AID 1025-1 (7-71) (FACE SHEET)

**NONCAPITAL PROJECT PAPER (PROP)**

5190012 ©
PD-AAF-083-81



## I. PROJECT IDENTIFICATION

1. PROJECT TITLE: AGRICULTURAL DEVELOPMENT

APPENDIX ATTACHED: ☐ YES ☒ NO 15p

2. PROJECT NO. (M.O. 1095.2): 519-11-110-012

3. RECIPIENT (specify): ☒ COUNTRY: EL SALVADOR ☐ REGIONAL ☐ INTERREGIONAL

4. LIFE OF PROJECT: BEGINS FY 64 ENDS FY 75

5. SUBMISSION: ☐ ORIGINAL ☒ REV. NO. 1 DATE 12/2/74

CONTR./PASA NO.

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

| A. FUNDING BY FY | B. [illegible] | C. EXPENDITURES (1) $ | C. EXPENDITURES (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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SUBTOTAL | | [illegible] | [illegible] | [illegible] | 1011 | 280 | 454 | 2600 | 650 | | | |
| 1. DRAFT FY | | [illegible] | 8 | [illegible] | 207 | 7 | 21 | 435 | 136 | | | |
| 2. BUDGET FY | | | | | | | | | | | | |
| 3. BUDGET | | | | | | | | | | | | |
| 4. BUDGET 12 FY | | | | | | | | | | | | |
| 5. BUDGET 13 FY | | | | | | | | | | | | |
| 6. ALL SUBS | | | | | | | | | | | | |
| 7. GRAND TOTAL | | | | | | | | | | | | |

(A) NAME OF COUNTRY BANK

| (B) KIND OF GOODS/SERVICES | (C) AMOUNT |
|---|---|
| | |

## III. ORIGINATING OFFICE CLEARANCE

| TITLE | DATE |
|---|---|
| Asst. Program Officer | 12/2/74 |
| Program Officer/Food & Ag. Off. | 12/2/74 |

## IV. PROJECT AUTHORIZATION

[illegible] authorization in State 262428, November 29, 1974, and in accordance with [illegible] for continuation of ongoing activities pending revision of the project. [illegible] incorporates FY 75 funding and extends life of project through 1975. [illegible] remain unchanged.

| BUR/OFF | SIGNATURE | DATE |
|---|---|---|
| | | |
| | | |
| | | |

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

SIGNATURE: Edwin Rule

TITLE: Director, USAID/ES

DATE:

[redacted], AGENCY FOR INTERNATIONAL DEVELOPMENT

**AIRGRAM**

# DEPARTMENT OF STATE

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5/23/70

SUBJECT – Agriculture Development - Land Reform PROP No. 519-11-110-012

REFERENCE –

The AID/W Latin America Evaluation Committee reviewed this PROP and the associated PAR on April 28. It is approved as written.

In the opinion of the committee, this was one of the finest PROPS that had been developed anywhere in the Latin America Region. The targets are specific and measureable. The objectives and methods are clear. Furthermore, a review of the excellent PAR indicates an extremely conscientious job of progress measurement. All those responsible for the development and activity under this project are to be congratulated. Special commendations for those responsible for the project evaluation are clearly in order.

ROGERS

PAGE 1 OF PAGES 1

| DRAFTED BY | OFFICE | PHONE NO. | DATE | APPROVED BY: |
|---|---|---|---|---|
| AHughes:acw | LA/OPNS | 29882 | 5/1870 | LA/DP:JHeller |

AID AND OTHER CLEARANCES

LA/DP:CJohnson LA/CEN:MDagata LA/SCD:JWalker

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CLASSIFICATION

AID-5-29 (11-68)

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LOAN DEVELOPMENT PLAN (LDP)

Country: El Salvador Project No. 519-11-110-012

Fiscal Year: Beginning 1. 1967 Original X

Project Title: Agriculture Development and Agrarian Reform

U.S. Obligation Spans FY 66 through FY 71

Physical Completion Spans FY 66 through FY 71

Gross life-of-project financial requirements:

| | |
|---|---|
| U.S. dollars | $ [illegible] |
| Cooperating country peso contribution | [illegible] |
| Other donor | [illegible] |
| Total | $ [illegible] |

7. Brief Description

USAID non-capital assistance in Agricultural Development and Agrarian Reform will combine technical assistance for institutional development coupled for structural and technological transformation of the sector. The Agrarian Reform program, which is proposed for implementation in the FY 1967-1972 period, will require the investment of relatively large amounts of capital both from internal and external sources and, in addition to building the physical capital base, will stress training and development of human resources and the operational institutions that will increase of these skilled technicians. The program is essential to total development strategy both in terms of increased agricultural production and the need to substantially improve the standard of living of the rural populace.

8. Setting (individual

(see sectoral [illegible])

C. Strategy

The AID/[illegible] [illegible] the agricultural sector [illegible]

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sizes institutional development which will create capability to plan and implement a program to: (a) intensify land utilization, (b) diversify production, (c) increase employment in rural areas, (d) create rural alternatives to both subsistence farming and migration to urban centers, and (e) improve all aspects of marketing both internal and external.

Improvement and adequate development of GOES institutions referred to in this sector along with adequate numbers of trained technicians are essential to carry out the important capital projects which will increase production, modernize agriculture and reform its structure. The strategy attempts to combat social problems in the rural areas while emphasizing increased food production for local consumption as well as development of new agricultural commodities for export.

Strategy aspires to a moderate diversification of land and labor out of coffee beginning in the 1970s, but cannot with realism propose a greater effort at this time because proven economic and technological alternative uses of Salvador's hilly coffee lands are not presently known. In the absence of alternatives, the social problems of production controls or increased tax burden would fall heavily on some 30,000 small coffee growers. Should world prices fall significantly, relief measures for small producers probably would be necessary to avert a socio-political crisis. Public works programs of relatively low economic payoff could be mounted, but doubtless would require extraordinary foreign financing. Salvador's land shortage is an absolute barrier to large scale resettlement of small coffee growers. Accordingly, a prolonged coffee crisis, which could not be alleviated internally by emergency works program except in the short term, would bring acutely into focus the necessity for opening agricultural settlement opportunities within the CACM. The strategy can only recognize that coffee is a transcendental, multilateral problem on which foreign lenders' bilateral leverage, in the presence of a world surplus of 75 million bags, is irrelevant.

Although the AID strategy cannot directly attack the coffee dilemma, it does seek, over the medium term, to develop farming systems outside coffee areas, and marginally therein, which will provide profitable alternatives to future generations of farmers, thereby diverting part of the labor and capital which would flow to coffee in the absence of these new options.



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The program of agrarian reform during the life of the project would completely change the land tenure pattern on 30,000 acres of land and set a pattern for the future. A total of 1800 economic farm units will be established where the land was formerly owned and poorly utilized by 30 to 40 individuals. The production potential of the land will be tripled while the market value of the land will be more than doubled. There are 400,000 acres of this kind of land in El Salvador that could presumably accommodate more than 25,000 economic farm units in an ongoing agrarian reform program designed to extract maximum production from the land.

Assistance to the Ministry of Agriculture Bureau of Research will stimulate continuous development of new and improved varieties of corn, beans, rice, sorghum, tomatoes, peanuts, sesame, potatoes, cantaloupes, watermelons, cucumbers, etc. and at the same time will test and introduce new crops such as soybeans, okra, macadamia nuts, etc. to add to El Salvador's production potential.

Continued assistance to the Bureau of Agricultural Extension will bring added technical knowledge to 100,000 farm families by 1972, resulting in a satisfactory increase of average yields for the four basic food crops: corn, beans, rice and sorghum and at the same time permit adoption of more diversified agricultural production that will substantially improve the diet of the rural populace. Through its mass fertilizer demonstration program, the agricultural extension service will be largely responsible for an increase in fertilizer consumption from approximately 140,000 tons in 1968 to 250,000 tons by 1972.

Cross Relationships - There are significant cross relationships among ongoing and planned projects in the sector which articulate a well balanced, progressive agricultural development program. At the same time, ultimate national economic and social objectives will be dependent upon the success of the program and its sub-projects described for the 1968-1972 period. For example, proposed large irrigation projects such as San Miguel, the Upper and Lower Lempa and others will not be implemented until the Zapotitán project has been approved and initiated. A nation-wide Land Reform program cannot be carried out until the Agrarian Reform Project described for the 1968-1972 program has demonstrated its success.

The USAID/GOES 1968-1972 program for this sector conta-



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plates capital assistance from the IBRD and IDB as well as AID. It likewise contemplates technical assistance from the UN specialized agencies as well as from bilateral assistance programs with Mexico, Israel and West Germany.

The USAID program through a proposed University contract will provide technical assistance associated with the expansion of that institution. An IDB loan for agricultural development presently being negotiated complements and expands the availability of long term low interest credit initiated by the AID agricultural loan approved in 1963, and disbursed during 1964, 1965 and 1966. The AID agrarian reform loan to be negotiated in FY 68 or 69 in addition to physical infrastructure, will provide funds for training, agricultural research and technical assistance. The program envisaged in this loan proposal will draw heavily on technically trained human resources of the National University's Faculty of Agriculture, San Andrés School of Agriculture, Bureau of Research, the Bureau of Agricultural Extension and the USAID participant training program.

An IBRD loan presently is under consideration which will provide $1.0 million for the San Andrés National School of Agriculture for the construction of new facilities. If circumstances do not favor the conclusion of this loan, USAID will propose it to AID/W under last resort criteria.

The program requires collaboration between government and private industry including fertilizer and insecticide distributors, food processing and marketing firms. The Land Reform project will call for close collaboration among the Colonization Institute, Irrigation/Soil Conservation Service (CENTA), supervised agricultural credit and the Bureau of Extension. The UN Special Fund survey for diversification of coffee lands will work with the Bureau of Agricultural Research and Agricultural Extension.

Cooperating Country Leadership

Local leadership in this sector consists of young, well educated individuals with capacity for rapid growth and development. Some leaders lack in experience but are ambitious and eager to learn. The USAID is optimistic concerning Salvadorans in leadership positions at this time.



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D. Planned Targets, Results and Impacts

The non-capital component of the agricultural sector program is an essential complement to local resources and foreign financial assistance in achieving sectoral objectives. It provides to the Mission analytical and monitoring skills and, to the GOES, technical assistance and training for creating or strengthening the technology and institutions which will move the total program toward its goal.

The general economic objective for the agricultural sector is a contribution to GNP growing at 3% annually in the 1970s and diversification of production adequate to sustain self-sufficiency in root staple foods and compensate for probable stagnation in traditional exports.

The social objective is the creation of rural living systems and services which narrow the gap between urban and rural opportunities to share in economic, political and cultural progress while reducing the amount of underutilized farmland held by urban-based owners - a potential source of civil strife as well as present economic waste.

There is no frontier in El Salvador; all property is densely encircled by people, most of whom have no landed property. Enclaves of ill-used land will become increasingly vulnerable and some landowners are beginning to recognize this fact. Time is ripe to populate the enclaves with farmers through peaceful arrangements, equitable to both sellers and buyers of land. The agrarian reform program has been conceived for this purpose, but it is necessary to emphasize that the program would be a highly complex undertaking for which considerable additional study by GOES and AID is essential before feasibility and practicability can be determined.

1. Major sectoral economic targets require crop diversification and improved practices, to achieve by 1972:

(a) Self-sufficiency in corn production with average yield increasing by 50%.

(b) Increased rice acreage to 100,000 and yields to 35 bu. per acre to provide up to 40,000 tons available for export.

(c) Self-sufficient bean production.

(d) Doubled yields of sorghum to provide adequate stock for feed concentrates for hogs, poultry, and beef fattening.

(e) Increased milk production from an average of 3 liters daily per cow to 6 liters.

(f) Rising output of hemp, sesame, peanuts and soy beans for both local processing and export.

(g) Introduction of high value fruits and vegetables for domestic demand and, in some cases, off-season exports to temperate zone markets.

Assuming on both policy and practical grounds that the value of the coffee/cotton/sugar component of agricultural GNP (some 60%) remains virtually stable during the five year period, the global agricultural growth targets could only be achieved by growth rates of 6-8% for all other farm output, principally the major cereals, livestock products, fruits and vegetables, oil seeds, and fiber other than cotton. This kind of growth in the second half of the period clearly is possible if the proposed program is implemented. Moreover, growth by volume of such products probably will exceed the 6-8% rate since prices in certain lines seem likely to decline toward equilibrium levels. Lower food prices will be important in the forthcoming period of moderate economic growth, because thereby working class real income gains would exceed money income gains. Cheaper grains, of course, will also stimulate the livestock industry.

Crudely projected, the value of major cereals would grow from $40 million to $52 million by 1972, with substantial gains in yields, declining prices except beans, and some shifting of land use as prices approach equilibrium, perhaps out of corn and into rice and vegetables. Livestock products growth will be somewhat less moving from $45 million to $54 million, with yields improving at a moderate pace, prices slightly declining, dairy acreage shrinking as intensive dairying takes hold, and meat acreage expanding away from good lands coming under intensive development and onto strictly grazing lands.

Fruits and vegetables should be stimulated to increase by as much as 80% during the period, starting from a low base (about $5 million) the gain will not have great impact on total

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farm production. It will help the balance of payments, however, since the increment will substitute for imports.

Oil seeds and other fibers will increase, but their value is not significant in the GNP.

In sum, farm output other than coffee/cotton/sugar is targeted to grow by over 25% between 1967 and 1972, the bulk of which growth would occur in the second half of the period in response to the program set forth herein.

A shift of 10-15% of land now in coffee to other permanent crops is a GOES objective. The findings of a 5-year UN Special Fund Diversification study, initiated in 1967, will be necessary to undertake the program; financing could derive from the multilateral coffee diversification fund.

2. Incremental inputs of technology, management, and capital, of course, are required for systematic progress toward the economic objectives. The creation and distribution of these incremental production factors constitute intermediate enabling targets (instruments) in our strategy. Over the five year period, the program encompasses the following intermediate targets:

(a) Establishment of water as a public resource through adoption of a water law and execution of irrigation projects to expand this irrigated area from 23,000 to 50,000 acres by 1972. The irrigation district projects will create a return flow of financial resources to the GOES and local authority for further development.

(b) Reform of the supervised credit agency to enable expansion of credit to 50 agricultural cooperatives and 30,000 small farmers annually, representing a total of 95,000 campesinos.

(c) Improvement of marketing research and services to provide the basis for decision by government and the private sector on cropping priorities, introduction of standardization and grading practices, and encouragement of investment both local and foreign in modern production and processing of high value fruits, vegetables and livestock products for domestic use and exports.



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(d) Creation, within the agrarian reform program, of some 135 input-purchasing and output-marketing cooperatives, which will in turn become the substantial base for development of modern agri-business.

(e) Increases in the number of Salvadoran agricultural technicians with U.S. degrees in agriculture from 65 to 200 and vocational agricultural school (high school) graduates from 450 to 900.

(f) Development of a disciplined agricultural research program, concentrated on priorities derived from the crop production targets, and implemented by doubling resources available to research.

(g) Expansion of the Extension Service from 50 field offices with 50 extension agents, 20 assistant extension agents and 30 home economists to 150 field offices with 100 extension agents, 10 extension specialists, 100 assistant extension agents and 75 home economists, to increase coverage to 100,000 farm families.

(h) Improvement of the Livestock Bureau's capacity to diagnose and control disease, expand artificial insemination, and provide technical supervision of livestock credit to a minimum of 1,000 livestock farmers.

3. Minimum Requirements for Continued U.S. Contribution and Participation

To evoke the U.S. participation as outlined herein, and in forthcoming sectoral loan programs, the GOES must determine and initiate execution of a comprehensive agricultural policy encompassing a plausible network of actions leading to the results herein set forth. Among the essential actions for large scale operations in support of program objectives are:

(a) Commitments substantially to strengthen agricultural education and research.

(b) Passage of adequate legislation on irrigation districts and cooperatives.

(c) Revision of personnel practices to enable employment and retention of qualified technicians.

(d) Reform of supervised credit operations.



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(e) Provision of legal arrangements and seed capital for term-financing of land transfers required for agrarian reform.

(f) Availability of funds for feasibility studies, whether from local budgets or foreign borrowing.

(g) Leadership to assure collaboration among rural development agencies toward common ends.

E. Course of Action

In the presence of the GOES requisites outlined above, USAID will provide technical assistance from grant funds through the USDA/PASA, personal contracts, institutional contracts, and a limited direct-hire. The proposed loan projects will include substantial technical assistance for direct operational support of the projects. USAID will endeavor to cover a maximum amount of technical assistance through the loans, but requires flexibility in determining where loan-financed TA is not appropriate or would be less productive.

The USDA/PASA will supply TA in agricultural research, extension, credit, marketing, livestock improvement and overall planning and monitoring of agrarian reform. Four to six USDA resident advisors will be utilized throughout the 69-71 period. USDA short-term consultants, providing up to 14 man-months of service each year in the disciplines listed above will supplement the resident technicians.

Personal service contracts will be used to provide the services of short term highly specialized technicians in intensive crop production, food processing and small agricultural industries. One to three specialists of this type will be contracted each year throughout the life of the project 69-72.

USAID proposes to enter into a contract with one of the U.S. Land Grant Universities in 1969 and continue this arrangement through 1972. The University contract will assist in the further development of the San Andrés Vocational Agricultural School and if political circumstances permit, the Faculty of Agriculture of the University. The University contract will require two resident professors and one to three short term professors annually from 1969 through 1972.



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The Rural Development Officer, who has responsibility for total planning, coordination, and monitoring will be AID direct-hire. If the complex agrarian reform program is approved by GOES and AID for implementation, an assistant R.D.Officer will be required beginning in FY 1969. Upon approval of the general concepts of the PROP, the R.D. staff in cooperation with other USAID offices will develop a detailed time-phased network of program actions designed to achieve the objectives by substantially completing the institution-building requirements by 1972.

Participant Training - The USAID will finance the training of up to 35 Salvadorans for academic training leading to a B.S. degree in agriculture from 1968 to 1972. This training will be provided principally at the University of Puerto Rico, one or more universities in Mexico and the University of Florida at Gainesville. The inflow of professional level technicians is necessary to fill a gap of at least five years before the Salvadoran university can begin to supply program requirements. In addition to academic training leading to agriculture degrees, the USAID program will finance 18 Salvador technicians for training at short courses sponsored by AID. Up to 10 participant months of training at AID-sponsored short courses will be financed annually from 1968 to 1972.

Commodities - USAID financed commodities will include adequate transportation facilities for USAID technicians in agriculture as well as for those technicians of the USDA PASA, personal contract and proposed University contract advisors. The USAID will continue to provide library materials to the San Andrés School of Agriculture, the Santa Tecla Research Center and the Faculty of Agriculture of the National University from 1968 through 1972. RTAC Mexico will be the principal source of library materials. The USAID will provide, on a very limited scale, laboratory equipment, seed samples and plant materials as well as working tools and materials relative to technical assistance activities where USAID is providing technical and advisory assistance in the fields of agricultural research, livestock improvement, marketing, agricultural education, food processing, and agricultural extension.

Institutional Relationships

USAID technical assistance will support and further develop the following GOES institutions:



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| Name of Institution | Kind of Assistance |
|---|---|
| a) Offices of the Minister of Agriculture & the Subsecretary | Development of a sound agriculture policy and implementation of policy. |
| b) Bureau of Natural Resources | Intensive land use with irrigation, soil conservation, management and operation of irrigation districts. |
| c) Bureau of Livestock | Improved pastures, livestock management, livestock disease control and eradication. Pasture improvement and artificial insemination of beef and dairy animals. |
| d) Bureau of Agricultural Economics and Planning Section | Advice on feasibility studies on capital development projects, ag. marketing studies, price policy for agricultural commodities, market news service and production cost/benefit studies. |
| e) Bureau of Agricultural Extension | Mass fertilizer demonstration, short course training for agricultural extension agents and home demonstration agents. |
| f) Bureau of Agricultural Research | Plant introduction, plant breeding, insect and plant disease control. |
| g) San Andrés National School of Agriculture | Curriculum improvement, further development of food processing facilities, training of professors, general upgrading of institution. |
| h) Rural Colonization Institute (I.C.R.) | Land purchase, sub-division and settlement, intensive land use demonstration, organization of agricultural cooperatives, management and operation of irrigation districts. |



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|---|---|
| i) Faculty of Agriculture, National University | Development and organization of an agricultural research center, research planning, curriculum improvement, professor training. |
| j) Supervised Agricultural Credit Institution (ABC) | Development of agricultural co-ops for better use of credit, training of field supervisors, administrative improvement. (See project - Rural Community Development.) |

Table 1
Page 1 Only
COUNTRY: EL SALVADOR

NONCAPITAL PROJECT FINANCIAL (OBLIGATIONS IN $000)

Project Title: Agriculture Development and Agrarian Reform

PROP DATE 9/1/67
Original X
Project No. [illegible]

| Fiscal Years | Ap | L/C | Total | Cont 1/ | Personnel Serv. AID | Personnel Serv. PASA | Personnel Serv. Cont | Participants U.S. Agencies | Participants Cont | Commodities Dir U.S. Ag | Commodities Cont | Other Costs Dir U.S. Ag | Other Costs Cont |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Prior through Act. FY 67 | TC | G | 1585 | | 1252 | | | 206 | | | | 45 | |
| | AD | G | 664 | 12 | 580 | | 12 | 57 | | 73 | | 14 | |
| | AG | G | 1312 | 95 | 372 | 574 | 95 | 163 | | 63 | | 45 | |
| Cur. FY 68 | AG | G | 470 | | 35 | 180 | 120 | 100 | | 20 | | 15 | |
| Budg. FY 69 | AG | G | 530 | | 50 | 180 | 165 | 100 | | 20 | | 15 | |
| F + 1 FY 70 | AG | G | 475 | | 50 | 195 | 110 | 100 | | 20 | | 15 | |
| F + 2 FY 71 | AG | G | 385 | | 50 | 190 | 85 | 50 | | 20 | | 10 | |
| F + 3 FY 72 | AG | G | 205 | | 50 | 100 | 45 | 35 | | - | | 5 | |
| All Other | | | | | | | | | | | | | |
| Total LAC | TC | G | 1585 | | [illegible] | | | [illegible] | | | | [illegible] | |
| | AD | G | 664 | 12 | [illegible] | | [illegible] | [illegible] | | 73 | | [illegible] | |
| | AG | G | 2937 | 95 | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] | | [illegible] | |

1/ Unexpended (uncosted) column.

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