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AID 1025-1 (7-71) (FACE SHEET)
NONCAPITAL PROJECT PAPER (PROP)

28

15p. PAGE 1 of ___ PAGES

I. PROJECT IDENTIFICATION

1. PROJECT TITLE: Planning and REGIONAL AGRICULTURE/SECTOR STUDIES

PD-AAB482-F1 (596-11-140-026)

APPENDIX ATTACHED: ☐ YES ☒ NO

2. PROJECT NO. (M.O. 1095.2): 596-11-190-055

3. RECIPIENT (specify): ☐ COUNTRY ___ ☒ REGIONAL SIECA, IICA, CABEI ☐ INTERREGIONAL ___

4. LIFE OF PROJECT: BEGINS FY 69 ENDS FY 74

5. SUBMISSION: ORIGINAL 11/1/72 DATE; ☒ REV. NO. 1 DATE

CONTR./PASA NO. ___

II. FUNDING ($000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL $	C. PERSONNEL (1) $	C. PERSONNEL (2) MM	D. PARTICIPANTS (1) $	D. PARTICIPANTS (2) MM	E. COMMODITIES $	F. OTHER COSTS $	G. PASA/CONTR. (1) $	G. PASA/CONTR. (2) MM	H. LOCAL EXCHANGE CURRENCY RATE: $ US ___ (U.S. OWNED) (1) U.S. GRANT LOAN	(2) COOP COUNTRY (A) JOINT	(2) COOP COUNTRY (B) BUDGET
1. PRIOR THRU ACTUAL FY	0											
2. OPRN FY 73	247	100	42	10	8		137	100	42			110
3. BUDGET FY 74	216	48	20	30	28		138	48	20			100
4. BUDGET +1 FY												
5. BUDGET +2 FY												
6. BUDGET +3 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL	463	148	62	40	36		275	148	62			210

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER: Philip Church	TITLE: Agricultural Economist	DATE: 11/1/72
2. CLEARANCE OFFICER: Oliver Causse	TITLE: Director	DATE: 11/1/72

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

FY 1973 obligations under this project will be limited to a maximum of dols. $175,000.

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF	SIGNATURE	DATE
LA/DR	[illegible]	1/18/73	LA/MRSD	[illegible]	1/5/73
LA/GC	I.A. LEVY	12/29/72	LA/DR	Stanley Grand	
LA/GEN	J P Leonard	12/21/72	LA/DR	Frank Kimball	1/5/73

3. APPROVAL AA's OR OFFICE DIRECTORS

SIGNATURE: [illegible] DATE: 1/18/73

TITLE: Herman Kleine, AA/LA

4. APPROVAL AA/AID (See M.O. 1025.1 VI C)

SIGNATURE ___ DATE ___

ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

RECORD COPY

REGIONAL AGRICULTURE SECTOR STUDIES PROP

(Narrative Description)

I Sector Goal

A. Summary and Background. The broad AID sector goal for agriculture in Central America is a coordinated regional program that mobilizes the region's land and labor resources and technological capacities to produce efficiently those commodities the region consumes and exports, as well as to increase the rural population's participation in the benefits of economic development. Because basic grains are the major foodstuff of Central American consumers and the main economic enterprise of small rural producers and their families, they form a commodity group of particular importance in the AID agriculture sector strategy. Similarly, because diversified crops --particularly fruits and vegetables-- demonstrate potential as new export revenue earners and as sources of income and employment for the region's abundant labor force, they, too, are important components of a coordinated regional agriculture sector program.

The combined FY'74 Regional Program Submission for the five Central American USAIDs and RCCAP recognized agriculture as a key component of the Central American economy that contributes 1/3 of the domestic product, employs 2/3 of the economically active population, and produces 3/4 of the region's exports. However, rural incomes remain less than one-half national averages in most of Central American countries, and illiteracy, malnutrition, and mortality rates are much more pronounced among the agricultural population. Access to credit, markets, technical assistance and other services necessary for an efficient agriculture is also greatly limited in rural areas. Since small farmers and their families, who produce basic grains and diversified crops employing traditional cultivation practices, are numerically the largest economic group in agriculture, they are a tar-

get population of particular concern in the formulation of a coordinated regional strategy.

The governments of Central America and the regional institutions in which they participate are making some progress toward achieving the sector goal. During the 1960's several regional collaborative efforts were launched. Foremost was the creation of a Coordinating Commission on Marketing and Price Stabilization, which has served as a forum for discussing and reconciling some regional differences in CACM trade in basic grains, milk, edible fats and other agricultural commodities. SIECA, serving as secretariat for the Coordinating Commission is addressing problems of grain storage, standards, price reporting, crop forecasting and estimating extra regional grain trade surpluses and deficits. AID has supported these efforts with technical assistance programs in grains handling.

The Central American Bank (CABEI) set up an Agricultural Division in 1969, to develop a largely still-unfinanced program for grain silo construction, crop production loans, agricultural commodity export promotion, marketing facilities, etc. AID has contributed to a related CABEI program with a $10 million non-traditional export loan which gives preference to agricultural commodities. Both IDB and AID are considering lending to CABEI. A IDB loan for grain inventory finance ($10 million) is programmed for FY 1974, and the IDB is considering loans for grain storage ($20 million) and general agricultural development ($20 million).

Regional coordination of national education, research, and extension programs has been promoted by the Inter-American Institute of Agricultural Sciences, Northern Zone Office (IICA-NZ) which, with the Council of Central Ame-

rican Universities (CSUCA), has advanced specialized programs among the Central American countries. AID has made the teaching staff and advanced degree programs of the University of Puerto Rico available to assist these efforts. IICA-ZN, working with SIECA, has compiled studies on agricultural regionalization as guidelines for production policies in the region. With the national Ministries of Agriculture, IICA-ZN has sought to coordinate crop promotion programs through periodic technical meetings, seminars and training courses. RCDAP has assisted these efforts through financing the publication and dissemination by IICA-ZN of agricultural research results. An AID/W grant to IICA has also enabled that institution to examine agriculture management improvement.

Other international agencies are also assisting in the development of a coordinated regional program in agricultural development. The FAO has a special assistance group, SIECA, working with SIECA on projecting demand and supply conditions for the region through 1990. This plan will enable SIECA to make guidelines available to CACM governments as regards balanced crop production programs to avoid unmanageable surpluses or deficits of agricultural commodities. The IDB is also working with SIECA in preparing inventories of agricultural projects for each country for external financing. The IDB with IICA also conducts annual courses on project analysis and development in the region.

All these efforts are useful components of a regional program for agricultural development. However, they lack clear focus and close coordination. RCDAP proposes a regional sector studies program as the mechanism for supporting these efforts of regional and national organizations, and to achieve the objective of institutionalizing a national agricultural planning process which national and regional planners can use to harmonize both

regional and national considerations. The achievement of continuing and integrated agricultural planning at the regional and national level will be of tremendous benefit to both national governments and international aid donors in arriving at better investment decisions.

B. Objectively Verifiable Indicators and Means of Verification of Broad Sector Goal. At the broad sector level the verifiable indicator would be the distribution over the long run of agricultural production among C.A. countries and among sub-regions within countries on the basis of "dynamic" comparative advantage (costs), where "dynamic" refers to the constantly changing technological competitiveness among countries as the result of adopting new economic and scientific research finding in agricultural production and trade.

The existence of this situation would be verified by means of objectively and uniformly collected cost of production data including, where relevant, marketing costs. Success would be indicated by roughly uniform grain prices approaching world market levels as a result of the free flow of agricultural commodities among C. A. countries. In the field of diversification data on costs, volumes and value of production and trade would be utilized to determine increases in the production of diversified agricultural products and the extent to which small farmers are sharing in the process.

C. Assumptions for Achieving Broad Goal Targets. The assumptions for achieving the goal target are only partially valid at this time, given the present condition of the CACM and the nature of C.A. governmental decisions. The assumptions are:

1. Relative free trade and competition in agricultural products among the Central American countries;

2. C.A. countries and regional institutions will commit funds adequate to permit efficient operations of public agricultural institutions in credit, marketing, research, educations and extension;

3. National governments will be receptive to ceding some autonomy to appropiate regional bodies in planning and promoting agricultural production in the interest of participating in the potential benefits of a regional system.

IX Project Purpose

A. Summary. In view of the long-run nature of the broad goal and the fact that some of the key assumptions are only partly realizable at this time, ROCAP has formulated a more limited project purpose which is aimed primarily at establishing an on-going agricultural planning and evaluation process at the regional level which will be closely integrated with national planning efforts. The planning process should be utilized by national and regional policy-makers, as well as international donors, in arriving at investment decisions which will determine the pattern of agricultural production in Central America.

The FY 1974 CPS strongly argued that the greatest impact from bilateral and multilateral resources in the agricultural field could only be realized through close coordination of sector analysis and lending activities. The Decision Memorandum concluded "that a Regional Sector Study, concentrating on Basic Grains and Diversification, should be conducted in coordination with Agricultural Sector Studies in individual C.A. countries". Progress toward achievement of the project purpose of establishing a regional agriculture sector planning, and evaluation process, will be begun with the Sector Study.

B. Objectively Verifiable Indicators and Means of Verification. Achievement of project purpose will be evidenced by the preparation and utilization of regional studies which contribute to the foundation of a coordinated agricultural policy for Central America. The coordinated regional policy will itself be manifested eventually in regional agreements and projects for basic grains and diversified crops production and trade. Specifically, the following will constitute indicators:

1. Utilization of uniform data collection procedures and analytical techniques for the development of national and regional studies.

2. Use of regional studies by national and regional planners.

3. Improved national and regional institutional analytic capabilities through use of better trained personnel and adoption of improved analytical procedures.

C. Important Assumptions. Less critical and more realistic assumptions can be made for achieving the project purpose. These include:

1) The C.A. governments will be receptive to explicitly recognizing regional considerations in the national agriculture analysis, planning and evaluation activities. (C.A. governments are already finding information sources such as SIECA and IICA most useful in their agriculture analysis and planning activities and CABEI is beginning to participate more actively in the finance of agricultural projects with regional impact).

2) There will be coordination among international lending institutions (AID, IDB, IBRD) to assure

that agriculture lending programs in Central America respond to the recommendations and conclusions of regional and national sector studies. Moreover, agreement will be sought with IDB and IBRD regarding the level of analysis required for identifying and preparing agricultural projects for external financing. (Preliminary discussions between AID, IDB and IBRD are presently underway).

3) Coordination among regional integration institutions (SIECA, ICAITI, CABEI) and other organizations (IICA, PRO) involved in Central American agriculture development will also be improved to avoid duplication of effort as well as to seek broadest support for conclusions of regional studies.

The course of action of this project is to conduct regional agriculture sector studies concentrating on the production and marketing of basic grains and diversified crops. Such studies will be supportive of agricultural sector studies being conducted at the national level, will provide the information required for formulating regional technical assistance and loan programs by ROCAP and international lenders, and will initiate a continuing process of agricultural analyses and evaluations at the regional level. The project, which will take place over an 18-24 month time period, will result in a series of discreet studies and, depending on results, will be followed by a longer-term project which will result in more sophisticated agricultural sector analyses.

In a comprehensive examination of the Central American Common Market --"Consideraciones sobre el Desarrollo Integrado en Centroamérica Durante la Década de 1970"-- SIECA proposed that the region's agricultural development

in the 1970's should be guided by a coordinated program that builds on past progress in the areas of production and marketing of basic grains and diversified crops. Further advancement toward a coordinated regional program, however, will require more reliable data and more rigorous analysis of alternative goals and strategies for their achievement. This project is proposed to develop the required data and initial studies.

An important aspect of the regional agriculture sector studies is the preparation of analytical documents examining the economic, political and institutional factors which must be addressed in a coordinated fashion to implement basic grains and diversified crops programs in Central America. The trade-offs of pursuing national vs. regional production strategies will be considered, as well as the welfare costs of present policies of supporting grain prices above world market levels.

Special consideration will be given to how to design a regional grain price stabilization system and diversified crop production and export programs that reach small farmers, farm renters and farm workers. The studies will conduct an evaluation of private bonded warehousing and public sector grain inventory finance to determine the amount and nature of Central American and external financial resources that might be required to capitalize these systems throughout the region. The costs and benefits of adopting such measures and simplified border crossing procedures for agricultural produce, a regional foreign market situation information service, and the priorities for research, promotion and financing of new diversified crops will receive special attention in individual study documents. The project will involve the regional institutions --IICA, SIECA, ICAITI, and INCAP-- directly in the preparation of those documents.

Close ROCAP control over the design of these studies and of funds is required, given that there has yet to develop a clear understanding among local technicians over the content and conduct of agriculture sector studies and analysis. Local technicians will gain experience from participating in the project, but it is premature to expect, at this moment in the evolution towards a capability to undertake sector analysis in the region, that any single Central American organization could direct such effort.

Another aspect of the project is to support national sector analysis efforts in Central America. Both for design and management of agriculture sector development programs, Central American countries need better capabilities for on-going analyses and evaluation of alternative strategies for attaining development goals: job creation, income redistribution, export expansion, competitive regional agricultural trade, export diversification and expansion, etc. The development of this sector analysis capability requires the provision of four components: (1) a trained team of local analysts; (2) the means for developing and maintaining an appropriate data base; (3) adequate computational facilities; and (4) a methodology for analyzing data in the context of alternative but well-defined development strategies, goals, and constraints.

In Central America, on a national or regional basis, these components exist at different levels of refinement. This project would assist USAID supported efforts in C.A. countries to bring all countries up to that level of analytical capability needed to address their agricultural problems effectively through improving the quality of data and analysis, through coordinating use of data and studies drawing on the expertise of regional institutions where possible.

At present the Central American countries are at various stages in planning, preparing or implementing agriculture sector lending and analysis programs. Costa Rica and Guatemala are presently implementing agriculture sector loans that were developed out of AID sponsored sector studies. These countries which were the first to undertake sector lending and analysis are now in a position to undertake more sophisticated analyses geared closely to evaluation of data collected during loan disbursement. USAID/El Salvador has chosen the strategy of phasing its sector lending in a series of project loans addressing problems identified during an ongoing sector analysis process. Limited availability of local manpower is currently providing the major constraint to continuing the El Salvador analysis; both training and outside expertise are already being undertaken to overcome this problem. The linear programming analysis being undertaken by USAID/Honduras requires generation of new data on that country's agricultural performance as well as information on conditions in neighboring countries. Data collection will be a major activity of the USAID/Nicaragua agriculture sector analysis over the next two years.

In all five countries, institutions such as IICA, SIECA and ROCAP have been providing limited inputs in the form of information and consultation. Demand for these regional services far exceeds present manpower limitations and the concern is great that, without more adequate staffing and access to U.S. technical expertise to be shared among the countries, national sector analyses will take too long, be too costly, and be of lesser quality and comparability. This project is proposed to meet these needs through providing advisory personnel to work with national sector analysis groups, where it is possible to share such talent among several countries.

A further project purpose will be that of identifying promising Central American technicians for training and professional upgrading. The training of technicians in Ministries of Agriculture and divisions of regional institutions has proven by past experience to be a highly successful means of cultivating the "sector consciousness" needed by planners and managers of programs and projects into which AID has put resources. This project will seek to broaden the basis of this sector consciousness in Central America, and will produce trained personnel in such key areas as computer programming.

Another aspect of the ROCAP Regional Agriculture Sector Studies Project is to inject explicit consideration of regional agricultural development strategies into national analytical exercises. Planning national grain production policies on the basis of regional comparative advantage requires access to timely, reliable, and uniformly collected data in all CACM countries which would be generated from regional sector studies. Basic grain trade is stimulated not only by the willingness of some CACM countries to produce in excess of national needs, but also depends upon the willingness of other CACM countries to depend on more efficient neighbors to supply the difference between what they need. The regional sector studies will help forecast the future volume of grain trade that both supplier and consumer should anticipate. At the same time the project will initiate a regional system to transfer agricultural data and information among the Central American countries in a timely and accessable fashion.

B. End of Project Status and Means of Verification. When the project purpose has been achieved the following conditions will exist:

1. Studies and analytical documents necessary to propose to national governments and regional and international institutions measures to improve the production and marketing of basic grains and diversified crops in Central America in a coordinated regional manner.

2. An ongoing system capable of undertaking more sophisticated analyses at both national and regional levels, which will serve as the basis for policy and investment decisions.

3. Agricultural technicians and managers in Central American regional and national institutions will have access to timely and accurate agricultural information necessary to undertake reliable analysis and to make sound decisions. This will include a system for collection, reporting, tabulation, storage, processing and intercountry transfer of agricultural data and information.

4. Approximately 30 Central American agricultural technicians in the planning and analysis units of regional and national agricultural institutions will have been prepared in the techniques of agricultural data collection and interpretation, and of agriculture sector analyses.

These end-of-project conditions (particularly 1 and 4) can be verified by direct review and examination by ROCAP and AID/W. EOPS 2 and 3 can also be verified by direct examination, but will involve some subjective "before and after" judgments of increased reliance on studies and data in the decision-making process.

C. Important Assumptions. It is important to assume that the C.A. countries as well as the regional institutions will provide on a timely basis the type of manpower which will have both the training to undertake immediate studies and the potential to learn more advanced analytical techniques for future analysis requirements.

D. Special Requisites. AID lending to basic grains, agricultural export development, and other agricultural activities requires the preparation of a regional and national studies and analyses of the agriculture sector. Well-executed regional sector studies are essential both to the preparation of sound loan projects and to the cultivation of a sound understanding of these projects by regional and national agencies and institutions with implementation responsibility.

There are special requisites which will guide the preparation of acceptable regional agricultural sector studies:

1. The bulk of the studies must be undertaken by a trained team of local technicians. AID assistance should be limited to technical consultants, training and supplementary professional, costs, secretarial and clerical support, supplies and equipment.

2. Important to eventual acceptance of the regional sector analysis results will be local involvement in its preparation. To the greatest extent possible the regional analysis should draw on the results of national analytical efforts while at the same time contributing to those efforts to assure that national analyses take account of regional considerations.

3. There must be timely, reliable, and consistent data on which to conduct the studies and analysis.

To maximize savings in time and costs, the same data should be available to both national and regional analysts.

IV Project Outputs

A. Summary. In the FY 1974 CFS it was agreed that a Regional Agriculture Sector Study, concentrating on basic grains and diversified crops should be conducted by RCCAP in coordination with studies underway by CA/USAID's in the individual C.A. countries. In accordance with the decision memorandum, the Sector Study is expected to result in "an analytical document examining the horizon of the economic, political and institutional factors which must be considered on a national as well as regional basis to implement a coordinated regional grain pricing system and diversification programs". Out of the Sector Study would come a framework for addressing these considerations and assumptions in a manageable project to be reviewed by AID/W prior to authorizing financial assistance.

This project will produce those analytical documents necessary to define a coordinated national and regional program in basic grains and diversified crops production and marketing, and to identify and develop possible AID lending programs in those areas. Moreover, the project will contribute to the evolution of a capability for undertaking more quantitative regional and national agriculture sector analyses by providing an improved information and data system for the region. Information is not yet available in most C.A. countries to employ quantitative analytical tools such as linear programming. Where information does exist it frequently is not comparable among countries because different techniques were used in its collection. This project