attempt to have the farmers use their earnings to improve farm production. As of December 31, 1972, 119 kilometers of roads had been completed.

2. For the first time in the history of Colombian agriculture, a formal program was initiated to transfer adaptive research findings to the small farmer. This program began with the development of six pilot projects under ICA and was combined with a program of credit through the Caja Agraria. The program actually became operational in CY 1972, 7,500 loans were made and over 20,000 farm families were benefitted by the extension activities built into the program. To meet the demands of this initiative, ICA significantly expanded its staff of extension agents.

3. The Ministry of Agriculture's Office of Planning (OPSA) was reorganized late in 1971 in an effort to increase coordination in the planning, implementation, and evaluation of agricultural sector programs. In 1972 OPSA added a full-time sector analysis group to carry out the quantitative analysis work initiated in collaboration with AID in 1971. By contracting professionals outside of the normal direct-hire channel, OPSA has been able to upgrade significantly the quality of its personnel.

4. Beginning in 1972 the sector loan progress reports submitted by OPSA improved greatly and by the end of the year an improved format was developed. The new format will reduce the time required for both preparation and evaluation of progress reports, while offering the same information. This reporting system should enable OPSA to increase its effectiveness in allocating and controlling sector programs.

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✓ 5. Due to administrative and legal problems, the agreement between the Ministry of Agriculture and COFIAGRO was not completed until late in CY 1972, and funds for this marketing program were not received by COFIAGRO until November, 1972. Problems of an administrative nature also affected performance.

✓ 6. Performance in ICA's construction program was less than satisfactory as a result of failure to meet requirements under an IDB loan, plus administrative problems related to GOC bidding regulations. However, due to the nature of this program, the established targets can be carried over and, hopefully, met during CY 1973.

✓ 7. Subject matter specialists and extension agents added by ICA exceeded loan targets.

8. INCORA issued legal titles to some 18,500 new farm owners in 1972. This is a 15% shortfall from the established target, but is explained by a deliberate change in policy whereby INCORA gives priority to multi-family farm enterprises rather than individual farmers, the titling process simply takes longer for such enterprises.

9. INCORA's performance in the engineering works program fell considerably short of the levels programmed in their original plan. To some extent, problems were similar to those of ICA. Irregularity in the flow of funds, mentioned earlier, also had its effect on this program.

Certain broad developments in the sector, related to the loan program, are worthy of note:

- The value of total exports in 1972 increased by 22.2% over 1971; agricultural exports, including coffee, accounted for 72.7% of this total. The value of non-coffee agricultural exports increased by 58.3% during this period, and accounted for 45.5% of the increase in total exports.

- In early 1973, two significant changes in Colombian law relating to the agriculture sector were made. The first modified the Agrarian Reform Law in an effort to speed up the legal processes involved in distribution and acquisition of land, to protect the ownership of adequately

exploited land, and to create a presumptive land tax. The second measure modified the law governing the Agricultural and Livestock Finance Fund. The objective of the latter modifications is to enable the Monetary Board to regulate better the availability of funds in accordance with needs, to broaden the types of loans made by the Fund to include long-term crops and livestock, and to set aside certain assets for loans to small farmers, including their technical assistance requirements.

Note - A Summary of the quantitative performance targets established in the Annex to Loan 514-L-064 and of the performance against those targets is provided in Table 1A on Page 7A

LOAN EXECUTION BY IMPLEMENTING AGENCY

TABLE #1

A. INCOME
(Billions of Pesos)

	Original Loan Agreement Target	Revised Target	Revised Target as % of Original Target	Cash Receipts in CY- 1971	Cash Receipts in CY- 1972	Total Cash Receipts Both Years	Total Cash Receipts as % of Revised Target	Balance Carried Forward to CY-1973	Receipts Against Balance 1/1/73 through 3/31/73
<u>Ministry of Agriculture</u>									
Sector Loan Funds	47.7	47.7	100.0		31.6	31.6	66.2	16.2	12.4
COC Budgetary Funds	24.6	24.6	100.0	1.7	11.3	13.0	52.8	11.7	9.9
COC Non-Budgetary Funds	21.1	21.1	100.0		21.1	21.1	100.0	-	-
Sub-Total	93.4	93.4	100.0	1.7	64.0	65.7	70.3	27.9	22.3
<u>I.C.A.</u>									
Sector Loan Funds	165.6	165.6	100.0	3.0	162.6	165.6	100.0	-	-
COC Budgetary Funds	583.1	524.3	89.9	285.4	201.4	486.7	92.8	35.7	23.0
COC Non-Budgetary Funds	345.8	309.7	89.6	42.4	164.9	207.3	66.9	124.5	-
Sub-Total	1,094.5	999.6	91.3	330.7	528.9	859.6	86.0	160.2	23.0
<u>INCORA</u>									
Sector Loan Funds	318.4	318.4	100.0		312.4	312.4	98.1	6.0	6.0
COC Budgetary Funds	733.0	717.1	97.8	391.8	267.9	659.7	92.0	46.2	5.5
COC Non-Budgetary Funds	1,144.8	1,006.5	87.9	367.0	565.8	932.8	92.7	101.8	-
Sub-Total	2,196.2	2,042.0	92.9	758.8	1,146.1	1,904.9	93.3	154.0	11.5
<u>INDERENA</u>									
Sector Loan Funds	40.1	40.1	100.0	N.A.	40.1	40.1	100.0	-	-
COC Budgetary Funds	58.6	72.4	123.5	N.A.	72.4	72.4	100.0	-	-
COC Non-Budgetary Funds	45.1	30.1	66.7	N.A.	31.7	31.7	105.3	-	-
Sub-Total	143.8	142.6	99.2	N.A. 1/	144.2	144.2	101.1	-	-

ANNEX B - EXHIBIT

Table #1 Cont.

	Original Loan Agreement Target	Revised Target	Revised Target as % of Original Target	Cash Receipts in CY- 1971	Cash Receipts in CY- 1972	Total Cash Receipts Both Years	Total Cash Receipts as % of Revised Target	Balance Carried Forward to CY-1973	Receipts Against Balance Through 4/15/73
TOTALS									
Sector Loan Funds	571.8	571.8	100.0	3.0	546.7	549.7	96.1	22.2	18.4
GOC Budgetary Funds	1,399.3	1,338.4	95.6	678.8	553.0	1,231.8	92.0	93.6	38.4
GOC Non-Budgetary Funds	1,556.8	1,367.4	87.8	409.4	783.5	1,192.9	87.2	226.3	-
T O T A L	3,527.9	3,277.6	92.9	1,091.2	1,883.2	2,974.4	90.7	342.1	56.8

B. EXPENDITURES OF COMMINGLED FUNDS

	Original Loan Agreement Target	Actual Expendi- tures CY 1971	Actual Expendi- tures CY 1972	Actual Expendi- tures CY 71 & 72	Total Expendi- tures as % of Target
1. Ministry of Agriculture	93.4	1.7	25.6	27.3	29.2
2. I.C.A.	1,094.5	366.4	465.0	831.4	76.0
3. INCORA	1,883.4	723.3	759.3	1,482.6	78.7
4. INDERENA	144.0	1/	145.7	145.7	101.2
T O T A L	3,215.3	1,091.4	1,395.6	2,487.0	77.3

1/ It should be noted that INDERENA was not included in the Loan Agreement for CY-1971, thus no receipts or expenditures were programmed for that year.

Table 1ASUMMARY OF QUANTITATIVE PERFORMANCE TARGETS

	<u>Quantitative Performance Targets Estimated in Loan Agreement 064</u>	<u>Achievement</u>
<u>Ministry of Agriculture</u>		
Feeder and Access Roads <u>1/</u>	250 Kms.	119 Kms.
<u>INCORA</u>		
Land Titles <u>2/</u>	25,000	18,479
Supervised Credit Loans <u>3/</u>	25,000	13,169
Technical Assistance		
- New Personnel	100	60
- In-Service training	200	272
<u>I.C.A.</u>		
Agricultural Extension		
- New subject matter specialists	21	39
- New extension agents	30	22
- New assistance agents	45	60
<u>Pilot Areas Program</u>		
- New pilot areas	6	6
<u>Quality Control of Agr. Inputs <u>4/</u></u>		
- Animal feed concentrates	720	791
- Microbiological feed analyses	720	201
- Biological product checks	120	235
- Fertilizer Analyses	1,800	498
- Pesticide Analyses	1,800	570
<u>Supervised Credit for Pilot Areas</u>		
- New loans	7,500	7,490

Table 1A (Continuation)

	Quantitative Performance Targets Estimated in Loan Agreement 064	Achievement
<u>INDERENA</u>		
<u>Forestry Program</u>		
- Inventory	200,000 Has.	655,000 Has.
- Forest growth plots	4	4
- Physical characteristics of new species of wood	20	14
- Training of forest technicians	25	25
<u>Fish Activities</u>		
- Construction and improvement of fishery stations	5	5
- Research on new continental fish species	5	5
- Initiate fish farming pilot plants	3	6
<u>Soil and Water Activities</u>		
- Studies for watershed conservation	3	3
<u>Parks and Wildlife Activity</u>		
- Studies on species of wildlife with export potential	3	3
- Studies on species already in the export market	4	4
<u>Other Activities</u>		
- Training of new inspectors & rangers	20	20
- In-service training of inspectors and rangers	50	60

- 1/ The shortfall was due primarily to the signing of an agreement between the Ministry of Agriculture and the Ministry of Public Works later than anticipated.
- 2/ A new policy emphasizing "empresas comunitarias" as opposed to individual holdings caused some slow down in titling.
- 3/ The shortfall in the number of loans made was due in large part to the non-receipt of funds during the early part of 1972.
- 4/ The low achievement regarding quality control targets was caused by problems related to the construction of physical facilities such as laboratories and diagnostic centers.

TABLE # 2

FINANCIAL FLOW DATA - MINISTRY OF AGRICULTURE

	Total CY- 71 & CY-72 Rev. Target	Actual Receipts CY-1971	Actual Receipts CY-1972	Total Receipts CY-71 & 72	Balance Carried Forward to CY-1973	Receipts Against Balance 1/1/73 Through 4/15/73
I. Receipts						
1. OPSA						
AID Sector Loan Funds	1780.0		1780.0	1780.0	-0-	-0-
GOC Budgetary Funds	3550.0	1700.0		1700.0	1850.0	-0-
Sub-Total	5330.0	1700.0	1780.0	3480.0	1850.0	-0-
2. Caminos Vecinales						
AID Sector Loan Funds	24810.0	---	8670.0	8670.0	16139.0	12429.0
GOC Budgetary Funds	21100.0	---	11275.0	11275.0	9825.0	9825.0
Sub-Total	45910.0	---	19945.0	19945.0	25964.0	22254.0
3. Coflagro						
AID Sector Loan Funds	21100.0	---	21100.0	21100.0	- 0 -	- 0 -
GOC Non-Budgetary Funds	21100.0	---	21100.0	21100.0	- 0 -	- 0 -
Sub-Total	42200.0	---	42200.0	42200.0	- 0 -	- 0 -
T O T A L	93440.0	1700.0	63925.0	65625.0	27814.0	22254.0
	Total Loan Target CY- 71 & CY-72	Actual Expenditures CY-1971	Actual Expenditures CY-1972	Total Expenditures CY-1971 & CY-1972	Total Expenditure as a Percentage of Target	
II. Expenditures						
1. OPSA	9040.0	1700.0	3570.0	5270.0	58.3	
2. Caminos Vecinales	42200.0	---	14191.0	14191.0	33.6	
3. Coflagro	42200.0	---	9500.0	9500.0	22.5	
T O T A L	93440.0	1700.0	27261.0	28961.0	31.0	

II Ministry of Agriculture

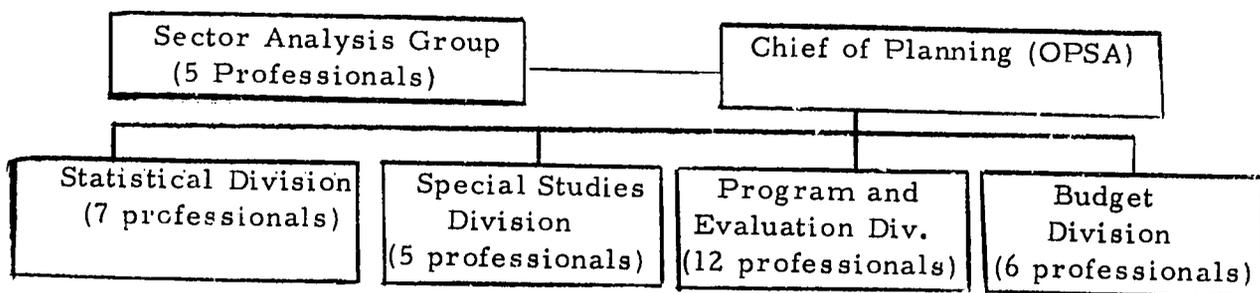
1. OPSA

A. Financial Situation

During CY 1971, there were no releases of loan funds programmed for OPSA. The GOC funds were received in their totality. During CY 1972, OPSA received 1.8 million of loan funds against a programmed level of 5.5 million, with the difference of 3.7 million withheld pending finalization of a contract between OPSA and DANE. Due to administrative problems with this contract, the 3.7 million have been reprogrammed and disbursed for use by Caminos Vecinales; and the DANE contract is being financed outside of the loan by 4.4 million of counterpart funds. The 1.8 million of GOC budgetary funds programmed for OPSA have been carried forward to CY 1973 to cover the CY 1972 deficit in expenditures (See Table 2) and will be added to CY 1973 input and expenditure targets.

B. Physical Accomplishments

As called for in the Loan Agreement, OPSA submitted on October 15, 1971 its organization and staffing plan and its program of studies to be undertaken during the course of subject loan. The new organization and staffing of OPSA is shown in the following organization chart:



As shown above, the staffing plan calls for 36 professionals. The sector analysis group was created late in 1972, but the rest of OPSA was fully staffed early in the year. On December 31, 1972, there were 3 vacancies due to normal turnover of personnel.

The plan of studies called for 25 different studies to begin during CY 1972. Nine studies were actually completed and, at the end of the year, six were in progress. These studies, for the most part, consisted of specific economic analyses required by the Minister (such as the livestock evaluation, which formed the basis of the National Livestock Plan), analyses related to programming the allocation of credit through the Agricultural Finance Funds (Law 26) and programming the use of budgetary resources allocated to the entities of the Ministry. With improvement in staffing, these studies have proved much more useful than OPSA's earlier work.

The sector analysis group of five professionals was created late in the year to carry out Phase II of the quantitative analysis work initiated with AID assistance in early 1971. The sector analysis group was fully staffed and working by the end of CY 1972.

2. Caminos Vecinales (Access Road Program)

A. Financial Situation

Due to the fact that the agreement between the Ministry of Public Works and the Ministry of Agriculture consumed more time than anticipated, no disbursements were made for this activity in CY 1971.

During CY 1972 all of the disbursements called for in the Loan Agreement were made, although 22.2 million pesos corresponding to CY 1972 authorizations were not physically received by Caminos Vecinales until January, 1973.

Expenditures during CY 1972 were considerably below the programmed levels due mainly to the delay in initiating this program. The Interministerial Agreement (signed late in 1971) set up a committee to review proposed roads and recommend to the Ministers of Agriculture and Public Works roads for financing for their approval. This process proved to be time-consuming at the start; however, the mechanism now is working more smoothly and should not cause inordinate delays in CY 1973.

B. Physical Accomplishments

The agreement mentioned above which set forth the specific responsibilities of each party for the implementation of this program was signed on November 8, 1971. An initial program was devised to construct 423.5 kilometers of road at a cost of 101 million pesos during three years (CY 1972-74). This results in a cost per kilometer of approximately 230,000 pesos (13,000 pesos for surveying the site, 90,000 pesos for excavation, 50,000 pesos for gravel surfacing, and 77,000 pesos for bridges and similar works).

In CY 1972, the work completed consisted of 119.4 kilometers of excavation at a cost of 10.8 million pesos, 18.3 kilometers of gravel surfacing at a cost of 0.9 million pesos, 57.8 kilometers of surveying at a cost of 0.8 million pesos, and bridges and similar works for 20.8 kilometers of road at a cost of 1.6 million pesos. The work completed during CY 1972 employed more than 4,000 people. Although the program fell short of initial targets (mainly due to the administrative problems mentioned above), it is expected that CY 1973 will see major improvements in physical accomplishments. The 48 "fronts" on which road construction is presently in operation currently are progressing well.

3. COFIAGRO (Supervised Credit for Agricultural Product Marketing)

A. Financial Situation

Consummation of the agreement between COFIAGRO and the Ministry of Agriculture required more time than anticipated; therefore, no disbursements were made under the loan during CY 1971. During late CY 1972 all of the disbursements programmed in the Loan Agreement were made and received by COFIAGRO.

B. Physical Accomplishments

Though the agreement mentioned above was signed in October, 1971, it was not legalized until late in 1972. Consequently, COFIAGRO did not actually receive funds for this program until November, 1972. Previously, the Mission did receive and approve the document which sets forth the rules and regulations for policy and procedures to be followed in this credit program.

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In the remaining weeks of 1972, COFIAGRO made two loans for a value of 9.5 million pesos. One loan was made to CORABASTOS to finance three retail food distributors, and the other was made to an industrial firm to finance the design and construction of refrigerated equipment for preservation of perishable products for food retailers.

More than 30 loan applications were received by COFIAGRO during CY 1972. Unfortunately, most of these were applications for the financing of projects which did not fall within the agreed scope of the sector loan-supported program. COFIAGRO's inclination to make some of these loans regardless, resulted in differences with the Ministry of Agriculture. The latter now is reviewing COFIAGRO's program in an attempt to get this activity moving along desired lines.

TABLE # 3

FINANCIAL FLOW DATA - I.C.A. (000)						
	Total CY- 71 & CY-72 Rev. Target	Actual Receipts CY-1971	Actual Receipts CY-1972	CY-71 & 72	Balance Carried Forward to CY 1973	Receipts Against Balance 1/1/72 through 4/15/73
I. Receipts						
AID Sector Loan Funds	165,568.0	1,000.0	162,568.0	165,568.0	- 0 -	- 0 -
GOC Budget Funds	524,302.0	285,318.0	201,379.0	486,697.0	35,664.0	23,000.0
GOC Non-Budgetary Funds	309,700.0	52,407.0	164,976.0	207,333.0	124,529.0	- 0 -
TOTAL	99,568.0	340,725.0	528,973.0	859,598.0	160,193.0	23,000.0
	Total Loan Target CY-71 & 72	Total Loan Target CY-71	Actual Expenditures CY-1972	Total Expenditures CY-1971 & CY 1972	Total Expendi- tures as a percent of Targets	
II. Expenditures						
1. Ag. Research Incl. Const. of physical facilities	402,400.0	162,773.0	189,013.0	351,786.0	87.4	
2. Regular Prog. of Ext.	244,300.0	53,803.0	81,650.0	135,453.0	55.4	
3. Pilot Areas Program	10,600.0	3,000.0	9,053.0	12,053.0	113.7	
4. Quality Control of Agr. Inputs	92,000.0	14,999.0	17,053.0	32,052.0	34.8	
5. Small Farmers Credit Program Caja Agraria	63,300.0	12,500.0	50,113.0	62,813.0	99.2	
6. Other Activities	281,900.0	119,336.0	117,753.0	237,089.0	84.1	
TOTAL	1,094,500.0	365,411.0	464,835.0	831,246.0	75.9	

III Colombian Agriculture and Livestock Institute (ICA)

A. Financial Situation

ICA received 86% of the revised target receipts during 1971 and 1972. When the obligations carried over into 1973 are disbursed to it, ICA's receipts will have exceeded the revised target by 2%. (See Table 3)

Expenditure targets were not revised on an activity basis; nevertheless, a comparison of actual expenditures with Loan Agreement targets is useful. Actual expenditures in both CY 1971 and CY 1972 were below programmed levels; however, CY 1971 expenditures exceeded receipts and CY 1972 receipts exceeded expenditures. The excess of receipts over expenditures in CY 1972 was due largely to the receipt of funds late in the year with part of the excess being used to cover the CY 1971 expenditure deficits and part representing a balance on hand at the end of the year.

B. Physical Accomplishments

1. Agricultural Research and Construction of Physical Facilities

As called for in the Loan Agreement, ICA submitted a research plan in November, 1971. The plan provided for a shift in 1972 toward programs more oriented to adaptive and on-farm research. In conjunction with the pilot areas program initiated in CY 1972, ICA began to shift research efforts from the experiment stations to farms. Field trials on farms were conducted for corn, potatoes, beans, yuca, vegetables and pastures. The objective was to determine varieties and fertilizer levels of the major crops in each of the six pilot areas. Similar research was also conducted in the pilot areas on livestock and poultry. Based on the results of these trials, recommendations to improve production are being made in these regions. This type of research has the advantage of being localized and thus results in more practical recommendations, producing at the same time a demonstration effect for farmers in the area.

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The Mission also received in November, 1971, the plan for construction of physical facilities. The following table shows what was programmed and the degree of execution.

Construction of Physical Facilities CY 1972

	<u>Programmed</u>		<u>Executed</u>		<u>Percentage Execution</u>	
	<u>No.</u>	<u>(Millions of Pesos)</u>	<u>No.</u>	<u>(Millions of Pesos)</u>	<u>No.</u>	<u>Value</u>
Issuance of Requests for bids	18	85.2	10	29.4	55	34
Contracts signed	19	87.5	9	24.6	47	28
Construction initiated	<u>21</u>	90.3	<u>9</u>	36.8	43	41
Totals	<u>58</u>		<u>28</u>			

As indicated by the table only about half targets (in terms of numbers of projects) for issuing invitations to bid and signing contracts were met. This was due primarily to two factors: (1) problems in meeting GOC legal requirements in the issuance and approval of bids, and (2) slow releases of funds under IDB loan 303-SF/CO due to inadequate matching funds and failure to meet on schedule other requirements of the loan. The above problems directly affected the number of projects which were initiated during the year. Due to the nature of the program, the targets (both physical and financial) will be carried over to 1973 and substantial improvement is anticipated.

2. Regular Extension Program

During 1972, 39 subject matter specialists were added to the extension staff. The Loan Agreement target was 21. As a result of the shift in focus of the research program (mentioned above), the subject matter specialists became the field supervisors of the agents running the field trials. These specialists were moved permanently to the field offices.

An additional 22 extension agents and 60 assistant agents, for a total of 82, were added to the staff. The Loan Agreement target was 15 agents, 15 home economists, and 45 assistant agents, for a total of 75.

ICA accomplished this recruitment while utilizing only 48 % (81.7 million) of the programmed expenditure. However, this represents a 52% increase in expenditures over CY 1971.

3. Pilot Areas Program

During 1971, base line socio-economic studies were made on the six regions selected to be pilot areas. These studies are essential requisites for the development of the area. Once these studies were completed, ICA staffed satisfactorily the six pilot areas. Each area has a central team of seven professionals supported by a team of sub-professionals (which varies in number according to need) and a minimal administrative staff.

The basic concept of this program is to concentrate extension, adaptive research and social development in an effort to bring about the overall development of a given area. The ICA staff efforts center around providing farm families with better production techniques (see section on research above), production credit through the Caja Agraria, and better home management and family nutrition. The staff coordinates its efforts with other public and private sector entities (such as the Caja Agraria, Caminos Vecinales, IDEMA, etc.) in order to avoid duplication of efforts and to increase joint effectiveness.

This program incurred a slight overrun in expenditures due to base-line studies which were initiated on 14 possible new pilot areas to be established in 1973.

4. Quality Control of Agricultural Inputs

Although testing on some of the inputs which are controlled by ICA went over the established targets, the program as a whole fell short of Loan Agreement targets. Due to the slowdown in the construction of physical facilities (which will be used to perform quality control analyses), ICA had to contract out much of the work during both 1971 and 1972. However, the number of contractors and their capacities are limited. Consequently, ICA was unable to meet programmed targets.

For quality control of seeds, the physical facilities exist, but administrative problems and changes in personnel led to inadequate performance. In the case of veterinary drugs, pesticides, and fertilizers, adequate physical facilities also have not yet been completed.

	<u>Quality Control Analyses CY 1972</u>					
	<u>Programmed</u>		<u>Executed</u>		<u>Percentage Execution</u>	
	<u>Samples</u>	<u>Analyses</u>	<u>Samples</u>	<u>Analyses</u>	<u>Samples</u>	<u>Analyses</u>
Animal feed concentrates	720	6,480	791	6,700	110	103
Microbiological feed analyses	220	4,960	201	4,476	91	90
Biological product checks	312	649	235	1,190	75	183
Fertilizer analyses	750	3,000	498	1,608	66	54
Pesticide analyses	450	1,500	570	864	76	58
Seeds	400	1,200	123	392	31	33
Veterinary drugs	561	2,244	311	1,134	55	50
Residues	30	100	20	200	67	200

5. Small Farmer Credit Program

This program was developed in order to combine ICA's extension and research activities with a viable credit program directed at this segment of the rural population. The credit is channeled through the Caja Agraria. Although this program was somewhat delayed in getting started in 1971, it picked up in 1972, and expenditures were just slightly below the programmed amount.

During 1971, ICA/Caja Agraria made approximately 1,700 loans under this program. During CY 1972 a total 7,490 loans were made for a two-year total of over 9,000 loans. The Loan Agreement target for the two years called for approximately 7,500 loans. Approximately 68% of these loans were made for short-term temporary crops and about 32% for annual crops and livestock. In terms of value, about 41.5% of the funds were loaned on short-term bases (one year or less), 58.3% for medium-term loans (3 to 5 years), and 0.2% for long-term loans (5 to 10 years). In CY 1973, this program is being consolidated with the newly-created Small Farmer Credit Fund of the Caja.

TABLE # 4

FINANCIAL FLOW DATA - INCORA

	Total CY-71 & CY-72 Rev. Target	Actual Receipts CY-1971	Actual Receipts CY-1972	Total Actual Receipts CY-71 & 72	Balance Carried Forward to CY-73	Receipts Against Balance 1/1/73 Through 4/15/73
INCORA Receipts						
AID Sector Loan Funds	318,448.0	--	312,448.0	312,448.0	6,000.0	6,000.0
GOC Budgetary Funds	717,145.0	391,771.0	267,947.0	659,718.0	46,276.0	5,532.0
GOC Non-budgetary funds	1006,500.0	366,970.0	565,837.0	932,807.0	101,800.0	- 0 -
T O T A L	2042,093.0	758,741.0	1146,232.0	1904,973.0	154,076.0	11,532.0
	Total Loan Target CY-71 & CY-72	Actual Expenditures CY-1971	Actual Expenditures CY-1972	Total Expenditures CY-71 & CY-72	Total Expenditures as a percent of Target	
INCORA Expenditures						
1. Land Titling & Legal	111,900.0	54,363.0	58,565.0	112,928.0	100.9	
2. Engineering Works	616,000.0	284,324.0	230,973.0	515,297.0	83.7	
3. Supervised Credit	1010,000.0	306,300.0	363,417.0	669,717.0	66.3	
4. Technical Assistance	145,500.0	78,259.0	106,394.0	184,653.0	126.9	
T O T A L	1883,400.0	723,246.0	759,349.0	1482,595.0	78.7	

✓IV Colombian Agrarian Reform Institute (INCORA)

A. Financial Situation (see Table 4)

INCORA received 93% of the revised target receipts during the course of CY 1971 and 1972. When the carryover to CY 1973 is considered, INCORA will have exceeded the revised target. Comparing CY 1971 with CY 1972, it will be noted that receipts increased (compared with original targets) from 73% in 1971 to 99% in 1972. Although there still existed in CY 1972 serious problems with regard to timeliness of receipts (i. e. , receiving a large percentage of funds near the end of the year), there was nevertheless improvement over CY 1971. Steps have already been taken to ensure, insofar as is possible, that the timing problem does not repeat itself again in CY 1973. Overall, the income situation in terms of the amounts received has been satisfactory for the two years.

On the expenditure side, for the two years (1971-1972), total expenditures amounted to 78.7% of the target amounts, with the situation improving slightly in 1972 (expenditures reaching 80% of target) over 1971 (with expenditures 77% of target).

In terms of program execution, final expenditures will be equal to receipts (the CY 1973 expenditure targets are being revised upward to take account of the carryover from 1972 into 1973 of 101.8 million of non-AID external credit, 40.7 million of counterpart funds, 6.0 million of payment orders pending on December 31, 1972, and 120.2 million of credit funds on hand on December 31, 1972).

B. Physical Accomplishments

1. Land Titling and Legal Costs

As called for in the Loan Agreement, INCORA submitted a work plan for titling and related legal actions for 1972. The following table shows execution against the plan:

Land Titling *

	<u>Programmed</u>	<u>Executed</u>	<u>Percentage</u>
National lands	14,000	12,836	91
Acquired Lands	<u>7,700</u>	<u>5,643</u>	<u>73</u>
Total Titles Granted	<u>21,700</u>	<u>18,479</u>	<u>85</u>

Land titling in 1972 was at about the same level as 1971. In part, the shortfall in reaching 1972 targets is due to a change in INCORA policy since the Loan Agreement was signed. This new policy emphasizes "empresas comunitarias" as opposed to individual holdings. The recent emphasis on "empresas comunitarias" has caused some slow down in the titling process because titles are not granted to the co-owners until the "empresa" has been organized. Recently, the Congress passed and the President signed an amendment to the Agrarian Reform Law which has as one of its objectives speeding up the titling process, across-the-board.

2. Engineering Works

The following table shows the goals set in the 1972 work plan, the actual execution in 1972, and the latter as a percentage of the former:

	(1) Work Plan <u>Goals</u>	(2) <u>Performance</u>	% <u>of 2/1</u>
Land improvements(has)	7,785	6,138	79
Cost of land improvements (millions of pesos)	25.8	16.7	65
Construction of irrigation canals(kms.)	140	87	62
Cost of construction of irrigation canals (millions of pesos)	78.8	49.3	62
Construction & maintenance of roads (kms.)	745	355	48
Cost of road maintenance and construction (millions of pesos)	71.4	35.6	50
Cost of other engineering activities (purchase, operation & maintenance of equipment: feasibility studies & conservation of irrigation districts) (millions of pesos)	115.6	124.4	108

* In addition to direct land titling costs, the funds allocated to this activity were used for surveying, registration, and other costs (not including land purchase) related to granting titles.

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This activity was programmed for financing in large part by non-AID external credit. The disbursement of the project loans concerned has fallen behind schedule and has been carried forward to the CY 1973 program. To some extent, this situation is a result of the fact that project loan funds are made available on a reimbursable basis; irregular receipt of budgetary funds -- which was the case in CY 1972 -- thus has the effect of slowing up donor financing flows. In sum, the shortfalls in achievement of programmed targets appears to be due mainly to late or non-receipt of programmed financing.

3. Supervised Credit

In reviewing CY 1971 reports, it was determined (and documented in the FY 1972 CAP-AID-DLC/P 1018, pg. 14) that the CY 1972 target should have been 25,000 loans, for a cost of 520 million pesos, rather than the 54,000 specified in the Loan Agreement.

In complying with Implementation Letter No. 5, INCORA presented a plan for CY 1972 which established as a target 18,400 loans for a value of 450.3 million pesos (the difference between 450.3 and the 520.0 pesos programmed being costs of interests, commissions and other costs related to obtaining the funds). During CY 1972, INCORA actually made 13,169 loans for a value of 310.6 million pesos (plus 52.8 million pesos of directly related costs). *

The difference between the "revised" loan target and the INCORA work plan target is thus due to two factors: (1) the use of a higher average loan figure (24,500 pesos) in the work plan than was used by AID; and (2) the inclusion by INCORA in the accounting for supervised credit of indirect costs, not included in the AID calculation. The average cost figure used by INCORA in its planning has, in practice, turned out to be accurate for CY 1972. It represents an increase over CY 1971 of about 50% in the average loan per family benefitted which, in turn, accounts for a decrease in CY 1972 over CY 1971 of 2,682 in the number of families receiving supervised credit.

* Approximately 50% of these loans were handled in 1,000 operations for Empresas Comunitarias.

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The shortfall of 5,231 in the number of loans made in CY 1972 as against INCORA work plan targets was due in large part of the non-receipt of funds at the beginning of CY 1972 and the consequent loss of opportunities during the first planting season of the year. The corresponding funding, approximately 120 million pesos earmarked for credit, in the INCORA bank balance at the end of CY 1972 has been used for loans in January, 1973, helping to avoid the problems of the previous year.

The increase in average cost per loan is, to a considerable extent, a consequence of the shift from lending to individual units to lending to "empresas comunitarias," where the requirements are more capital intensive. INCORA apparently has determined that the trade-offs between reaching a larger number of small farmers and capitalizing communal farms should be resolved in favor of the latter. This is an issue which requires further study, especially as it affects the operations of the new Small Farmers Credit Revolving Fund in the Caja Agraria.

As concerns the carry-over of credit funds from 1972 into 1973, we intend to negotiate upward adjustments of the CY 1973 targets to take account of this development. It should be noted again that, given the unfortunate situation with regard to lack of adequate funding for the first semester planting season in 1972, the creation of a year-end balance was deliberate and planned, precisely in order to assure ample resources for credit in CY 1973.

4. Technical Assistance for Supervised Credit

The work plan provided in 1971 by INCORA pursuant to the Loan Agreement set 1972 targets for recruitment of 100 new field technicians and for in-service training of 200 on-board personnel. Due to the shift in focus in 1972 from the single family farm unit to the multiple family farm unit, INCORA determined that its needs could be met with fewer, but more highly qualified additions to the field staff. In consequence, 60 new field technicians, in general more highly qualified than the typical zone chief of the past, were hired in CY 1972. Work plan targets for in-service training (see Table below) were exceeded, with 272 employees receiving training during CY 1972 from ICA, the Agustin Codazzi Institute, the Rice and Cotton Growers Federations, the National University, and various international organizations.

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In-Service Training - CY 1972^{1/}

	<u>Participants</u>	
	<u>Programmed</u>	<u>Executed</u>
Extension methodology	10	12
Post-graduate agr. economics	-	4
Accounting for "Empresas Comunitarias"	30	37
Farm management	5	16
Family planning	-	10
Soil management and evaluation	-	1
Pastures & forrages	20	6
Poultry	10	4
Credit supervisors course	50	68
Preventive veterinary medicine	20	7
Soil analysis and fertilizers	10	35
Refresher course for zone chiefs	15	20
Other various courses	<u>30</u>	<u>52</u>
Total	<u>200</u>	<u>272</u>

^{1/} Conducted by Rice and Cotton Growers Federations, ICA, Agustin Codazzi, National University, and various international organizations

FINANCIAL FLOW DATA - INDERENA 1/

TABLE V

<u>Receipts CY 1972</u>	<u>Revised Target</u>	<u>Actual Releases</u>	<u>Balance Carried Forward to CY 1973</u>
A. I. D. Sector Loan Funds	40,094.0	40,094.0	- 0 -
GOC Budgetary Funding	72,410.0	72,399.0	- 0 -
GOC Non-Budgetary Funding	<u>30,077.0</u>	<u>31,653.0</u>	<u>- 0 -</u>
TOTAL	142,581.0	144,146.0	- 0 -

<u>Expenditures CY 1972</u>	<u>Expenditures as per Loan Agreement</u>	<u>Actual Expenditures</u>	<u>Total Expenditures as percent of Target</u>
1. Forestry activities	31,300	38,234	122.2
2. Fishing activities	17,300	15,472	89.4
3. Soil & Water activities	28,900	27,065	93.7
4. Park & Wildlife Activ.	8,700	13,117	150.8
5. Other Activities	<u>57,800</u>	<u>51,813</u>	<u>89.6</u>
TOTAL	144,000	145,701	101.2

1/ INDERENA was not included in the loan in CY 1971.

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V Natural Resources Institute (INDERENA)

A. Financial Situation (See Table 5)

As in the other agencies, the flow of funds during the year was irregular. While this had some adverse effects on quality of performance, accomplishments for the year, nevertheless, were satisfactory. During the first half of the year, INDERENA borrowed funds from banks and suppliers equal to about 30% of its budget.

Expenditures exceeded targets during CY 1972 by 1.7 million pesos. Forestry and national parks expenditures exceeded the initial program levels. In the "other activities" category (i. e. , non-priority in terms of the Loan Agreement) , expenditures fell short of the programmed level by over 10%.

B. Physical Accomplishments

As called for in the Loan Agreement, a work plan was submitted in December, 1971. The following describes the accomplishments compared to that plan and the Loan Agreement targets.

1. Forestry

a. Inventories

Inventories were made of 80,000 hectares in Caquetá and 575,000 hectares on the Pacific Coast, thus exceeding programmed targets.

b. Investigations

Seven forest growth plots and three regeneration plots in cutover forests in Chocó were located and established. Additional regeneration studies were started in Rio Patía and Rio Mataje. This exceeded the targets.

Physical and mechanical studies of 14 new species of wood in the Caquetá area were made. Other species were also tested for contractors. (The target was for 20 species and it is not yet entirely clear

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whether when the "other species" are counted, the full target was reached.) Improvements at Venado de Oro Laboratory were deferred until a more complete study can be made of wood technology needed for a national wood program of 4,000,000 cubic meters per year.

c. Training

More than 25 students completed the first year of a new two-year forest technician course at the Universidad Nacional in Medellín, exceeding the loan target. INDERENA set up a scholarship program to expand this activity. Industry is participating in this course.

d. Other Forestry Activities

One new major concession was granted in 1972 and 344,000 hectares of cutting permits were issued. Plans for management of 142,000 hectares presented by concessionaires were reviewed and evaluated. Applications for 78,400 hectares of new cutting permits were examined. Rulings were made on 25 concessions applications to proceed with inventories. Twenty-four concessions in force on 192,000 hectares were inspected for compliance.

INDERENA completed agreement with SENA to train wood workers and sawmill workers. Canada will provide technical assistance.

The Agency completed and published a survey of conditions in the sawmill industry and in the manual sawing sector.

2. Fisheries

Ponds and other improvements were initiated at El Placer, Caucasia, El Cedral, Lago de Tota. Lago de Tota and Berlin had to be sanitized because of trout disease problems. Repelon was selected for the site of 50-hectare hatcher-research station; water and soil tests and a contour map were made as a basis for design. Application to external donors was initiated to obtain technical help to design the station.

Fish culture investigations continued on Bocachico and Mojarra species and were extended to the pilot stage with the help of two finca owners, who constructed 6 ponds. Also, research was initiated on fresh water shrimp for commercialization.

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Research was initiated on Bagre pintado, pat alo, nicuro, and ornamental species for fish cultures, and barbudo was selected for study in 1973.

An evaluation report of the arts and methods of fishery and care of fish products was made. A training course in fishing methods was conducted for fish cooperatives.

These activities completely satisfy the targets established in the Loan Agreement, but fall slightly short of the program established in the work plan.

3. Water and Soil Erosion Control

Three watershed surveys (the only target specified in the Loan Agreement under this heading) were completed and plans were developed for a fourth in 1973. In addition, an agreement was concluded with the Dutch Government to make a comprehensive survey of the Magdalena Watershed.

Studies of pollution and water control were made for over 30 rivers and streams and over 4,000 meters of diversion channels for stream control were constructed.

Six pilot farms in the mountainous region were established for demonstration and reclamation of denuded lands.

4. Parks and Wildlife

Studies were made and published about the exploitation of charapa, chiguiro, and pato criollo, and studies on production of chiguiro, otter, and tapir alligator were initiated. These species were selected for their export potential.

Studies on population and life histories of various indigenous wildlife species were continued.

One new national park (Sierra Nevada National Park) was established and studies were completed on two other possible parks. The program of construction of physical facilities at the seven existing parks continued.

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These activities meet all of the established targets both in the Loan Agreement and the work plan.

5. Other Activities

Training courses were provided for 60 in-service inspectors and rangers. The Loan Agreement called for training of 50 in-service inspectors and 20 new inspectors.