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AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

PROJECT PAPER

PORTUGAL: Agriculture Production Program
150-0023

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PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

PORTUGAL

BUREAU/OFFICE

Near East

3. PROJECT NUMBER

150-0023

5. PROJECT TITLE (maximum 40 characters)

Agriculture Production Program

PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 30 85

7. ESTIMATED DATE OF OBLIGATION

(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 80

B. Quarter 4

C. Final FY 80

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 81			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1912	905.5	2817.5	10000		10000
(Grant)	(1912)	()	()	(10000)	()	(10000)
(Loan)	()	()	()	()	()	()
Other						
U.S.						
Host Country		905.5			4500	4500
Other Donor(s)						
TOTALS	1912	905.5	2817.5	10000	4500	14500

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
1) ESF	100/200	000				10000		10000	
2)									
3)									
4)									
TOTALS						10000		10000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The project consists of technical assistance to strengthen and support the Portuguese institutions which are responsible for meeting the objectives of the Ministry of Agriculture and Fisheries' (MAP) agricultural production programs. The initial focus of this five-year project will be to support the MAP Program of Soil Correction and Fertilization and Increased Forage Production.

14. SCHEDULED EVALUATIONS

Interim MM YY Final MM YY
 0 4 8 3 1 0 8 5

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

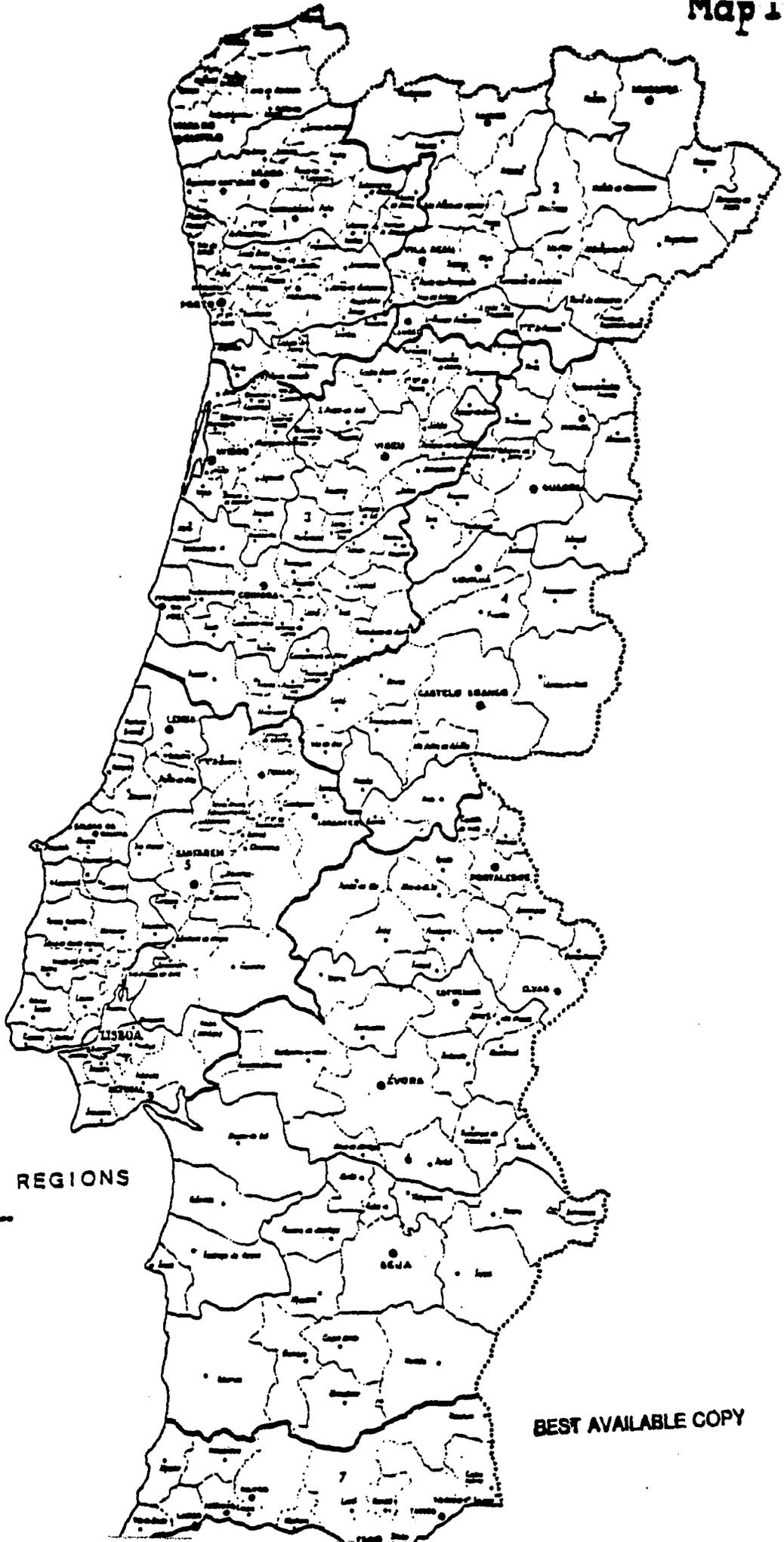
Signature

Title

Date Signed MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY



AGRARIAN REGIONS

- 1 - Beira Baixa e Alentejo
- 2 - Trás-os-Montes
- 3 - Beira Litoral
- 4 - Beira Interior
- 5 - Alentejo Central
- 6 - Alentejo Litoral
- 7 - Algarve

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PART ISUMMARY AND RECOMMENDATIONSA. Recommendations

This Project Paper for the Agriculture Production Program (150-0023) requests the obligation of \$10,000,000 in grant funds.

B. Summary Project Description

The project consists of technical assistance to strengthen and support the Portuguese institutions which are responsible for meeting the objectives of the Ministry of Agriculture and Fisheries' (MAP) agricultural production programs. Through a PASA agreement with the U.S. Department of Agriculture (USDA), A.I.D. will provide technical services, participant training and commodities. The initial focus of this five-year project will be to support the MAP Program of Soil Correction and Fertilization and Increased Forage Production (Annex A).

C. Overall Financial Plan

A.I.D. Agriculture Production Program (150-0023)

A.I.D. Inputs - TA Grant	US \$ 10.0 million
GOP Inputs (Attributable)	US \$ 4.5 million (equivalent)
Total Project Financing	<u>US \$ 14.5 million</u>

PART II

PROJECT DESCRIPTION

A. General Background

Post-revolution Portugal (after 1974) has suffered from several economic problems including declining productivity, increased consumption, reduced domestic savings and negative investment in most of its economic sectors. The result has been high inflation, large public deficits and growing import/export imbalances which have led to adverse balance of payments problems and repeated currency devaluations. The agriculture sector, whose productivity and output has continued to stagnate during this period, as well as having fallen dramatically throughout most of the preceding decade, is one of the major contributors to this situation and one which the Portuguese Government (GOP) now wishes to rectify. Assisting the GOP with its efforts to improve the technical and economic performance of its agriculture sector, and particularly to increase agricultural production, is thus the overall aim of this technical assistance project.

1. The Agricultural Sector

As noted, despite generally favorable climatological conditions and a reasonably good natural resource base, Portugal's agricultural productivity and output has improved very little over the past 10-15 years. Not only has production fallen behind the overall growth rate of overall GDP but it has shown very little increase in absolute terms. Imports of food and other agricultural products have grown more rapidly than have agricultural exports; and, the disparity between rural and urban income-levels has contributed to a major exodus from rural areas, including agriculture. Moreover, this situation has worsened since the revolution, with the severance of long-established and dependent trade relationships and economic linkages with former colonies, particularly with regard to agricultural products and commodities.

a. Problem: The contribution of agricultural production to Portugal's gross domestic product (GDP) has been decreasing steadily from around 33 percent in the late 1950's to 12 percent for 1979. About one in three persons still work on farms. The production of most crops has declined significantly during the 1970's, the area planted to most crops has declined, investment has declined and also the use of inputs. Yields have increased very little for any field crops during the past 25 years and some have declined significantly.

Aggregate demand for food and feed products has increased in the past four years because of post-revolution redistribution of income and the inflow of 700,000 refugees. As a result agricultural imports, especially feed grains and protein supplements to support the modest growth in total livestock production, have risen rapidly. Agriculture imports now total 20% of overall imports and are the largest single category of imports.

Portugal is expected to enter the EEC in 1985 which means that its internal market will be opened to European competition and that it will have to gradually abolish internal subsidies to producers and consumers. Prices for agricultural products will rise to the EEC level which will be an incentive to local production, but will also result in a larger agricultural

trade deficit because imports will be at higher EEC prices, particularly for grains and oilseeds.

b. Need: The problem to be resolved then is the need to increase the production and productivity of Portugal's agriculture. The increase in production will reduce the importation of agricultural products and thereby decrease the use of foreign exchange. However, attention must also be given to increasing the productivity and efficiency so that Portugal's agriculture will be competitive in the EEC.

The constraints to increased agricultural production are both structural and political.

1. Small inefficient farms in northern Portugal.
2. The "Agrarian Reform" in Alentejo.
3. A complex system of prices and subsidies.
4. Insufficient agricultural research and extension.
5. At the expense of the agriculture sector, years of implementing rapid industrialization prior to 1974.

2. Project History

By and large, the above situation, especially the overriding economic problems of the country, is well-recognized by the Government. In fact, during the past three years the GOP has adopted policies designed to reduce its current account trade deficits, such as substantially raising taxes, placing ceilings on real wages and salaries, increasing prices, devaluing the escudo, limiting imports and establishing special export incentives. As a result, Portugal's current account changed from a US \$1,444 million deficit in 1977 to a US \$800 million deficit in 1978 and a US \$150 million surplus in 1979. The GOP has projected a deficit of US \$742 million in 1980 (estimated to be a US \$950 million deficit by the IMF) in order to stimulate the lagging internal economy.

a. GOP Actions Relative to Agriculture. The problems of the agriculture sector appear to be fully recognized and there is broad agreement on the need for an extensive restructuring, including policies, programs and the institutions that serve agriculture. Moreover, specific actions are now being formulated by the GOP to address these problems in an efficient manner that meets both short-term and longer-term development needs, particularly with regard to the country's pending entry into the European Economic Community (EEC).

In pursuing this effort, the GOP, through the Ministry of Agriculture and Fisheries (MAP), requested A.I.D. assistance in not only developing and implementing this program of agricultural improvement but in establishing a broad support for its total efforts to increase agricultural productivity and output, to generally improve farmer's incomes (especially the smaller producers) and to reduce the country's growing dependence on imported foodstuffs and agricultural inputs.

b. Project Design and Development. In response to the above request, a three-person consulting team visited Portugal in September 1979 and conducted an assessment of the agricultural sector, identifying problem areas and making recommendations for corrective action programs. Following election of the present Government in December 1979, USAID presented the team's findings (Report) to the GOP. The Report was well received and in February

the Government appointed a Coordinating Group within the MAP to act on the recommendations of the consulting team by developing a comprehensive program to increase agricultural productivity by specifically addressing the identified problems and constraints to agricultural production.

A preliminary program was completed at the Central (MAP) Planning level and approved by the GOP in late April 1980. It has been subsequently issued to all MAP Regional Offices with instructions for each to develop regional programs for implementation that reflect local problems and needs. On July 1, 1980, regional programs were presented at a meeting in Lisbon attended by all regional program coordinators. Additional sessions are scheduled to further refine Regional Plans. In March 1980, a Project Identification Document (PID) was sent to AID/W, outlining an assistance project which was supportive of the overall MAP effort to improve agricultural production, particularly focusing on their Program of Soil Correction and Forage Production. In approving the PID (5/8/80) the Near East Advisory Committee (NEAC) supported the proposal that a team of TDY agricultural specialists be provided under a USDA/PASA arrangement to assist the Mission with further refinement of the project design and the preparation of this Project Paper (PP).

The team fielded in June (1980) was comprised of the following members:

Mr. James Black, Team Coordinator/Economist
Dr. Elvin Frolick, Research & Extension Organizational Specialist
Mr. Raymond Williams, Credit and Cooperatives Specialist
Dr. Bob Jones, Agricultural Policy Specialist
Mr. Paul Howard, Crop Management/Soils Specialist

In addition Mr. Rex Henry (U.S. expatriate, now retired from A.I.D. and the F.A.O. and living in Portugal) was hired by USAID under a PSC as a Forages and Livestock Specialist.

3. Project Parameters

Below is a brief discussion of the main project parameters -- goal, purpose, outputs and end-of-project status. Other details of the overall design and nature of the project, including the structure, main activities and the resources/inputs required, are described and discussed in the following sub-sections.

1. Program or Sector Goal

Goal: To increase agricultural production and productivity.

Sub-Goal: To prepare for the country's entry in to the European Economic Community, in a manner which minimizes possible negative economic effects for Portugal's agriculture sector.

2. Project Purpose

The project is to directly assist the Ministry of Agriculture and Fisheries in developing and implementing a comprehensive program of agricultural improvement, particularly its Program of Soil Correction and Forage Production. Specifically, the narrower purpose of the project is:

5

Purpose: To strengthen and support the GOP institutions responsible for carrying out the various MAP programs of agricultural production improvement.

In so doing, particular emphasis will be given to those institutions responsible for research and extension, but the focus will also be on several of the technical offices of MAP, as well as its Regional Offices (see II.C.2.a. below).

3. Outputs and End-of-Project Status

Below is a listing of the major outputs to be generated by the project which collectively are deemed necessary and sufficient, in conjunction with other conditions and actions outside the framework of this project (see assumptions), to achieve the project purpose. Following that is a more detailed description of the conditions, (End-of-project status) that will exist at the termination of this five-year assistance effort.

a. Outputs

- (1) Approved regional agricultural development plans.
- (2) Demonstrations of lime and fertilizer use and improved forages production practices.
- (3) Trained extension agents.
- (4) Farm systems research which relates to the small farmers.
- (5) On-farm applied research.
- (6) Availability of limestone to all farmers.
- (7) Transportation study completed for movement of agricultural commodities.
- (8) Increased capacity and capability of soil testing laboratories.
- (9) Seed processing laboratory established.
- (10) Participants trained in selected subject areas

b. End-of-project Status

- (1) A central MAP planning unit capable of analyzing, monitoring and formulating policy recommendations and planning future agriculture strategy.

The USAID project includes 16 person months of consultant services in the areas of production economics, marketing, policy and transportation. These consultants will work with the MAP planning group to improve their skills in data collection and analysis. The contract team coordinator, who will be an economist, will work directly with the MAP planning group on a full time basis over the five year life of the project. Short term training in the United States will be provided for MAP planning and statistics personnel.

- (2) An approved GOP agriculture sector strategy coordinating public, educational, and private institutions directed toward increasing production by small farm families.

Under the USAID project technical assistance will be provided to the MAP policy and planning offices to assist them with data collection and analysis which will provide the necessary information for policy formulation and sector strategy revisions. The strategy will include suggested guidelines necessary to insure coordination and participation of non-MAP agencies both public and private.

(3) Regional programs of agricultural development approved and being implemented in at least four regions.

Plans for Regions 1, 2, 3 and 4 should be approved this year with program implementation beginning in 1981. The USAID project contract team will assist in the development of the program for implementation of the approved regional plans. Team members will work with the regional agricultural offices to revise and update their plans on a yearly basis or more often as necessary.

(4) Decentralized programs of agricultural sector support services to increase agricultural production which are effectively coordinated by the MAP.

A decentralized program of agricultural sector support services effectively coordinated by MAP is central to achieving the goal of increasing agriculture production and unit productivity. The decentralized approach to agricultural program planning and administration has been initiated by the MAP in recognition of the regional and subregional diversity of soil, climate, land forms, and agriculture production. Effective coordination and management will be supported through technical assistance and participant training.

(5) An integrated and coordinated agricultural development program in operation which makes key production inputs available to small farm families including credit, ground limestone, improved grain and forage seed varieties and breeding stock.

The MAP Program of Soil Correction is the first major GOP agriculture program designed to provide all the key production inputs. The coordinating council of MAP will integrate and coordinate the activities. The USAID project will provide technical assistance to each of the major areas of production inputs and training for the Portuguese personnel. The USAID Project Coordinator will work directly with the planning group and the coordinating council which will provide advice and assistance in overall program integration and coordination.

(6) Strengthened extension services capable of reaching small farm families utilizing both MAP and farmer cooperative organizations.

The extension service will be strengthened through technical assistance, short courses, and participant training. Use of field meetings, demonstrations, and the mass media will be encouraged. Extension agents will be better prepared with information "kits" and short term training which will include basic concepts and practical techniques of applied social observation, agricultural communication, and field testing and field demonstrations. USAID assistance will provide advice in the training of the extension agents and devise recruitment programs for new agents. Training in management of agricultural cooperatives will also stress the role which cooperative personnel can play in extension activities.

(7) Extension programs linked to the results of research but also providing feedback regarding farmer production problems which require further research.

Technical assistance provided to both the extension service and research facilities will stress the need to link the research and extension programs. MAP efforts to refocus the agriculture program in this manner will be reinforced particularly by the Project Coordinator who will be working with MAP's planning group. On the job training of extension agents

and participant training in courses such as Field Testing and Field Demonstrations will be utilized. "Kits of Recommendation" will be prepared for individual programs after the necessary information is generated through research.

(8) A regular program of on-farm applied research and demonstrations of improved soil fertility, improved varieties and production practices in the priority production areas.

Demonstrations of improved practices will be conducted on farms by the extension service. The agricultural research institutes will conduct some applied research on farmers' fields with assistance from the extension service. USAID technical assistance will be utilized to develop the program of on-farm demonstrations and applied research, beginning with liming trials.

(9) An effective and efficient credit disbursement system in operation making credit readily available to small farm families.

Participant training will be provided in small farmer credit distribution and administration along with up to 42 person months of technical assistance.

(10) Increased capacity and improved capability of government soil testing facilities in the Project area.

The three government soil testing laboratories in Lisbon, one in Porto and one in Vila Real will receive new improved equipment as part of the USAID project. The new equipment should increase the capacity of the five laboratories to handle all the soil samples required to facilitate MAP's program of soil improvement. With new equipment the laboratories will be able to test for micronutrients which they cannot do now. Technical assistance will be provided in soil testing laboratory procedures management and programs. This will include field trials to correlate field results with laboratory tests. In-country training will be available for the soil testing laboratory personnel.

(11) Increased capacity of government seed processing laboratories producing certified seed of improved varieties.

Two complete seed multiplication and processing centers will be constructed and furnished with equipment to serve as models. Technical assistance will be provided during the establishment of the two model seed processing centers. There will be participant training in seed improvement.

C. Project Structure

With the purpose of strengthening and supporting those institutions responsible for implementing MAP efforts to improve the technical and economic performance of Portugal's agricultural sector, especially the MAP Program of Soil Correction and Forage Production, this project has been designed and structured to achieve this aim through the following combination of broad areas of assistance:

- 1) Technical Assistance to improve the functional and managerial capabilities of those institutions, enabling them to efficiently perform their duties and to discharge their responsibilities in an effective manner.
- 2) Short-term and Long-term Training of the technical and managerial staffs of these institutions for the purpose of up-dating (short-term training), relative to technological change and advancement, and longer-term training in selected disciplines and in extension, research, planning and operating methodologies, procedures and practices.
- 3) Commodities (Equipment, Supplies, etc.) essential not only for the general strengthening of these institutions but also those needed to carry out some of the specific project activities and to achieve the outputs that have and will be identified.

1. Organizational and Program Structure of the MAP:

As pointed out earlier (Background), although Portugal has had an adequate institutional framework for developing effective educational, research and extension programs, as well as for providing other public services to agriculture, both the level of funding and the organizational structure did not encourage or permit it. However, recent restructuring and reorganization within the Ministry, as well as increased program funding, has largely removed these constraints. The assistance provided by this project is designed to translate the potential into reality and to lead to the productivity increases so badly needed within the agriculture sector.

a. New MAP Structure

The rather extensive reorganization that has been taking place within the MAP has resulted in a significantly decentralized structure, particularly with regard to research and extension activities and responsibilities. Figure 1 illustrates the (new) organizational structure, including both the Central Agencies and the recently established Regional Offices. Under the new structure, responsibility for overseeing the work of extension agents, monitoring inputs of technical/research data and information, implementing policy decisions and generally managing MAP operations at the local level are now to be carried out by the seven regional offices. The role of the central offices is reduced to one of overall management and coordination, including program planning and policy formulation. Actual program development and implementation also resides with the Regional Offices; Figure 2 shows the envisaged linkages within MAP, as well as its relationship to other external agencies, both non-governmental and quasi-governmental, as well as other Ministries. With particular respect to the MAP Program of Soil Correction and Forage Production, to which these (pro-

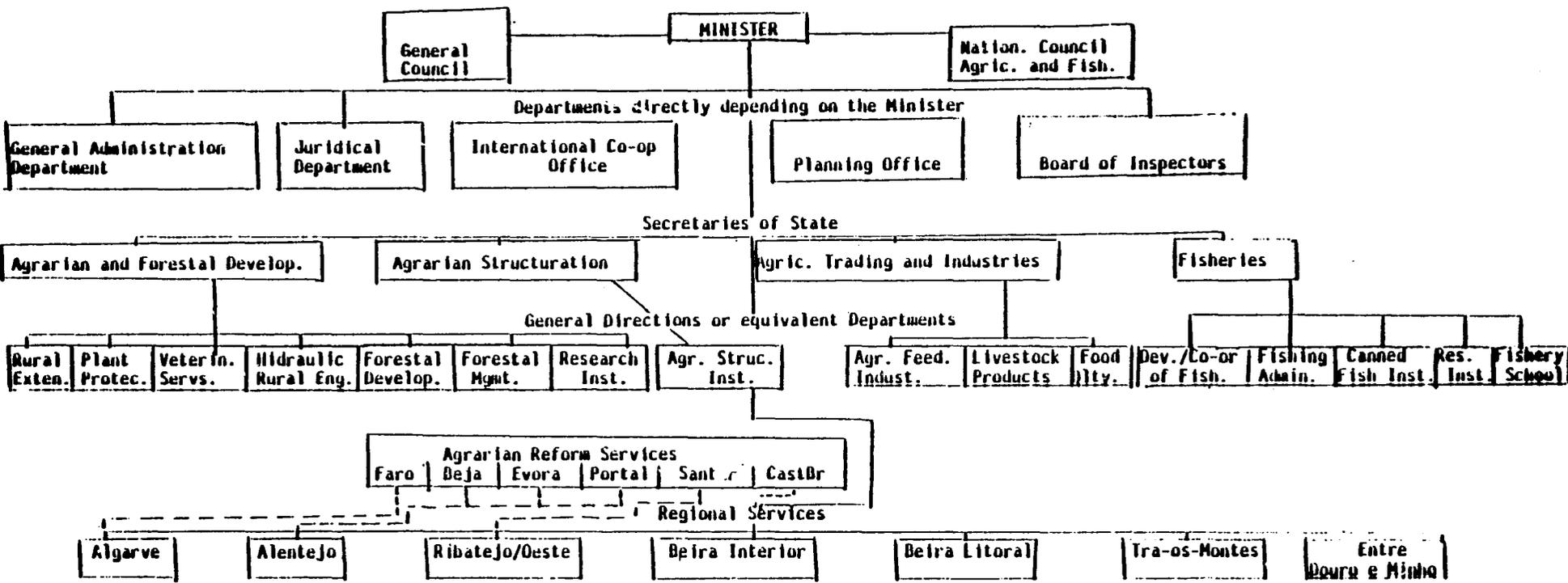


FIGURE 1

PROGRAM MANAGEMENT

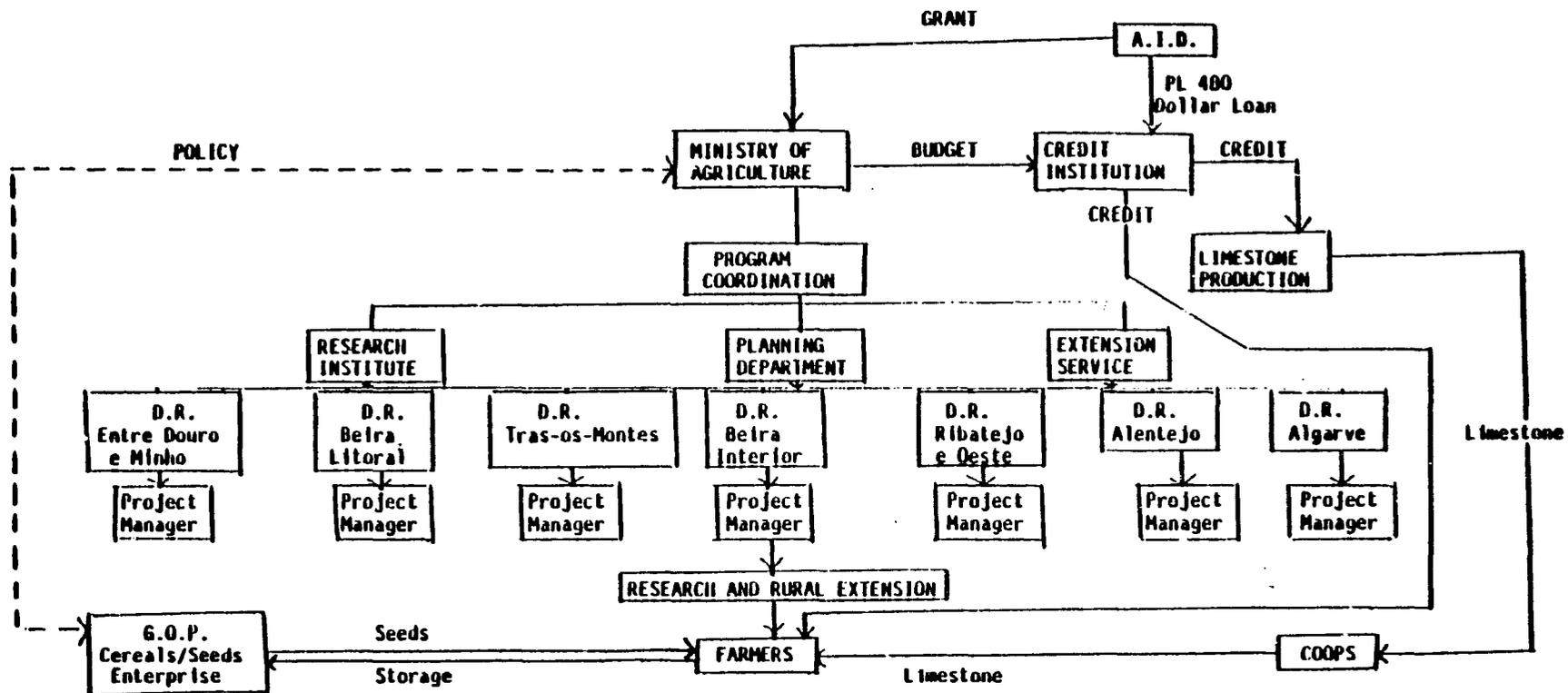


Figure 2

ject) support efforts especially relate, overall implementation responsibility rests with the MAP Central Office; however, actual implementation, which is to be carried out through locally developed regional programs, will be the task of the regional offices.

A Coordinating Group made up of representatives from MAP's Central Planning Office, the Research Service, Rural Extension Service and headed by the Secretariate of State for Agrarian Development has been established. It is responsible for monitoring and evaluating program performance of the regional offices and for developing the broad programmatic framework within which these regional programs are to be formulated and carried out. This Coordinating Group reports directly to the Secretary of State for Agricultural Development, and will be the contact point for the USAID. This Group has considerable autonomy to call on the resources of other responsible agencies such as IFADAP, the Cooperative Institute, etc. It also has control of the flow of PL 480 sales proceeds, as well as the resources to be made available under this grant project.

b. Soil Correction and Forage Production Program

Although the MAP has several programs directed at specific problems, geographic areas, commodities, etc., this is the first comprehensive program aimed at broadly increasing agricultural production to be initiated since the 1974 revolution. Under this program, special emphasis will be placed on promoting close interaction of the research and extension services, and incorporating these services into the implementation of the overall program. As noted above, although the general focus and framework of this comprehensive, five-year program was developed by MAP (Central Offices), detailed aspects of the program are to be formulated on a regional (and in some instances sub-regional) basis, so as to be more effective in dealing with local problems and needs.

The development of these regional programs is the responsibility and task of the Regional Offices, under the supervision of their Regional Directors. However, they must be designed within the general guidelines laid down by the overall MAP Program of Soil Correction and Forage Production, which is designed to address several of the sector's most persistent and debilitating problems: infertile and unproductive soils, uneconomic and inefficient crop and livestock production systems and practices, and ineffectual research and extension services.

The program proposes a variety of interrelated activities (or sub-programs) which could be grouped under the following headings:

- 1) Soil Correction and Fertilization
- 2) Forages and Livestock Production
- 3) Research and Extension Development

Annex A provides a more complete description and explanation of these programs, including some of the major problems they will address.

2. Structure and Focus of Project:

As identified and discussed in the Background section, there exists a rather broad set of problems which need to be overcome to achieve the ultimate project objective of increased agricultural production and productivity. And while the aim of this project is to assist the MAP in address-

is to provide technical support to those (GOP) institutions charged with bringing about these increases and to strengthen and enhance their capabilities to effectively fulfill this responsibility through a technical assistance package of training, commodities and technical services.

a. Institutions and Areas Receiving Support

The institutions to receive technical support through this project are listed below along with a brief description of the major problem areas, disciplines, and program-areas under each, toward which this TA assistance will be directed:

1) National Research Institute (INIA): While support to research will not be restricted to any particular set of areas, the main focus will be on soil correction, crop and forage production, and pasture and range improvement, with additional attention to farm management, production economics and farming systems. The possibility of later including livestock production and health, irrigation and plant protection also exists, even though it is not specifically identified at this time.

2) Rural Extension Service (DGER): There will be little focus on production areas or technical disciplines; assistance and training is programmed to include extension techniques, methods, communications and administration.

3) MAP Planning Office: Assistance here is focused in five main areas: policy, marketing, economics, transportation and development planning.

4) Regional Offices of MAP: Similar to the DGER, assistance to the Regional Offices will be essentially across the board, but will vary between individual Offices depending on identified problems and needs.

5) Seed Improvement Service: Assistance will be focused on cereals, forages, pastures and grasses, but functionally it will include the production, processing and distribution of seed.

6) Soil Mapping Service: Assistance will focus on strengthening and expanding soil testing capabilities and services, but will also involve support to research and extension in a broad spectrum of soil and soil-resource areas.

7) Agricultural Credit Institute (IFADAP): Technical assistance to this institute will be rather limited, even though credit is an important element to overall goal achievement. Assistance will include consultant services and training. Training and technical assistance to the DGER and MAP Regional Offices is covered elsewhere.

8) Veterinary Services: Support to this MAP Office will consist of attention to livestock disease, health and nutrition problems, addressed through assistance to research (INIA) and extension (DGER) efforts.

b. Phased Approach to be Used

Partly because the detailed regional plans are still under development by MAP Regional Offices, and partly because of the general support-nature of

this project and the inability during the design and development stage to determine precisely the exact make-up of the assistance required, a phased approach will be employed during project implementation. Phase I will be relatively short (an estimated 9 months) and include only those activities that have been clearly and completely specified and are related to the generation of intermediate outputs, which are essential to the initiation and/or completion of subsequent activities that are significant to achievement of the desired 'end-of-project' status. In addition, Phase I will be used to complete the Detailed Input/Implementation Plan for Phase II.

Phase II, on the other hand, will span the remaining 51 months of the project and will be concerned with the more substantive activities and outputs of the overall assistance effort. Virtually all of the participant training will occur during this latter phase, as will the delivery of most the commodities. Phase I activities include the specification and procurement steps for ordering some of the equipment for the soil laboratories, seed processing centers, and for demonstration.

c. Geographic Orientation

Although in principal this assistance project, and MAP's programs and institutional strengthening efforts which it is designed to support, has no geographic limitations, the main emphasis will be directed to the four northern regions (especially Entre Doura e Minho and Beira Litoral). This is for several reasons:

- 1) These regions have more severe soil acidity problems.
- 2) Corn production is concentrated in this part of country.
- 3) These regions enjoy higher rainfall and have good potential for increased production.
- 4) These regions have generally been neglected because of problems of small farm size, severe land fragmentation, and low agricultural investment.

3. Major Activity Areas

Following is an outline of the major activity areas to be undertaken during the two phases of the project. Annex B provides a more detailed description (Set of Work Plans for Phase I Activities). However, with regard to Phase II, less precision is possible at this time; the detailed specification of Phase II activities will have to await development of the Detailed Implementation Plan. Nonetheless, the broad activity areas for the second phase can be identified and are outlined below.

a. Phase I Activities

1) Transportation Study: As the increased use of lime, needed to correct the high soil acidity, is a major objective of the overall program (see Annex A), the complex problems of distributing limestone from the site of production to the farmer will need to be carefully studied. Transportation is the greatest constraint to its efficient distribution, and because of the significant increase in volume that will be involved, MAP has requested that one of the first actions to be undertaken under this project is assistance in carrying out a Comprehensive Transportation Study for Limestone Production/Distribution.

2) Establishment of Fertilizer-Liming Tests: While it is clear that liming and increased fertilizer application is needed to achieve crop yield potentials, optimum amounts to recommend under various soils and agroecological conditions have not been well defined in many areas. Because results are urgently needed, the MAP has specifically requested assistance in establishing at least 24 corn-fertilizer-lime tests in Regions 1 and 3. Moreover, as it is essential to get these tests established during the fall of 1980 so results will become available by the end of the 1981 crop year, this becomes a priority activity of Phase I.

3) Assessment of Soil Laboratory Needs: In conjunction with field testing to establish general liming response-levels and to develop broad application guidelines, more sophisticated analyses will be required to provide proper advice for particular soils and crops. This will require adequate laboratory support, the provision of which becomes a critical link in the overall effort. A total of seven soil testing laboratories are located in Portugal. Assistance has been requested by the MAP to help in assessing needs, in terms of equipment, staffing, training, and programs. This assessment, therefore, is a major activity under phase one of this assistance project.

4) Crop and Farming Systems Survey: In order to more effectively plan and develop research and extension a better knowledge of present farming practices is needed. The MAP Program of Soil Correction and Forage Production represents the first time that real support will be given by the GOP to apply research results to meet practical needs of the small farmer and the country. The backlog of experiment station research results and the potential revitalization of the extension service create an institutional environment having excellent prospect for undertaking a research/extension effort in the farming systems mode.

Part of AID's technical assistance will be directed toward moving to farm level problem solving with a farming systems approach. Farmers and multi-disciplinary teams of research and extension personnel will work together to identify major existing farming systems, diagnose problems and constraints to greater productivity, and design improved farming systems.

Farm level trials, with the farmer as an integral part of the research team, will be the basic element of the approach, backed up by more basic work at the experiment stations. A comprehensive survey of farms in Region 2 is planned under Phase I.

5) Limestone Mining, Processing, Expansion Analysis: Expanding the limestone production capacity over ten-fold in five years is planned. This will require increased investment and improved operational and management capabilities, both by the specific firms involved and by the industry. An expansion in surface mining, processing and distribution of limestone will have considerable environmental effects that need to be addressed. Technical assistance will be provided to assist the GOP in the development of procedures for planning both mining and processing operations.

6) Overall Policy Evaluation: The GOP has recently taken several steps to improve the complex web of policies, price controls, subsidies and other interventions that have developed over the past years. Continued attention, however, is still needed in this area. The project will provide assistance to the MAP planning group during Phase I in an overall review to

identify the major problems remaining and to plan for further technical assistance through the life of the project.

Major policy points to be considered will be substantially influenced by Portugal's projected E.E.C. membership and how best to assist farmers to prepare for direct competition with the E.E.C. community. Conditions suggest an urgent search for animal enterprises and labor intensive crop options that will have comparative advantage over cereal production.

7) Detailed Input/Implementation Plan: At this time, Phase II activities are only identifiable in broad terms. Detailed specification to permit their effective undertaking needs to be completed. In collaboration with MAP and particularly the Regional Offices, the Phase II activity guidelines outlined in the following section will be translated into a Detailed Implementation Plan for achieving the outputs and 'end-of-project' status identified earlier.

b. Phase II Activities

Activities to be undertaken during Phase II can only be identified in rather general terms until the MAP Regional Programs are finalized and a more detailed assessment of assistance needs can be completed. However, below is a brief description of the broad activity-areas which the project will address during the second phase and will generate the "end-of-project" status outlined earlier:

1) Technical Assistance: Provide a wide variety of technical assistance, in the form of short-term consultants, to the following Portuguese institutions:

- National Research Institute (INIA)
- Rural Extension Service (DGER)
- MAP Planning Group
- Regional Offices of MAP
- Seed Improvement Service
- Soil Mapping Service
- Agricultural Credit Institute
- Veterinary Services
- Other which may be identified

2) In-Country Training: Organize and carry out in-service training courses, seminars and workshops for technical and administrative staff of the above institutions, for the purpose of up-dating their knowledge.

3) U.S. Training: Carry out both short-term and long-term training for selected staff and personnel of the above institutions for the purpose of learning new skills, advanced techniques and the latest information needed to perform their duties.

4) Equipment and Facilities: Procure, deliver, install and render operational, including the provision of adequate instruction and guidance in their installation, operation and maintenance, specified equipment and components identified in the approved commodities list.

5) General Advice: In addition to the above, provide broad advice to the various offices of the MAP, particularly the Coordinating Group relative to the overall development and implementation of its agricultural improvement programs.

D. Project Inputs

Total inputs to this five-year project are estimated to be \$14.5 million. This includes the \$10.0 A.I.D. grant and the equivalent of \$4.5 million attributable to the GOP. The GOP's contribution is a portion of the estimated \$200.0 million MAP Program of Soil Correction and Fertilization and Increased Forage Production which is partially funded by PL 480 sales proceeds (\$64.0 million).

1. AID Inputs:

AID inputs to the project total \$10 million and consist of three major components - technical services, participant training and commodities, mostly equipment but also including some seed, livestock (breeding stock) and semen. While the bulk of these resources will be used in supporting the (new) MAP program of Soil Correction and Forage Production, they are also needed to expand and accelerate broader and continuing efforts to improve the overall performance of Portugal's agriculture sector. In this regard, they are considered by the Portuguese to be essential to the full development and effective implementation of not only this more recent and specialized effort but its other programs as well.

a. Technical Services

Technical services, in the form of short-term consultants (1-6 months) and long-term specialists as well as a project coordinator, make up the largest of the three major input categories. A total of 341 person-months (28.5 person-years) of technical services have been programmed. Although total input needs cannot be identified precisely at this stage, Table 1 does provide a broad breakdown of the technical services, by the program-year as well as by general functional/institutional area (research institute, extension service, planning group, etc.). Table 1 also distinguishes between short-term and consultants and long-term specialists (also by program-year and functional-area), as well as translating these inputs into dollar costs on a yearly and total project basis.

Total costs for technical services have been placed at approximately \$3.5 million, spread fairly evenly over the five-year span of the project. However, as pointed out earlier, there may be need for minor shifting of person-months between function areas, as well as adjustment in the timing of consultant's arrival time and duration-of-stay, once the (new) MAP program is finalized and the detailed Implementation Input Plan for Phase II has been developed. Minor adjustments due to program changes, implementation modification and other unforeseen needs can also be expected during the life of the project; these will be worked out jointly between MAP and the implementing contractor, with only major adjustments requiring USAID/Lisbon or AID/W approval.

Table 2 provides a further breakdown of the short-term consultant component by specialty area (soils, seed production, dairy, farming systems, etc.) and by broad functional areas. Some attempt has been made to reflect the need in terms of person-months, and speciality, however, even those shown are only estimates and will likely undergo considerable modification as actual needs and implementation plans become better known. However, Annex C provides a relatively detailed and comprehensive description of the consultant needs and a rough implementation schedule for the areas of research and extension, which can serve as a model for developing similar

(PERSON MONTHS)

	Research Institute	Regional Offices	Extension Service DGER	Planning Group MAP	Seed Improv. Service	Soils Mapping Service	Agri. Credit Inst.	Total	Cost
	PER/MO	PER/MO	PER/MO	PER/MO	PER/MO	PER/MO	PER/MO	PER/MO	U.S. \$
<u>1</u> Short Term (non-academic)	25	25	25	5	5	5	10	100	350,000
Long Term (Academic)	24	-	24	24	-	-	-	48	88,320
<u>2</u> Short Term	25	25	25	10	3	2	10	100	402,500
Long Term	87	-	72	-	-	-	-	156	330,096
<u>3</u> Short Term	25	25	25	10	-	5	10	100	462,800
Long Term	80	-	64	-	-	-	-	144	350,352
<u>4</u> Short Term	50	25	50	10	-	10	5	150	902,550
Long Term	80	-	64	-	-	-	-	144	455,472
<u>5</u> Short Term	50	25	50	10	-	10	5	150	1,038,000
Long Term	80	-	64	-	-	-	-	144	455,472
TOTAL Short Term	175	125	125	45	8	37	45	560	3,155,850
Long Term	348	-	288	-	-	-	-	636	1,679,712

Technical Short Courses

Agricultural Communication
Agricultural Irrigation
Field Testing and Field Demonstrations
Farm Management
Soil Fertility Relationships
Farm Management
Soil Fertility Relationships
Agricultural Research Methodology
Small Farmer Credit Distribution and Administration
Irrigation Problems and Practices
Seed Improvement
Range Management and Forage Production
Integrated Pest Management
Feed Utilization and Ration Formulation
Management of Agricultural Cooperatives

TABLE 7

ESTIMATES PER PERSON PER MONTH

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Participants					
Short Term (non-academic) Training	\$3,500	\$4,025	\$4,628	\$6,017	\$6,920
Long Term (non-academic) Training	\$1,840	\$2,116	\$2,433	\$3,163	\$3,637
Consultants	<u>\$8,000</u>	<u>\$9,200</u>	<u>\$10,580</u>	<u>\$12,167</u>	<u>\$13,998</u>
	\$13,340	\$15,341	\$17,641	\$21,347	\$24,555

input-utilization (work) plans for the other functional (Sub-Project) areas.

In a similar manner, Annex C provides further details (Scopes of Work), relative to input requirements, regarding the following specific activities that are scheduled during the Project's initial phase (Phase I):

- i. Limestone Distribution Transport Study
- ii. Liming/Fertility Demonstration
- iii. Assessment of Soil Testing Laboratory Needs
- iv. Specification of Seed Processing Equipment
- v. Farming Systems Survey

b. Participant Training

Training, both in the U.S. and in Portugal, makes up a significant part of the project and, thus, constitutes a major input. As with technical services, it is not possible at this point to be precise about training needs or to identify in detail the overall training component, except by rather broad categories.

In total, training costs are approximately \$4.8 million; \$3.1 million in short-term training and \$1.7 million in longer-term programs. These consist of 560 (short-term) and 636 (long-term) person months of training respectively. Table 3 shows this breakdown in terms of program-year and broad functional area. In addition to the identification of the broad areas of training provided therein, Table 4 provides a list of technical short courses, which are further described in Annex D. Likewise, Annex E provides a brief description of the overall Participant Training Program to be carried out, including a rough schedule for its implementation, both for short-term and long-term trainees.

c. Commodities:

Commodities also make up a significant component of the overall assistance package, totaling \$1.45 million over the life of the project. Table 5 provides estimates by broad category with Annex E containing rather detailed, but only illustrative, equipment and supply lists for each of these categories. Final commodity specifications and procurement schedules are to be developed as a part of the detailed Implementation/Input Plan to be developed during Phase I of the project.

Table 5 - Commodity Inputs (AID Share)

<u>Description</u>	<u>Estimate Cost \$</u>
Laboratory Equipment - Soil Testing	\$280,000
Seed Processing Centers	585,000
Research Equipment (dairy, soils, crops, etc.)	185,000
Demonstration Equipment/Materials	100,000
Livestock and Services	165,000
Seeds and Other Production Inputs	35,000
Contingency	\$100,000
Total	\$1,450,000

2. GOP Inputs:

Host country inputs total \$4.5 million and consist of administrative and operation support to the sub-programs of participant training and

technical assistance, including logistic and associated costs of the in-country training courses, demonstration farms and other activities, as well as the direct staff costs of counterparts working with AID consultants and expanded GOP program costs related to these activities. GOP contributions also cover some equipment inputs and facilities, including buildings connected with the Soils Testing Laboratories and Seed Processing Centers to be established under the project. Table 6 (below) provides a broad itemization of these costs, in terms of host country inputs.

<u>Table 6 - Host Country Inputs</u>	
<u>Description</u>	<u>Estimated Cost \$</u>
Counterpart Staff	575,000
Training	
In-Country Participants	1,500,000
Out-of-Country Participants	1,250,000
Administrative and Logistic Support	750,000
Demonstration Equipment/Materials	250,000
Seed Processing Centers	
Land	75,000
Construction & Infrastructure	100,000
TOTAL	<u>\$4,500,000</u>

E. Beneficiaries

The direct beneficiaries of this project will be the employees of the MAP and other agricultural support institutions who receive training and technical assistance. The purpose of this training is to support these institutions in their efforts to refocus their approach towards more direct assistance to the farmers. During the life of the AID project the farmers receiving priority assistance will be those with small to medium size farms. The initial focus of the MAP program which this AID project supports will be in the Northern regions of the country where landholdings average 1-3 hectares.

The Northern regions are the poorest of Portugal both in terms of income and social infrastructure. The two districts (MAP Regions 1 and 3) where the program will contribute approximately 10% of the national GDP while containing 23% of the national population. The average per capita income of the small farmers in the North is only 50% of the national average per capita income.

The farmers will benefit from the ready availability of limestone, credit, improved seeds, soil testing, extension and research technical assistance and the elimination or reduction of policy constraints affecting prices and marketing. As a result production should increase and the individual farmer's income should increase.

PART III

ANALYSES

A. Economic Analysis

As this project is essentially an "institutional strengthening" effort (one that has no easily identifiable economic outputs or consequences), it is difficult to carry out a detailed and/or formal economic analysis of it. Nonetheless, rather broad assessments of its economic impact can be made, both in macro (country/sector level) and micro (producer level) terms:

1. Sector-Level Analysis

Since the 1950's, agriculture is the sector of the Portuguese economy which has shown the lowest growth rate - 1% compared to an average 10% in industry. The contribution of agriculture to GDP has dropped from 33% in 1950 to 12% in 1974; it has also been estimated to have further declined to only 9% by 1979, while continuing to employ 30% of the Portuguese working population. Declining production of most crops has been the main reason. In 1978, based on the 1966-75 ten-year average, wheat production decreased 56%, corn 25%, barley 60%, oats and rye 49% and pulses 30%. Yields per hectare (of principal crops) are also low when compared to other countries having similar conditions, e.g. Spain and Greece. In the case of corn, Portugal produces approximately 1.3 tons/ha while Spain produces 2.6 tons/ha, Greece 3.4 and the U.S. 6.6.

Overall, production of all major crops, except potatoes, are lower today than in the 1972-76 period (and little better than that of 15-20 years earlier). Some of the decline is as much as 50 percent. In terms of livestock products, total production of beef, goat and sheep meat (combined) was up only 4,000 metric tons between 1974 and 1977, with beef production up about 5,000 tons and sheep and goat meat down slightly. Pork and poultry production grew substantially, with milk volumes changing very little. In total livestock numbers have been declining during the 1970s with productivity only showing slight gains.

The total MAP effort, which this project directly supports, is projected to have the following beneficial (economic) results:

- a. Increase present crop yields by 200-300 percent, through the adoption of high yielding practices, including the application of limestone and the more effective use of commercial fertilizer, better seed, improved cropping methods, rotations and (overall) farming practices.
- b. Putting 1.0 million hectares of arable land now in fallow into intensive high-yielding crops and forages by use adequate fertilizer/limestone and proper (low-rainfall) rainfed production practices.
- c. Increasing intensity of land-use, and total yields/off-take per annum, of irrigated (.6 million ha) and higher-rainfall (1.2 million ha) lands.
- d. Planting areas suited to improved forages with well-adapted varieties and by applying fertilizer and limestone at recommended rates (1.6 million ha).
- e. Better management of natural, unimproved grassland (1.3 million ha) and mixed forest and grassland (1.0 million ha):
- f. Up-grading livestock and improving livestock feeding and management practices.

Figures 3 and 4 give projected production increases; and without attempting

to put money-values on these increases or to perform any economic analysis, one can agree that the potential and achievable results are very great and the likelihood of success fairly high. Thus, the \$10.0 million which AID will put into this project, together with the approximately \$200 million the GOP will be contributing in its overall effort will pay very high dividends.

2. Farm Level Analysis

In addition to the general sector-level assessment presented above, it may be useful to, at least, demonstrate the economic impact of the ultimate effects of this project on individual agricultural producers, particularly the smaller farmer. However, as with the above more macro examination, there is really little in the way of any detailed analysis that can be made; and, what pertains more to the longer-term effects of the project, rather than of its direct benefits (the strengthening of the several MAP officer/agencies charged with helping bring about these improvements at the producer-level).

Figure 5 illustrates the economic results, in terms of additional farm incomes, resulting from soil correction and increased fertilization measures mentioned above, assuming a 5 hectare corn-producing (small) farm is one of the northern region of Portugal. Figure 6, on the other hand, shows the returns per hectare from improved forage and dairy cow operations. Thus, while not claiming to be conclusive, or even an overly persuasive analysis, these two examples do serve to indicate that substantial economic benefits will accrue at the farm level as well as to the agricultural sector generally.

Figure 3

POSSIBLE GAINS IN MAJOR CROP YIELDS AND PRODUCTION BY 1985-90

	1973-75			Yield Increase (%)	1985-90		Productivity ('000 tons)
	Yields (tons/ha)	Area ('000)	Production ('000)		Yield (tons/ha)	Area ('000)	
Wheat	1.18	466	550	30	1.5	450	675
Rye	.72	200	144	30	.9	200	180
Rice	3.25	44	143	40	4.8	50	240
Maize	1.30	371	482	50	1.9	400	760
Barley	.82	90	74	30	1.1	105	115
Oats	.60	168	100	60	1.0	168	168
Potatoes	9.50	111	1,053	30	12.0	120	1,400
Pulses	.21	391	84	100	.4	400	160

Source: World Bank, Agricultural Sector Survey for Portugal, 1978.

Figure 4

POSSIBLE GAINS IN LIVESTOCK PRODUCTION BY 1985-90

<u>PRODUCT</u>	<u>PRODUCTION</u>	
	<u>PRESENT</u> (1973-75)	<u>WITH IMPROVED FORAGE</u> (Metric Tons) (1985-90)
Beef & Veal	74,000	148,000
Lamb & Mutton	20,000	67,500
Goat Meat	3,000	8,400
Wool	10,000	23,000
Milk	674,000	1,645,000

RETURNS FROM 1 HA. OF FORAGE FOR DAIRY CATTLEGENERAL ASSUMPTIONS

Two crops^{1/} (1) corn and (2) oats and vetches/Year/ha.

The farm is located in the Northwest where average ph. totals 4.5

The two combined forage crops will produce 100 tons of silage if acidity has been corrected and adequate fertilizers applied.

- Nitrogen - 140 (in nutrients)
- Phosphate - 80 (" ")

Average application of lime and fertilizers

- Potassium - 40 (" ")
- Lime - 5 tons

Installation costs: \$ 400

(feedlot, shed, watering trough, etc.)

Cost of fertilizers and lime

- Nitrogen	- \$	.46
- Phosphate	- \$	.36
- Potassium	- \$	.20
- Lime	- \$	.20

Lime and fertilizers applications costs	140 X \$	.46	=	64.4
	80 X \$	.36	=	28.8
	40 X \$	.20	=	8.0
	5t X \$	.20	=	100
	Total		=	\$201.20/ha.

Seedling costs: \$145/ha.

Land Preparation: \$120/ha.^{2/}

Harvesting: \$400/ha.^{3/}

Farmer's subsistence: \$2,000

Medical services: \$250

Loan Terms: 10 years/12% interest rate

Cost of 1 Kg. of concentrates: \$.18

One cow will eat 30 Kgs. of silage per day

One group totaling 9 cows per year

- Concentrates: 4 Kgs/Head/Day

- Production/Cow/Year: 4,000 liters of milk

- Cost of one cow: \$1,600

- Price of a male calf: \$320 (age eight days)

- Eight calves out of nine cows/year

- Guaranteed price for milk: \$.27/Liter

^{1/} Two crops are generally only possible where soils are irrigated.

^{2/} \$ 60 X 2 (two crops)

^{3/} Includes both crops.

INVESTMENT:

Installation (feedlot, trench silo, shed, etc.)	\$	500
Animals (9 cows X \$1,600)		14,400
Equipment		<u>3,000</u>
Total Investment	\$	<u>17,900</u>

OPERATING COSTS:

Land Preparation	\$	120
Seed		145
Lime and Fertilizers		201
Concentrates (4 Kgs. X 9 cows X 365 X \$.18)		2,365
Medicines and Vaccines		250
Transportation Costs		500
Farmer's subsistence		2,000
Expected loss (4% of \$ 14,400)		<u>576</u>
Total Operating Costs	\$	<u>6,157</u>

TOTAL INVESTMENT & OPERATING COSTS

.	\$	<u>24,057</u>
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PRODUCTION VALUE

Milk production (4,000 liters X 9 cows X \$.27)	\$	9,720
Sale of calves (8 X \$320)		<u>2,560</u>
Total Production Value	\$	<u>12,280</u>

DEBT SERVICE

(On total investment and (Operating costs)	\$	<u>4,116</u>
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SUMMARY:

TOTAL PRODUCTION VALUE	\$	12,280
LESS: OPERATING COSTS		6,157
LESS: DEBT SERVICE		<u>4,116</u>
NET PROFIT/YEAR	\$	<u>2,007</u>

8. SOCIAL SOUNDNESS ANALYSIS

1. Introduction

This analysis is based upon field and office investigations conducted in Portugal and discussions with a respected Portuguese anthropologist.

2. Description

Rural society in Northern Portugal is typified as traditional, individualistic, egalitarian, locally focused and politically conservative. Within the villages there tends to be little social differentiation. The Roman Catholic Church plays a significant role in the community and members of the clergy are generally respected.

People reside in small villages (average population 505) adjacent to their small, owner operated predominantly terraced farms. Land ownership versus tenancy is extensive, however, total hectarages (3.4 average ha.) tend to be small and divided into numerous (10 average parcels) dispersed parcels.

The family is the primary unit of social interaction. The families are nuclear and formally patriarchal although in practice they are frequently matriarchal due to a high level of temporary emigration. Women, as a result, have a significant role not only in the management of the household but also frequently in the management of the farm in the absence of the husband. Marriage is most commonly between members of the village.

Farms in the north of Portugal have been described by the World Bank (1978)^{1/} as follows:

"The farms surveyed can be characterized as mixed-farming small units, family-owned and operated, with occasional hired labor, and with a relatively high proportion of output being consumed on the farm (vegetables as well as milk and meat). Corn is the main crop (for feed) and is double cropped with beans or potatoes. Other animal inputs are grasses and feedgrains. Livestock production exists in all units as well as wine grapes and some fruit trees.

Labor use is very high. Total labor use averages 186 man days/ha annually of which hired labor represents 28% and family labor (which includes between 2 and 3 family members) the remainder. All units are also characterized by high capital on the farm (mainly land and livestock) for an average of Esc. 173,000/ha. Additions to capital are effected mostly through herd buildup with an occasional machinery purchase. Wine stocks are often used as savings and as cushions for income fluctuations."

The region has long been a source of migrants to other parts of Portugal and other parts of the world. During the early part of the century migration was principally to North and South America. However, since 1960 most migrants have been attracted to Western Europe, (especially France and West

^{1/}Kozub, J., et. al. 1978. Portugal-Agriculture Sector Survey. Washington, D.C.: The World Bank. Quotation from p. 292.

Germany) on a temporary basis. The area also contributed a large number of immigrants to Portugal's Overseas Territories, particularly Angola and Mozambique. Since 1974 the area has had to absorb large numbers of "retornados" or refugees from these former African colonies.

The majority of the population, especially those under 40, are literate, having attended school at the primary level. In general those with secondary or University level educations seek employment in the large and intermediate size cities. It remains difficult for the Government to attract teaching and technical staff to serve in these areas.

Participation is high in agricultural cooperatives which serve to supply inputs and to market outputs. Inputs are also available from commercial distributors and some crops are individually marketed, with owner-operator transportation equipment and poor roads being limiting factors.

In the course of interviews farmers expressed a strong interest in increasing their agricultural productivity and profits. They are learning of new techniques and products through the mass media, cooperatives, and commercial demonstrations at regional and local fairs. Agricultural Extension services within the region remain underdeveloped and understaffed. Few farmers interviewed reported favorably on the availability or quality of extension services.

It was difficult to determine the willingness of farmers to invest accumulated capital or to obtain credit to purchase additional agricultural inputs. However, it should be noted that published records and spot examination of orders placed at agricultural cooperatives indicated a large scale use of fertilizers, pesticides, herbicides, fungicides and other expensive non-traditional agricultural inputs.

The effective use of current available farm credit programs has been undermined by past failures to adequately address the needs of the small farmers; e.g., forms were complicated, the processing period was long and assistance was difficult to obtain. Farmers' attitudes towards formal credit have also been affected by the political instability of the government since 1974.

The effective provision of extension services requires working through individuals who influence local opinion. One such group identified were those who had returned from Western Europe. They are respected in the community due to their material success and may assist extension efforts by their greater responsiveness to new ideas and innovations. Another group identified were "retornados," most of whom had been accepted by the community they had returned to (some have been rejected), who may also assist extension efforts by greater responsiveness to new ideas and innovations.

C. Technical Feasibility

1. Priority Problem-Areas and the Approach for Addressing Them.

Several factors contribute to this disappointing performance, including low investment rates within the agricultural sector (probably a negative net investment in recent years); distortions in price relationships, brought about by subsidies and a complex of government intervention that have been generally counter-productive; weaknesses in the institutions serving agriculture (research and extension and input-supply services as well as a deficient marketing structure); inadequate credit and its availability on terms that are suitable; and a poor land-tenure system and an inefficient structure and operation of land holdings, land-holding fragmentation and small farms in the North and large, low-performance holdings in the South. Clearly, there has been urgent need to address these issues; a need that requires a sustained and systematic effort of considerable magnitude.

In recognizing this need, several government actions have been taken, including attempts to increase the responsiveness of public institutions to farmers' needs. An overall re-organization of the Ministry of Agriculture (MAP) took place in 1977 emphasizing decentralization of control to seven Regional Offices (see map on page ii) and improvement of extension and research services. More recently the MAP has identified the following priority needs and has developed a comprehensive program for addressing them:

- a. A national limestone application program to address the prevalent problem of high soil acidity.
- b. An accelerated forage and pasture expansion program to improve soil quality and provide feed for livestock.
- c. Re-orientation and improvement of research and extension programs to meet farmer needs.

Under this program, extensive amounts of credit will be made available to individual farmers, cooperatives and limestone producers. During the initial years, proceeds from the 1979 and 1980 PL 480 agreements will be used for such credits. AID grant funds will be used for technical assistance to expand and strengthen (generally support) the capabilities of the MAP institutions responsible for carrying out this five-year program. Special emphasis will be placed on (i) promoting interaction between the research and extension services and linking these services to the limestone and forage programs, and (ii) improving the competitiveness of Portuguese agriculture in those areas where it has distinct comparative advantages, in view of its pending entry into the European Economic Community in 1983.

2. Technical Soundness of the Project

The project consists of extensive (341 person-months) of technical services. Mostly short-term consultants, 1,196 person-months of short-term and longer-term training, both in-country and in the U.S., and \$1.45 million in commodities. In determining just how and in what way these resources will be used, in conjunction with GOP inputs, to generate the outputs called for, as well as achieve the overall project purpose of strengthening and expanding the capabilities of those MAP Offices and agencies responsible for developing and implementing the Ministry's agricultural improvement

efforts, a detailed Implementation Plan is to be developed jointly by the MAP and the implementing contractor, as a major Phase I activity of this project.

This approach is not only deemed sound but technically preferable to attempting to specify in detail at this point the complete set of activities to be undertaken, the scheduling of their initiation/completion, and the overall allocation of resources within the broad guidelines set forth and discussed in Part II - Project Description. Moreover, the broad design prescribed in Part II (and whose implementation schedule is laid out in Part V - Implementation) is adjudged to be both technically sound as well as technically feasible. That is, it provides sufficient guidance for formulating a workable, Detailed Implementation Plan; a plan that is not only in harmony with other on-going and planned MAP efforts but also one that focuses on the priority needs of the institutions to be strengthened and, in the longer-run, enables them to effectively address the critical constraints to improving Portugal's agricultural productivity.

D. ADMINISTRATIVE FEASIBILITY

The AID Project will provide technical assistance, limited commodities for demonstrations, and training in support of the institutions responsible for meeting the objectives of the MAP's agricultural production programs. The provision of technical assistance to the various institutions will be coordinated through the MAP. A description of the administrative structure of these institutions, their programs and the feasibility of assisting them follows.

1. MAP Program of Soil Correction and Forage Production

The overall responsibility for implementation of the MAP Program of Soil Correction and Forage Production rests with the Ministry of Agriculture and Fisheries (MAP).

The organization chart for MAP is presented in Table 8. The chart depicts the organization following the recently enacted decentralization process.

The reorganization resulted in the central Ministry's functions and responsibility for overseeing work of extension agents, monitoring inputs of technical/research data, implementing policy decisions, and managing operations in the interior, being transferred to the seven Regional Offices.

The organizational chart for Region 1, as an example, is illustrated in Table 9. This chart indicates the further sub-division of this Region into three sub-regions, or zones, for more effective operational management.

Differing agricultural, geographical and traditional characteristics led to the determination of the configuration of the seven regions and their sub-regions.

The Secretary of State of Agricultural Production signed a resolution on February 29, 1980 establishing a Coordinating Group within MAP for development of this Program comprised of members representing the MAP Central Planning Office, the Research Service and the Rural Extension Services and headed by a soil scientist of the Secretariate of State of Agrarian Development.

An organizational chart illustrating the relationships of offices within MAP and of other GOP agencies needed for implementation of the Soil Correction and Forage Production Program is included in Table 10. Primary

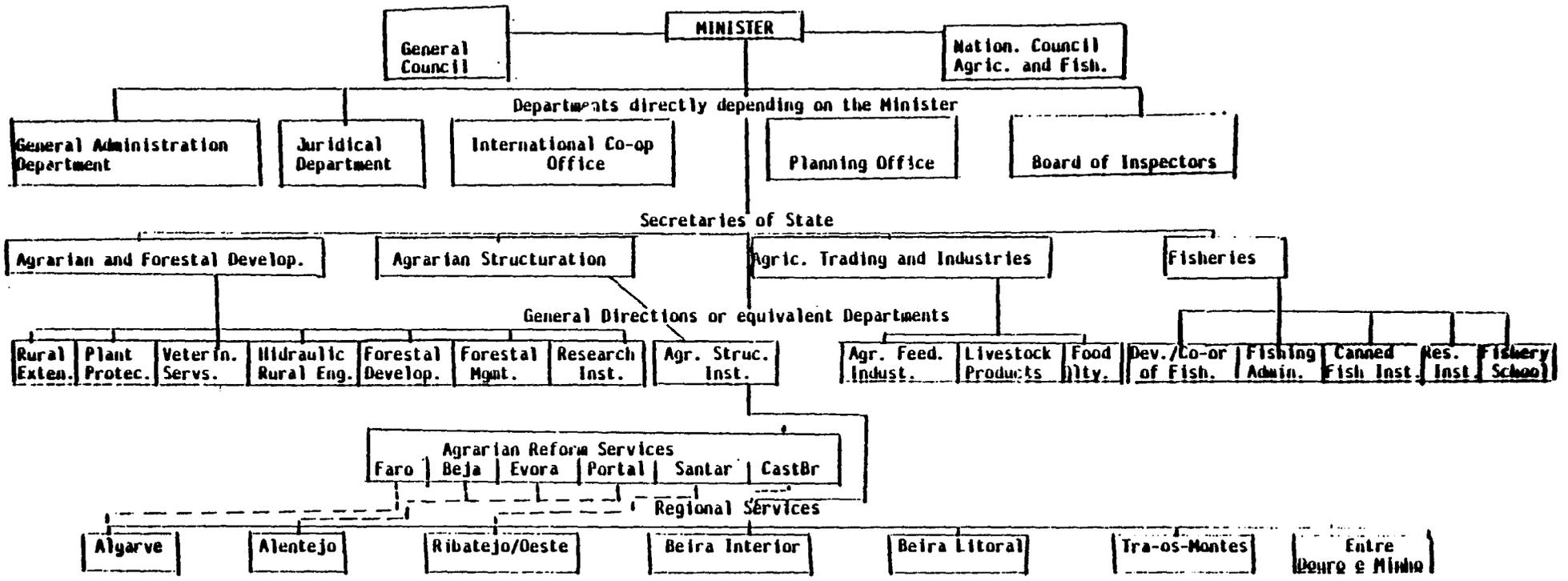
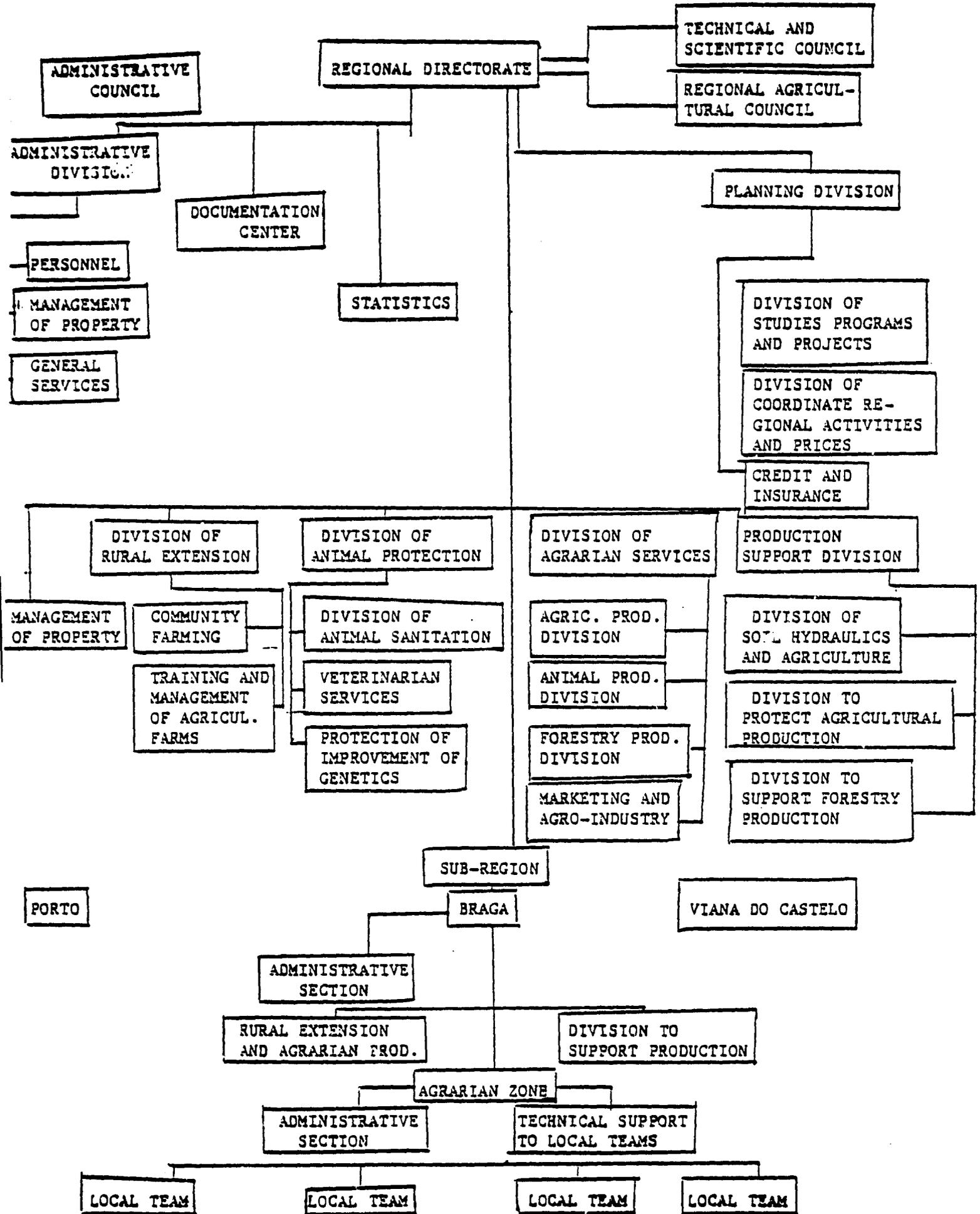


Table 8



PROGRAM MANAGEMENT

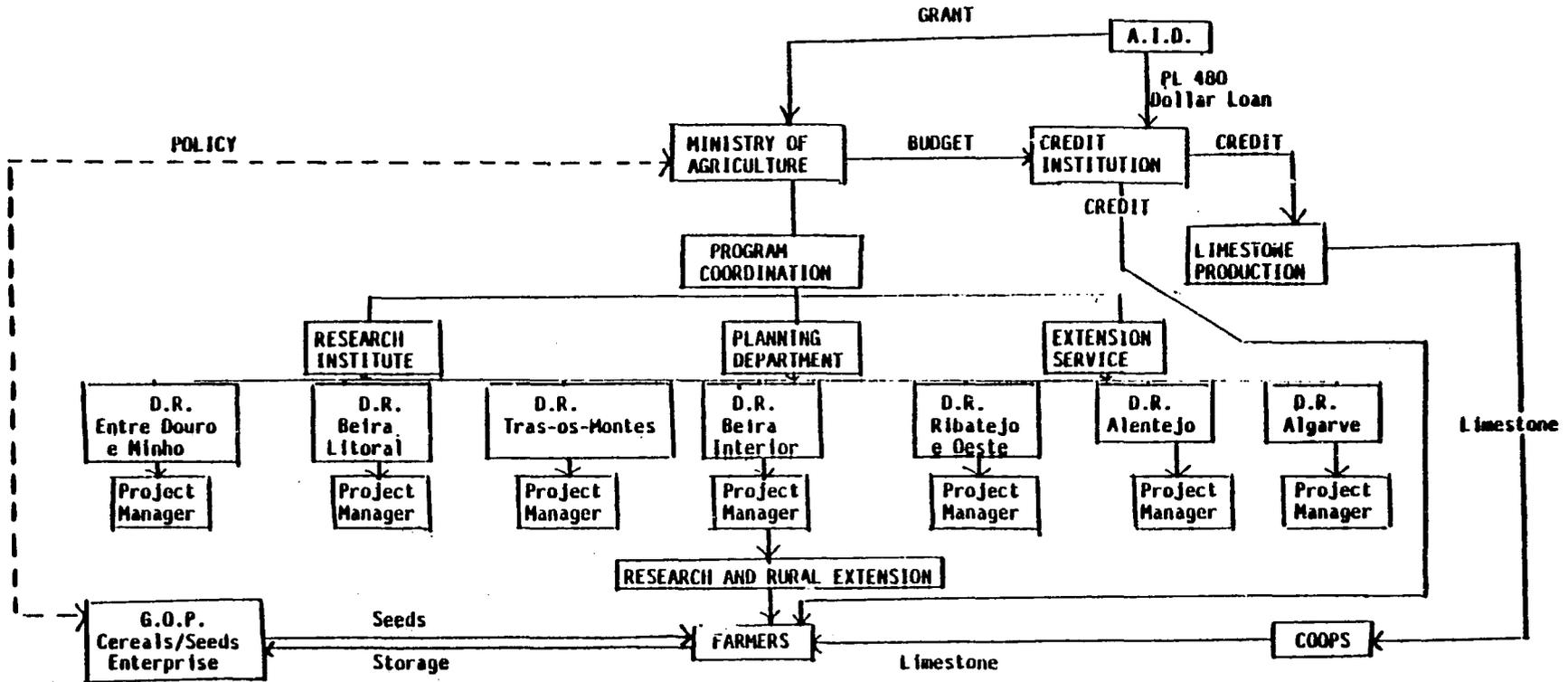


Table 10

implementation responsibility will reside with the Regional Directors. These Directors are currently nominating individuals from their offices as Regional Program Coordinators who will be responsible on a full time basis for program implementation.

At the same time, the Regional Directors and their staffs are preparing Regional Program Proposals which indicate how each region intends to participate in and implement the MAP program. These Regional Programs include implementation schedules, staffing requirements, material requirements, projections of total hectarage to be affected, productivity improvements, etc.

While the Central Coordinating Group will monitor and evaluate progress of the program, the Regional Offices are tasked with reporting progress against the pre-established targets in terms of hectares limed, farmers participating, storage facilities constructed, etc.

The Coordinating Group will be the contact point for USAID and will report directly to the Secretary of State for Agricultural Development. It will probably be headed by its current chairman Eng. Almeida Alves, and be composed of four other respected representatives of the leading MAP agencies participating in the program. It will have considerable autonomy to call on resources at the other responsible agencies such as IFADAP, the Cooperative Institute, etc. It will also control flow of PL 480 sales proceeds and AID technical assistance resource allocations on behalf of the MAP.

2. Feasibility within MAP

The ongoing implementation of the MAP decentralization process and the government-wide hiring freeze appear to constrain somewhat MAP's present capacity to rapidly meet staffing requirements in the Regions. There are over 14,000 MAP employees. Over half of these have been assigned positions within the Regional Office structures, but barely half of these new Regional employees have actually relocated. This is due in part to lack of adequate housing, lack of office space and lack of other administrative and logistic support at the regional level to support the increased number of employees.

The Coordinating Group took these impediments into account in the design process. For the specific support of this program, provisions have been made to finance up to 72 pre-fabricated homes to be placed in the regions for personnel essential to program success. Additional office space is currently either being rented or constructed from budgetary resources outside of this program. Until such time as the hiring-freeze is lifted (which would permit the recruitment from the regional population particularly for extension agents), MAP is prepared to assign people from less important duties to this program and do more with less. This situation has led to the determination to involve the existing cooperative network in implementing the program, and not just as a material distribution system.

The pre-planning by MAP in recognition of these administrative constraints, and the remedial actions being undertaken indicate that the administrative capacity exists to effectively implement this program.

3. Feasibility within the Coop Network

At present, there are 3,616 cooperatives throughout Portugal. Nearly 30% (1,039) of these are within the Regions this program will initially be reaching, i.e., Regions 1 and 3 and parts of 2 and 4. Of these, approximately 1/3 are agricultural cooperatives. These coops have been highly

effective in meeting the needs of their membership and individual farmers in surrounding areas.

It is natural for a linkage to be formed between the activities of MAP and those of these Coops. The MAP program currently envisages utilizing the Coops as a mechanism to assure distribution of the increased quantities of various agricultural inputs, i.e., limestone, fertilizer, seed, etc. There is little doubt that the coop system will be able to absorb the programmed increase, especially in view of the GOP program to construct additional multi-purpose warehouses at the larger cooperatives. The effective use of the Coops could supplement the activities of the extension service; especially in dissemination of information, and as a convenient location for group discussions and demonstrations.

4. Feasibility within IFADAP

The Financing Institute for the Development of Agriculture and Fisheries (IFADAP) is the primary source for the credit needs foreseen in the program. For such credit, IFADAP has available to it the equivalent of approximately (US) \$64 million from 1979 and 1980 PL 480 sales proceeds.

IFADAP was created by law in September 1978 but did not make its first loan until October 1979. IFADAP as yet has not been able to lend large amounts of money. While its primary credit function is a discount agency for loans to agriculture made by commercial banks, an unusually high liquidity situation has prevailed in commercial banks since late 1979 and banks have preferred not to discount loans with IFADAP. The Bank of Portugal advises that this high liquidity situation would change by the end of 1980.

As of May 31, 1980, a total of 1,566 applications had been received and processed by IFADAP. Of these, 915 (valued at approximately US \$26,000,000) had been approved, 99 (valued at approximately US \$2,600,000) had been rejected and 552 (valued at approximately US \$38,000,000) were under review. Regional data, compiled as of March 31, 1980, indicate approximately 30% of the applications approved, in terms of value, are from Regions 1 through 4 (approximately US\$15,000,000 at that time).

These applications represent utilization of the interest rate subsidization program offered by IFADAP, not refinancing of loans, which would have drawn down on IFADAP's PL 480 funds and have provided the record of success needed to provide confidence in its capacity. IFADAP is taking steps to improve the situation, such as:

- a) Submitting draft legislation permitting IFADAP to become a direct lending institution; (IFADAP acted as a direct lender under an emergency credit program following a destructive frost in South Portugal and sub-loaned over \$4,000,000 in four months January through April, 1980).
- b) Selecting and training 45 agricultural loan officers at a time under a continuous program to eventually place at least one in each of 900 Commercial banks;
- c) Tasking these loans officers with visiting farms, assisting farmers in the preparation of loan applications and in making recommendations on sound financial planning to increase the demand for credit;
- d) Providing an incentive bonus for productive loan officers;

- e) Requesting authorization to lower interest rates on short-term loans to a range of 11.75-13.25%; and
- f) Requesting authorization to advance loans without collateral in certain circumstances.

It is expected that IFADAP will be successful in achieving these steps and, as a result, that the considerable financial resources of IFADAP will be utilized. The upper management officers of IFADAP demonstrate a sound knowledge of the business and a competence to manage the lending program. Given the level of activity at which IFADAP has been operating during the past nine months, even if only resulting in interest rate subsidization, there is adequate administrative capacity for IFADAP to carry out a more extensive role.

5. USAID Monitoring Capability

From the earliest stages of project development, the USAID has been aware of its limited capacity to administer a complex program of technical assistance and procurement of program related commodities. The staff consists of only five USDH professionals and the mission is scheduled to phase-out in FY 1983. Thus the role of the USAID in implementation must be kept to a minimum. Therefore, the recommendation of the NEAC that the USDA be considered for implementing the TA portion of the AID project was discussed with the appropriate GOP/MAP officials and, having been well received, is proposed to be made a part of this project.

The USAID's role, therefore, in carrying out the TA portion of this project will be limited to guidance, monitoring and evaluation. As explained under the PP section on Implementation, Part V, Phase I activities will involve much closer involvement on the part of USAID as MAP and the implementing contractor further refine their action plans and develop the Phase II Implementation Plan. USAID approval of these implementation and evaluation plans will be required. The USAID's General Development Officer and a local employee (formerly an employee of MAP) will maintain an active monitoring role with Joint Review sessions annually scheduled for evaluation purposes and to identify problems and solutions. Subsequent to the USAID's phase-out, it is expected that the local employee will continue the monitoring and reporting functions while attached to the American Embassy.

Therefore, with the USAID's role reduced primarily to consultation, monitoring and evaluation, the project is considered well within the administrative capacity of the USAID. (Note: a discussion of USDA's capacity is contained in Part V, Implementation).

E. ENVIRONMENTAL ANALYSIS

In general, rules and regulations affecting environment concerns of the GOP will be greatly altered when Portugal enters the EEC scheduled for January 1983. At that time all environmental laws of the EEC will be adopted automatically by the GOP. Nevertheless, below are specific observations on the proposed program.

1. Agricultural Component

Implementation of the proposed MAP program will result in the general improvement of agricultural productivity through the use of material and technical inputs. The intensification of agriculture through this proposed

program will result in the increased use of a variety of agricultural inputs, especially crushed limestone, fertilizers, pesticides, herbicides and fungicides. It may also result in the increased use of mechanized equipment for land preparation, lime spreading in particular. The program will increase forages and allow for the production of a larger number of improved livestock. An objective of the program is to improve cropping patterns which should result in improved cover and serve to reduce soil erosion.

This component of the project will have direct environmental benefits by providing, through technical assistance and participant training an improved GOP capability to manage agricultural land use, as well as correct high soil acidity by the application of crushed lime as a soil conditioner. Improved research and extension services will assist the farmer in achieving better land management practices, particularly in the selection and application of material inputs. It is recommended that efforts be taken to integrate concerns for the environment -- soil erosion control, maintenance of water quality, etc., into the research and extension program.

This component is anticipated to result in the potential adverse environmental impacts outlined in Annex B3. Special attention should be given to the problems associated with the use of pesticides which are also addressed in the recommendations for technical assistance and participant training. It should be noted that investigations conducted for this analysis did not identify any problems related to the use of either herbicides or fungicides in the program area. If later information changes this situation, it is recommended that the proposed MAP program and proposed project be amended to address this issue more fully.

2. Limestone Quarrying, Processing and Distribution Component.

Surface mining, including limestone quarrying, is not presently subject to regulation in Portugal, although the proposed "Environmental Impact Law" requires the issuance of specific regulations for surface mining. Presently the developer of a quarry secures a land tract for exploitation and designs an operational plan without the involvement of GOP planning or technical authorities. GOP involvement in quarrying and processing from an environmental perspective is limited to the supervision of explosives for blasting and the active supervision of regular medical examinations to assure employee health.

This component is anticipated to have the potential adverse environmental impacts outlined in Annex B.3. Such impacts can be best avoided through:

- i. The incorporation of environmental concerns into GOP appraisal procedures for credits to new quarry and processing plant development.
- ii. A review by GOP from an environmental standpoint of operational plans for quarries and processing plants prior to construction or expansion of processing plants and quarries.
- iii. The development of a comprehensive distribution/transportation plan for utilization in the final program design and implementation process.

PART IV

FINANCIAL PLAN

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(\$000)

AGRICULTURE PRODUCTION PROGRAM
(150-0023)

Use \ Source	Total A.I.D. Grant		Host Country		Other PL 480		Total
	FX	LC	FX	LC	FX	LC	
TECHNICAL SERVICES							
Consultants and In-Country Training	3,046			1,790			4,836
PARTICIPANT TRAINING							
Long-term	1,449			375			1,824
Short-term	2,722			705			3,427
COMMODITIES							
Laboratory Equipment	280						280
Seed Processing Centers	585					175	760
Research Equipment	185						185
Demonstration Equipment/Materials	100						100
Livestock and Semen	165					250	415
Seeds and Other Production Inputs	35						35
ADMINISTRATIVE/LOGISTIC				750			750
INFLATION FACTOR (15%)	1,200			455			1,655
CONTINGENCY	233						233
TOTAL	10,000			4,075		485	14,500

PROJECTION OF EXPENDITURES BY FISCAL YEAR
(5000)

Project: 150-0023

Title: Agricultural Production Program

Fiscal Year	Total A.I.D. (Grant)	Host Country	Others PL480	TOTAL
1981	1,912	785	120.5	2,817.5
1982	2,108	851	121.5	3,080.5
1983	1,804	750	120.5	2,674.5
1984	2,001	815	62.5	2,878.5
1985	2,175	874	-0-	3,049.0
<hr/>				
TOTALS	10,000	4,075	425	14,500.0

Inflation and contingency figures are included within projected fiscal year expenditures.

PART V
IMPLEMENTATION

A. Implementation Arrangements

This US \$10.0 million grant project will finance five years of contract services to provide technical consultants and advisors, participant training and commodities to the Government of Portugal. As suggested in the Project Identification Document (PID), and further encouraged by the Near East Advisory Committee (NEAC) in its approving the PID (See Annex - NEAC Reporting Cable), the use of a PASA arrangement with the USDA is proposed for implementing the project. Justification for this choice rests on the following factors:

1. USDA's predominant capability relative to types of services required;
2. Previous experience in carrying out large projects of this nature, wherein support and management from the USAID will be minimal and is planned to be phased out of Portugal before termination of the project.
3. USDA'S being a Title XII institution with expressed intentions of involving several U.S. universities in this comprehensive support effort. Further to the above, the USDA is an organization experienced in locating and quickly fielding experts with a broad range of specialties, as is required by this project, and in providing these experts with necessary administrative and logistic support. It is staffed with many qualified individuals who could be made available for consultations and maintains contracts (similar to A.I.D.'s I.Q.C.'s) with virtually every U.S. university and government agency, enabling it to draw specialists in almost any field of endeavor. The USDA publishes a list of prepared courses available for overseas training (instructor included) and is capable either of creating new courses internally or of using the previously mentioned contracts to obtain support from U.S. universities or government agencies. And, the USDA provides participant training programs within the U.S. and can arrange for courses at U.S. universities or for training with other government agencies.

Additionally, the USDA is experienced in procurement of various agriculture related commodities as will be required for demonstration and scientific purposes under this project with the assurance that U.S. Government Procurement Regulations will be followed.

As the Technical Assistance program presented in this Project Paper was jointly formulated between MAP, the USAID and the USDA Design Team, as recommended by the NEAC, it is expected that the USDA will negotiate and sign a PASA arrangement with A.I.D. which will provide for the implementation of the project as presented herein.

The activities of USAID and the Project Design Team have already constituted Technical Assistance, to some extent within the parameters of this project. The USAID has maintained close contact with, and provided suggestions to, the MAP Coordinating Group since its creation in February 1980 (in fact, USAID helped create the Coordinating Group as a follow-on to

the Newberg Report recommendations). The close continuing dialogue since that time supports the recommendation that the USDA Project Coordinator be named and fielded as soon as possible so as to maintain momentum. The USDA has indicated its willingness to field such a coordinator as early as September, assuming MAP, USDA, USAID, and AID/W concurrence.

B. Implementation Activities

A phased approach will be employed with only Phase I activities being specified in detail at this time. A Detailed Implementation Plan for Phase II will be developed and finalized as part of the overall first phase activities. Below is a listing of the main activities and/or activity areas by Phase. Annex B provides further details regarding Phase I.

1. Phase I

- a. Transportation/Distribution Study for Crushed Limestone
- b. Establishment of Fertilizer Liming Trials
- c. Assessment of Soil Laboratory Needs
- d. Crop and Farming Systems Survey
- e. Limestone Mining/Processing Expansion Analysis
- f. Overall Policy Evaluation
- g. Preparation of Detailed Input-Implementation Plan for Phase II, including training and technical services and commodity procurement, delivery and installation.

2. Phase II

- a. Completion of Phase I activities still underway
- b. Long Term Training of Participants (in U.S.) as specified in Detailed Implementation Plan
- c. In-service training of staff in identified institutions, as prescribed in Detailed Implementation Plan
- d. Short-term training (in the U.S.) of Institutional staff as called for in Detailed Implementation Plan.
- e. Determination, procurement, delivery and installation of approved equipment, for various centers and institutions as determined in Phase I.
- f. Provision of technical services as specified in Phase II Implementation Plan.

C. Implementation Schedule

Because Phase II activities cannot be precisely identified at this time, a detailed Implementation Schedule can only be developed and specified for Phase I. Also, because all project activities must be carefully coordinated with those of the MAP Program for Soil Correction and Forage Production, the regional components of which are still being developed, it is not possible to be exact about initiation and completion dates. It is important that the A.I.D. implementation schedule be adjusted to fit and harmonize with the MAP schedule.

The following schedule, therefore, indicates only the most significant events for the life-of-project, with some further specification for Phase I activities wherein more detail is known. Also, prior to the termination of

(and or part of) Phase I activities, a detailed implementation plan is to be developed in collaboration with the MAP (and reviewed and approved by USAID) for the remainder (Phase II) of the project. The Joint Review, scheduled at 180 days, will provide an opportunity to compare this schedule to that of the MAP, as well as provide for a general review of actions and progress-to-date.

Finally, because the regional MAP plans are still being finalized, no attempt is made to include separate MAP activities in the following schedule.

Implementation Calendar

<u>Date/Time-frame</u>	<u>Actions</u>	<u>Responsibility</u>
8/80	<ol style="list-style-type: none"> 1. Project Paper Completed and submitted for AID/W review/approval 2. Review/Approval by Near East Advisory Committee 3. Congressional Notification prepared/forwarded 4. Project Authorization/Obligation Document prepared/issued 5. Congressional Waiting Period Expires 	<p>USAID/AID/W with Design Team TDY Appointment AID/W</p> <p>AID/W</p> <p>AID/W</p> <p>AID/W</p>
9/80	<ol style="list-style-type: none"> 1. AID/GOP Grant Agreement negotiated and signed 2. Contract (USDA/PASA) Negotiated and Signed 3. Project Coordinator appointed and arrives Portugal 4. Transportation Study Initiated 	<p>USAID/GOP</p> <p>AID/W/ Contractor Contractor</p> <p>Contractor</p>
10/80	<ol style="list-style-type: none"> 1. Fertilizer/Liming Tests Establishment Initiated 2. MAP Regional Plans Finalized 3. Development of Detailed (Phase II) Inputs-Implementation Plan Initiated 	<p>Contractor</p> <p>MAP Contractor/ MAP</p>
11/80	<ol style="list-style-type: none"> 1. Agricultural Policy Evaluation Initiated 2. Soils Laboratory Needs Assessment Initiated 3. Limestone Mining/Processing Expansion Analysis Initiated 	<p>Contractor/ MAP</p> <p>Contractor/ MAP</p> <p>Contractor/ MAP</p>
12/80	<ol style="list-style-type: none"> 1. Overall MAP Program Plans finalized 2. Identification of participants for short-term training in U.S. initiated 	<p>MAP</p> <p>Contractor/ MAP</p>
1/81	<ol style="list-style-type: none"> 1. Initiation of farming systems/cropping survey 2. In-Country Training Needs Identified 3. Identification of short-term consultancies 	<p>Contractor/ MAP</p> <p>Contractor MAP</p> <p>Contractor/ MAP</p>

<u>Date/Time-frame</u>	<u>Actions</u>	<u>Responsibility</u>
2/81	1. Finalization and Review of Phase II Implementation Plan 2. Joint Project Review	Contractor/ MAP/USAID Contractor/ MAP/USAID
<u>Phase II</u>		
3/81	1. Continuation of uncompleted activities initiated in Phase I 2. Initiation of Phase II activities as specified in Detailed Implementation Plan	Contractor/ MAP Contractor/ MAP
4/81-10/81	1. General project activities continue 2. Regular USAID monitoring	USDA/MAP USAID
10/81 End Year 1	1. Joint Evaluation Review - evaluation of progress of A.I.D. Project including evaluation of fulfillment of purposes and objectives. Review of MAP program progress. Corrective measures and/or recommendations made as necessary. 2.. General project activities continue	USDA/MAP/ USAID
10/81-4/82	1. General project activities continue 2. Regular USAID monitoring	USDA/MAP USAID
10/82 End Year 2	1. Joint Evaluation Review - same as 10/81 above 2. General project activities continue	Contractor/ MAP/USAID Contractor/ MAP
4/83 LOP Midpoint	1. Joint Review - <u>Major</u> evaluation of AID project 2. General project activities continue	Contractor/ MAP/USAID
4/83-10/83	1. General project activities continue 2. Regular USAID monitoring	USAID
10/83	1. AID-USDA PASA arrangement ends 2. Joint Evaluation Review to include contract evaluation to confirm compliance with implementation plan and achievement of contract terms.	Contractor/ MAP Contractor/ USAID/MAP

<u>Date/Time-frame</u>	<u>Actions</u>	<u>Responsibility</u>
	3. General project activities continue	Contractor/ MAP
10/83-10/84	1. General project activities continue 2. Regular monitoring by USAID or American Embassy	Contractor/ MAP USAID/ Embassy
10/84-10/85	1. General project activities continue 2. Regular monitoring by USAID or Embassy	Contractor/ MAP USAID or Embassy
10/85	1. Joint Review - complete end-of-project evaluation to determine extent to which project purpose was achieved, etc.	Contractor/ MAP/USAID or AID/W
LOP Ends	2. End-of-project report submitted 3. No further expenditures will be authorized for grant financing	Contractor USAID/AID 'W.
1/86	1. Terminal date for requesting grant disbursement for expenditures incurred prior to 10/85.	MAP
4/86	1. Terminal date of disbursements against the grant 2. Grant balance deobligated	MAP AID/W

Evaluation Plan

As indicated in the preceding Implementation Calendar, Joint Review are scheduled annually. These reviews will not only consider the status of project implementation as compared to implementation plans and schedules, but will be the means by which the efficiency, effectiveness and significance in contributing to the accomplishment of project objectives is evaluated.

Participants will include the USDA Project Coordinator (who may be joined by the person primarily responsible for USDA/W backstopping), the MAP Coordinating Group chairman, and USAID's General Program Development Officer, at a minimum. If the USAID is phased-out of Portugal as planned, USAID's role in these Joint Reviews will be transferred to the Economic Section of the American Embassy with primary responsibility expected to reside with the local employee of USAID, who will have been conducting regular monitoring throughout project implementation, and who will become an employee of the Embassy.

The Joint Review and Evaluation process will be assured by a provision in the Project Agreement to be signed with GOP, and in the PASA arrangement to be signed with the USDA.

Project baseline data is presently available and has been used throughout the project paper. A more concise and formalized presentation of this data will be contained in the USDA Phase I Implementation Plan and Schedule so as to facilitate the preparation and submission of the required reports following each Joint Review.

It is proposed that the End-of-Project Joint Review be attended by AID/W Evaluation representatives, in addition to the regular participants.

PART VI

CONDITIONS AND COVENANTS

Conditions Precedent to Execution of the Project Agreement.

The Project Agreement to be signed between the U.S. and the GOP will be in the form of a Grant Agreement totalling US \$10 million. No conditions precedent to the execution of the Project Agreement are seen necessary. The approval for the Ministry of Finance to enter into a grant agreement with A.I.D. for this project was given by the National Assembly in June, 1980.

Conditions Precedent to Disbursement.

In addition to the standard requirements for a legal opinion and a statement of the name of the individual representing the Grantee, the following is the only condition precedent to disbursement recommended to be included within the Project Agreement:

- The Grantee shall provide, in form and substance acceptable to A.I.D., a Program Management and Implementation Plan, to include the names of the persons designated as responsible for the implementation of this project and the description and schedule of specific activities which are to be accomplished within the first year of program implementation.

Covenants.

It is recommended that the following covenants be included within the Project Agreement:

- 1) The Parties agree to carry out joint annual evaluations of the Project throughout the period of implementation and at such time thereafter as may be agreed. These evaluations will include:
 - (a) evaluation of progress toward attainment of the objectives of the Project;
 - (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
 - (c) recommended actions required to overcome such problem; and
 - (d) evaluations of the overall environmental and development impact of the Project.

- 2) During calendar year 1981 the MAP will undertake a study of feedgrain subsidies in effect and the impact on incentives, production patterns, land and financial resource allocations, and economic growth.

ANNEXES

MAP PROGRAM OF SOIL CORRECTION AND FERTILIZATION AND INCREASED FORAGE PRODUCTION

The comprehensive five year program designed by the MAP (regional plans are still being designed) addresses several of the agriculture sector's most persistent and debilitating problems - infertile and unproductive soils; uneconomic and inefficient crop and livestock production; and ineffectual research and extension services. The program proposes a variety of inter-related activities.

This program represents the first comprehensive action program aimed at increasing agricultural production initiated since the 1974 revolution. Under this program special emphasis will be placed on promoting close interaction of the research and extension services. During the initial years, proceeds from the 1979 and 1980 PL 480 agreements will be used to provide extensive amounts of credit to individual farmers, cooperatives and limestone producers. Targets in terms of program outputs (hectares limed, credit extended, courses conducted, etc.) are being established by MAP authorities in each region during the regional program design phase. These will be monitored centrally by the MAP at intervals to observe progress.

I. Soil Correction and Fertilization

A. Limestone Production

This activity provides for the production (mining, crushing, bagging) and distribution of limestone for sale to farmers. Areas having highly acidic soils (3.5 - 5.5 Ph) are particularly prevalent in Northern Portugal, an area characterized by small landholdings, and have been identified by MAP (see map 2) as the initial targets. Limestone will be produced by both private and state owned companies. Present low production is a major constraint on the rate of which the program can evolve. Production goals have been established as follows:

Limestone Production Goals (metric tons)

1980 - 25,000	1983 - 350,000
1981 - 110,000	1984 - 350,000
1982 - 230,000	1985 - 350,000

The state-owned cement company, CIMPOR, is producing the full amount needed for 1980, having a potential capacity of 50,000 M/T for agricultural limestone. Several private producers, now providing limited quantities, wish to expand their capacity to meet the goals projected for 1981 and 1982. Several other private firms, not yet producing any agricultural limestone, will be able to come "on-line" by late 1981 and during 1982 to achieve the program goal of 350,000 M/T per year.

B. Credit

The local currency financial resources required for expansion or creation of this industry will largely be provided through the IFADAP Agricul

tural Credit Program which has at its disposal the US \$64 million equivalent resulting from the 1979 and 1980 PL 480 programs. Producers will continue to seek financing through the normal commercial banking system but, through that system, will avail themselves of the lower interest rate credits available through the IFADAP system.

C. Limestone Productive Capacity

There are abundant quantities of raw limestone in Portugal, sufficient to meet domestic needs for the projectable future. The increase of production from the current level of less than 20,000 M/T per year to 350,000 M/T within five years is unquestionably a quantum leap, but quite a reasonable target based on a review of MAP plans. The current capacity for producing agricultural limestone is estimated to be 75,000 M/T per year; 50,000 M/T from CIMPOR and 25,000 M/T from the several small firms located primarily to the North of Lisbon. Current consumption has been met by the estimated 5,000 M/T per year production of CIMPOR with the remaining amount (i.e., 5-10,000 M/T) being provided by the small firms.

Most small firms are aware of the demand for agricultural limestone at the farm level but have not expanded because of the high cost of financing. With IFADAP's recently acquired (June 18, 1980) authority to extend credit to this industry, the productive capacity should rapidly increase.

D. Demand for Limestone

There is strong demand for agricultural limestone at the small farm level. The local distributors (firms and cooperatives) are unable to carry the product in stock because their demand far exceeds supply.

E. Limestone Distribution

About 1300 agricultural cooperatives exist throughout Portugal; every major municipality has at least one production/marketing coop. These coops are linked through associations within an overall federation. This network of coop organizations, effectively providing inputs to both members and non-members, is the principal mechanism for distribution of limestone, fertilizer and other factors of production to farmers.

Credit will be extended, through IFADAP, to coops for the purchase of limestone. MAP has also initiated a program this year to construct multi-purpose storage facilities at major cooperatives.

F. Transportation

Distribution from limestone producer to farmers is a complex problem now being studied by MAP.

The effective distribution of massive quantities of limestone presents problems. Although certainly not the most cost-effective method over the long-run, bagged limestone, rather than bulk, will receive initial emphasis, since this will facilitate transport by varied means and will be more readily accepted by the small farmers with a small plot.

Rail service will be used as extensively as possible, but trucks are expected to be the primary means of delivery to distribution centers. Given that the current load-limit for trucks is 20 M/T; that the limestone production goal is 350,000 M/T; and that no single truck could make more than one delivery per day, due to distance and road quality, a simple calculation indicates a need for nearly 50 trucks on the road seven days a week, year round. If other factors are taken into consideration, e.g., weekends, holidays, maintenance and competing uses for trucks, the needs are easily

increased to approximately 90 trucks with 50 on the road at all times. This assumes a continual flow to distribution centers year-round which depends on considerable storage capacity at the distribution centers.

A study of limestone transportation needs will be conducted. The study will provide an additional basis for determining further IFADAP credit flows to prospective producers of agricultural limestone and will be shared with other GOP Ministries to contribute to overall coordination within the transportation sector.

G. Distribution of Limestone to the Small Farm

80-85% of the farms in the areas with highly acidic soils (Regions 1 and 3 and parts of 2 and 4) are less than 5 hectares in size. Over 50% of these are 2 hectares or less. It is estimated that an average of 5 M/T of limestone will be initially required per hectare. This means 100 bags of limestone per hectare (50 Kg/bag). Under normal farm management practices, it is unlikely that any farmer would apply limestone to more than 1/3 of his farm in any given year meaning that the largest farmer this program will affect will have no more than approximately 165 bags of limestone to apply.

The average small farmer is both capable and willing to transport limestone from local distribution centers to farm plots and to apply it. Existing technologies have been adapted for the application of fertilizer and limestone (when it is available).

H. Cost

Credit for purchase of limestone will be available to cooperatives and farmers on three year terms (since it is being considered an investment), unlike fertilizer which is sold on a short-term, seasonal basis. Interest rates will be set low enough (13.5 - 15.5%) to stimulate farmer interest in adequate use of limestone. Prices of both limestone and fertilizers for 1980 are being determined now by the GOP and will soon be published. The following table shows the number of hectares which would be limed based on the projected goals and their approximate cost:

<u>Years</u>	<u>Number of Hectares and Cost</u>	
	<u>Area (Ha)</u>	<u>Cost \$</u>
1981	27,000	2,700,000
1982	46,000	4,600,000
1983	70,000	7,000,000
1984	80,800	7,000,000
1985	88,400	7,000,000
	<u>312,200</u>	<u>28,300,000</u>

Assumptions: Initial application of 5 M/T of lime per Ha.
Maintenance application of 3 M/T per ha. every 3rd year.
Production and Transportation cost at \$20 M/T.

The MAP program currently proposes to fix the price of limestone to the farmer at about the ex-factory price, plus a margin for the distributor sufficient to encourage stocking and extend credit to facilitate its purchase. To do so, the program will absorb transportation costs in the

initial years partially to offset deficiencies in the transportation sector. The details of this pricing policy are being analysed and are being based on proposed production and transportation costs.

I. Usage of Inputs

Unlike limestone, fertilizer is now distributed to most parts of Portugal with many farmers using it regularly but in inadequate quantities and often in inappropriate formulation. Applications to highly acid soils also greatly reduce its effectiveness. Thus, it is first necessary to reduce soil acidity by applying limestone. At the same time it is important to promote the proper use of fertilizer on the limed areas. Fertilizer application should be increased in most cases, and the soil should be tested to determine the appropriate fertilizer formulation.

J. Soil Needs

While the extensive evidence gathered over two decades of research clearly supports the basic premise that soils, especially in Northern Portugal, are acidic and in some areas are becoming more so, it is not possible to make blanket recommendations to farmers, e.g., 5 M/T per hectare in the first year with 3 M/T/Ha. every 3 years applied for maintenance. The MAP has conducted more extensive testing at various micro-production zones and can be much more specific.

Nonetheless, it is recognized by the MAP program that the Extension Service will need to conduct more soil testing than previously to be able to advise each farmer of what the appropriate level of lime application should be. It will be necessary for the Extension Service to inform the farmers of the MAP program either directly or through cooperatives, to assist in soil testing where needed, to facilitate transmittal of the samples to testing laboratories of the MAP research services or the Universities and, perhaps most important, to see that the results are returned to the farmer and interpreted for appropriate action.

More sophisticated analysis will be conducted to provide advice on the proper fertilizer formulation to be used for particular plots and crops. With the appropriate equipment, tests can be run on the micro-nutrient levels of the soils. While it is recognized that the yields of the acidic soils will be improved by adequate application of lime and fertilizer, further research with adequate laboratory support is essential.

K. Farm Level Acceptance

The current level of fertilizer usage, even with only limited response because of acid soils, suggests that increased usage will not be difficult to stimulate if limestone is made available. It can be assumed that limestone will be applied when the supply is increased. However, to encourage appropriate usage of inputs, demonstration plots will be established to illustrate what can be achieved with correct applications of lime and fertilizers in a form readily understood by a farmer. In addition, farm visits, use of cooperatives and the mass media will be exploited to encourage participation.

II. Forages and Livestock Production

A. Background

Approximately 75% of corn needs are met by imports. Most imports are corn and feed concentrates to support the Portuguese livestock and dairy

industry and for meats for consumption. A major objective of the MAP program, therefore, is to reduce the need for these imports by improving domestic production.

With 80% of Portugal's corn being grown in the northern regions where this program focuses, a significant improvement in the import situation can be expected.

8. Feed

Most livestock, beef and dairy cattle are being raised in feedlots, while sheep and goats are being grazed on marginal lands. The corn and forages that are grown are fed to the livestock as hay and silage with imported feed concentrates added. Since the corn needs cannot be met domestically, approximately 75% of the corn is also imported. Improved soils, resulting from Sub-Program I, will result in greater yields of corn.

These yields will be further improved by greater use of the appropriate hybrid corn for particular zones. Small farmers are already aware of the value of hybrid corns, but only an estimated 10-15% of the hectareage planted in corn is hybrid, primarily because poor soils result in poor yields of hybrids.

Improved practices in growing forages will also result in a larger domestically produced food source for livestock. To expand forage production a major farm credit program combined with research and extension is planned.

Each Regional Office of MAP will be responsible for identifying suitable forage production areas and providing research and extension service support needed to ensure successful farmer participation. In general, areas selected will be poorer lands not suitable for other crops (although other crops may now be grown there with extremely low yields) but which with appropriate limestone and fertilizer applications show good potential for growing grasses or legumes. Although many forages which do well under Portuguese conditions have already been identified and tested, further experimentation by the research service will provide analytical data to identify appropriate forages. A constraint in initiating this program is the lack of sufficient forage research data for certain areas in Northern Portugal; but the research service has started an experimentation program to resolve this problem. The extension service is preparing for this program by training personnel in forage production. At present, at least one trained forages advisor is stationed at each Regional Office. MAP has planned for increased forage production on 46,000 Ha. as illustrated below:

<u>Year</u>	<u>Improved Forages Production</u>	
		<u>Area (Ha)</u>
1981		4,000
1982		6,000
1983		10,000
1984		12,000
1985		14,000
		<u>46,000</u>

The above projections are tentative since regional forage programs are being prepared for MAP review at this time. It has been estimated that the average cost per hectare of developing forage land and the provision of

cattle or sheep is about \$2,000.

The combined results of this program will be increased quantities of silage for feedlot production primarily in Northwestern regions, and improved pasturage primarily for Northeastern regions. Overall, there will be a reduction in the need for imported feed and improved productivity at several levels from the available land.

C. Livestock

Portugal is a net importer of meat products. It is not appropriate for Portugal to aim at becoming a net exporter of grains and feedstuffs while still importing meat and meat products. There are lands available that even with improvement will only be suitable for grazing. The MAP program proposes to improve breeds by artificial insemination and through acquiring new blood lines by purchase of breeding livestock. MAP considers U.S. animals, particularly dairy cattle, among the best in the world for this purpose and will encourage their use. Purchase and importation of frozen semen from the United States should become part of the MAP program.

D. Seed

With improved soils, and incentives to make better use of them, it will be necessary to ensure adequate supplies of seed. Currently, there are modest seed multiplication activities on-going in Portugal. They are reasonably well managed and controlled. There is also an efficiently functioning seed certification service.

With the increase in demand for seeds of improved varieties that this MAP program will engender, it will be necessary to improve and expand these services through use of improved facilities. Five such improved seed multiplication and processing centers are envisioned as adequate to meet the projected needs.

Two centers to serve as the model for others will be established. It is projected that three centers could be made operational during the five year program life. There will be additional requirements, for the initial purchase of improved seeds for these multiplication centers.

E. Linkages

All aspects of this program are inter-related. An important additional purpose of this forages effort is improvement of the conditions of the soils. By the improved utilization of the land available for production with appropriate grasses and legumes in a complete crop management program the soils can be made further productive. With appropriate varieties of plants there will be improved ground cover, improved moisture retention, increased organic matter levels, and increased nitrogen content.

III. Research and Extension Development

A. Background

The MAP program stresses the need for the research and extension services to work together much more closely. The emphasis is on meeting the needs of the farmer. The MAP program has identified activities for each of these services which will bring them into closer coordination. An example is the program for gathering soils samples, transmitting them to laboratories, and discussing the meaning of the results with the individual farmer. The more sophisticated analyses to be provided by the research service will require continual contact with the extension service to effectively

communicate what the research data means to individual farmers. In many cases research personnel will be required to visit farms to more completely understand the problems being faced by the farmers.

An increased number of demonstration plots will be created by the research service. MAP has planned for 3,600 small demonstration plots to be in place by the end of the program. The activities to be undertaken on these plots will be developed by the research service based upon local information received from the extension service. Monitoring of these plots will be the responsibility of the extension service with data gathering visits made by the research personnel.

B. Extension Service

To complement the extension service, the existing network of cooperatives will be utilized to the fullest extent possible. Extensionists have already found cooperatives to be one of the most effective means of communicating with a large number of farmers. Further programs will be developed, with some directed towards improving cooperative management. With adequate training these individuals could become very effective extensionists in their own right, although there will be no attempt to develop parallel services.

C. Research Service

The MAP research service has been conducting research for years. Individuals in the service have been conducting experiments for the past thirty years. Some field experiments have also been run continuously for periods of over 15 years. A great deal has been learned, compiled, analyzed, and even published. Little of this research, however, has benefited Portuguese farmers.

This MAP Program of Soil Correction and Forage Production represents the first time that real support will be given by the GOP to apply research results to meet practical needs of the small farmer and the country. The problem is largely one of transferring the accumulated knowledge and experience from experimental state farms and laboratories to the farmers and in addressing their problems through "applied research."

Detailed Work Plan - Phase I

The following are Scopes of Work for the seven (7) principal activities scheduled for Phase I and are to serve as a guide in mobilizing the resources and carrying out these tasks:

1. Transportation Study for Limestone Distribution

With limestone production projected to increase from the present 20,000 MT per annum to 350,000 MT per annum within five years, the means for ensuring that these vastly expanded volumes can be efficiently distributed becomes a major factor and concern. Accordingly, the MAP has requested consultant services to assist in rapidly analyzing the complex set of problems associated with developing a limestone transportation and distribution plan for meeting the logistic needs related to the projected production and use of limestone.

Assisting with this study becomes a major activity of the project and one which needs to be completed as early-on as possible. Six person-months of technical assistance is planned involving the following expertise:

2 Transportation/Distribution Economists - 2 months each
 1 Materials Handling Specialist - 2 months

6 person/months

The study should, at the least, yield the following information and knowledge:

1. Description and assessment of the current transportation/distribution system operating within Portugal, with primary emphasis on the Northern regions (1-5), which will include both limestone source locations and ultimate target beneficiary areas;
2. Comparative analysis of bagged versus bulk distribution and proposed least-cost alternatives to providing effective transportation and distribution for bagged and/or bulk agricultural limestone; and
3. Specific recommendations, keyed to the program goals identified by the MAP, on how best to obtain the most effective transportation/distribution system and capability, given the resources available under the MAP program.

The information and recommendations to be provided as a result of the study are considered essential to finalizing the Regional Programs, i.e., these activities must be carefully coordinated with a feasible transportation/distribution system development effort.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1980 to FY 1985
Total U.S. Funding \$10 million
Date Prepared: 8/18/80

Project Title & Number: Agriculture Production Program 150-0023

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: Program or Sector Goal: Increased agricultural production and productivity.</p> <p>Sub Goals: Prepare for entry into the European Economic Community in a manner which minimizes possible negative economic effects for Portugal's agric. sector.</p>	<p>Measures of Goal Achievement: - Increased productivity, especially at the small farm level. - Increased agricultural production - Reduction of imports of food, foodstuffs, and agricultural products. - Increased incomes of small farmers.</p>	<ul style="list-style-type: none"> - Visits to farmers. - Statistics (INIA, DGER, Coops, etc.) - MAP Surveys. - Trade Balance Accounts. 	<p>Assumptions for achieving goal targets: - Farmers participate fully. - MAP program develops on schedule with continued GOP support. - Necessary structural changes are introduced into the economy. - Economic policy constraints are identified and eliminated or reduced. - Private investment in agriculture increases. - Agriculture policies will be in effect which prov. incentive, encourage produ</p>
<p>Project Purpose: Strengthen and support MAP institutions responsible for meeting objectives of Ministry's Agricultural Production Program.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. - A central MAP planning unit capable of analyzing/monitoring/formulating policy recommendations. - Approved GOP agriculture sector strategy coordinating public/educ. private institutional efforts. - Regional programs of agricultural dev. approved and being implemented in at least four regions.</p>	<ul style="list-style-type: none"> - GOP annual ag. production statistics - Farm level statistics - Observation and farm visits - Observation and visits to Regional Offices - Soil test results - Demonstration plot results - "Demonstration Kits" compared to actual practices. 	<p>Assumptions for achieving purpose: - Farmers interested in increasing productivity - Regional Offices adequately staffed</p>
<p>Outputs: - Approved regional ag. dev. plans - Demonstrations of lime and fertilizer use and improved forages prod. practices. - Trained extension agents. - Farm systems research being conducted which relates to the small farmers. - On-farm applied research being conducted. - Limestone available to all farmers - Trans. study compl. for movement of ag. com. - Inc. capac. and equip. of soil test lab - Seed proc. lab estab'd and operational. - Participants find in selected subj. areas</p>	<p>Magnitude of Outputs: - At least 4 regional plans being implemented. - Over 100 demons. conduct'd yearly - Over 90% of all extension agents having rec'd special or on-the-job training. - Farm systems and farm mgmt. res. added to research priorities of at least one research fac. in each region. - On farm ap. res. cond. at 1 loc./reg.</p>	<ul style="list-style-type: none"> - USDA Reports - Visits to MAP Regional Offices - Visual inspection of "Demos. Kits" - Farm visits - Farm level statistics - Observation of soil labs/test fields - Visits to Reg. insts. (i.o. Banks, Coops, etc.) - Visits to limestone companies - Review of disbursement request doc. under Loan 	<p>Assumptions for achieving outputs: - Farmers receptive to Research/Extension outreach program. - Research personnel receptive to "applied/field" research - Limestone produced on schedule - Credit programs are utilized.</p>
<p>Inputs: - Consultant and Instructor Services - Participant Training - Research Equipment - Livestock and Semen - Seed Processing Center - Seed - Demonstration Supplies/Materials - GOP Counterpart Admin Equip/Materials</p>	<p>Implementation Target (Type and Quantity) (\$000) US\$10 million 341 per/mo (\$3,625.0) 560 per/mo short-term (3,155.8) 636 per/mo long-term (\$1,679.7) (30 part.) 465,000 165,000 585,000 35,000</p> <p>US\$ equiv - 4.5 mil. (see Financial Plan) \$3,325.0 750.0 425.0</p>	<ul style="list-style-type: none"> A.I.D. - USDA PASA arrangement (5 years) - Voucher review - Country clearance procedures - USDA reports Visits to MAP Regional Offices Signature of Project Agreement USDA Reports (Joint Evaluation Reviews) GOP Budget 	<p>Assumptions for providing inputs: - MAP institutional structure absorbs TA services - MAP decentralization proceeds effectively carried out.</p>

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ORIGIN OFFICE NEPO-01

INFO AAME-01 NEOP-01 NETC-04 NENA-03 GC-01 GCFL-01 GCHE-01
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DRAFTED BY NE/PO/NENA: LEROUHLG

APPROVED BY A-AA/NE: ADMITC

NE/PO/NENA: ROCARLSON (DRAFT)

NE/PO: ANBELL

NE/NENA: MNUNTINGTON

NE/OP: SLANGHAI

GC/NE: JMWLLEN

NE/TECH/AB: BRIDROW

NE/TECH: RMCANUS

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TAGS:

SUBJECT: PORTUGAL-AGRICULTURAL PRODUCTION PROGRAM -
PIO NEAC REPORTING CABLE

1. ON 2 MAY 1988 THE NEAC REVIEWED THE SUBJECT PIO. PIO WAS PRESENTED BY G. BUCHANAN, USAIO/LISBON, WITH PARTICIPATION OF R. NEUBERG, CONTRIBUTING AUTHOR TO THE PIO ANNEX. THE PIO WAS APPROVED WITH THE RECOMMENDATION/CONCURRENCE THAT A DESIGN TEAM BE ASSEMBLED AND FIELDED QUICKLY TO ASSIST IN PP PREPARATION.

2. THE NEAC EMPHASIZED THE NEED FOR PROMPT COORDINATED ACTION IN THIS FINAL PP PREPARATION IF OBLIGATION IS TO BE MADE IN THIS FISCAL YEAR. EVERY EFFORT SHOULD BE MADE TO FIELD THE TEAM OF SPECIALISTS EARLY IN JUNE WITH THE ADDITIONAL ASSISTANCE OF THE NE BUREAU ENVIRONMENTAL COORDINATOR AND AN AIO/W LOAN OFFICER. THE PP IN FINAL FORM SHOULD BE AVAILABLE IN AIO/W IN JULY WHEN REVIEW AND APPROVAL COULD TAKE PLACE. IN JULY, WHILE AIO/W REVIEWS THE PP, USAIO WITH RLA ASSISTANCE SHOULD PREPARE OBLIGATING DOCUMENTS. FOLLOWING PP APPROVAL, CONGRESSIONAL NOTIFICATION CAN BE GIVEN AND THE DRAFT OBLIGATING DOCUMENTS CAN BE GIVEN TO GOP OFFICIALS FOR THEIR

REVIEW. THE NOTIFICATION WAITING PERIOD (15 DAYS) WILL HAVE EXPIRED DURING AUGUST PERMITTING SIGNATURE EARLY SEPTEMBER FOLLOWING THE AUGUST GOP BREAK. THIS SCHEDULE IS OPTIMISTIC AND MUST BE STRICTLY ADHERED TO IF OBLIGATION IS TO OCCUR THIS FISCAL YEAR.

3. PRIMARY ISSUE: THE NEAC WAS PARTICULARLY CONCERNED BY THE LACK OF A CLEAR DEFINITION OF THE A.I.D. PROJECT PURPOSE, I.E., A LACK OF DEFINED

PROBLEMS WHICH THE PROPOSED A.I.D. INTERVENTION WOULD SOLVE. THE NEAC RECOMMENDS THAT THE PP CONTAIN THE FOLLOWING:

- LLOVINGA;
- A. EVIDENCE THAT INCREASING AGRICULTURAL PRODUCTIVITY IS A HIGH PRIORITY ACTIVITY FOR THE GOP AND THAT IT IS JUSTIFIED IN BEING SO;
- B. DISCUSSION OF THE VARIOUS PROBLEMS/CONSTRAINTS PRESENTLY AFFECTING THE AGRICULTURAL SECTOR;
- C. DISCUSSION OF THE VARIOUS SOLUTIONS WHICH COULD ALLEVIATE THESE PROBLEMS;
- D. DISCUSSION AND DEFINITION OF THE SOLUTIONS CHOSEN BY THE GOP IN THEIR PROGRAM WITH JUSTIFICATION OF WHY THIS PARTICULAR SOLUTION IS THE APPROPRIATE CHOICE; AND
- E. DISCUSSION AND DEFINITION OF HOW A.I.D.'S ASSISTANCE WILL DIRECTLY SUPPORT SOME, OR SEVERAL, ELEMENT(S) OF THE GOP PROGRAM WITH JUSTIFICATION OF WHY THE PARTICULAR ELEMENT OF THE GOP PROGRAM CHOSEN FOR A.I.D. ASSISTANCE IS THE MOST APPROPRIATE CHOICE.

4. THE NEAC DISCUSSED THE PROPOSED INTERVENTIONS, BUT, WITHOUT A CLEAR UNDERSTANDING OF THE PROBLEMS OR THE PROJECT PURPOSE, ISSUES COULD NOT BE TOTALLY RESOLVED.

A. DOLS 3.5 MILLION LOAN COMPONENT-DESCRIBED AS PROGRAM/SECTOR LOAN TO BE USED FOR LIMESTONE PRODUCTION EQUIPMENT AND LIVESTOCK. THE NEAC DETERMINED THAT THE LOAN COULD NOT BE USED FOR GENERAL BUDGET SUPPORT. FROM THE AVAILABLE INFORMATION, THIS WOULD LEAVE THE CREDIT PROGRAM AND/OR IMPORTED EQUIPMENT FINANCING. THE FORMER WOULD REQUIRE A DEMAND ANALYSIS WHICH WOULD DEMONSTRATE THAT THERE WOULD BE A CREDIT

SHORTFALL WITHOUT THESE ADDITIONAL DOLLARS IN ADDITION TO THE PLUS9 COUNTERPART FUNDS ALREADY AVAILABLE (I.E. DOLS 64 MILLION EQUIVALENT). THE LATTER (IMPORTED EQUIPMENT FINANCING) WOULD REQUIRE EVIDENCE THAT THERE ARE EQUIPMENT NEEDS WHICH ARE VITAL TO PROJECT SUCCESS WHICH REQUIRE U.S. DOLLAR FUNDS.

B. EITHER, OR A COMBINATION, OF THE FOREGOING APPROACHES RAISES FURTHER ISSUES. IF SUPPORT TO THE CREDIT PROGRAM IS PROPOSED, IT MUST BE DEMONSTRATED THAT IFADAP HAS THE CAPACITY AND CAPABILITY TO ADMINISTER SUCH A PROGRAM. THE PRESENT FORM AND SCOPE-OF-SERVICES OF IFADAP ARE NOT WHAT WOULD BE REQUIRED FOR PROVIDING CREDIT TO INDIVIDUALS, COOPS AND INDUSTRIAL UNITS AS DESCRIBED IN THE PIO. HOW IS IFADAP TO BE REVISED, STAFFED, EQUIPPED, ETC., TO TAKE ON NEW RESPONSIBILITIES? WHAT SYSTEM WILL BE PUT IN PLACE TO MAKE THE PROGRAM FEASIBLE?

C. IF IMPORTS OF COMMODITIES ARE TO BE A.I.D. FINANCED, WHO WILL BE THE PURCHASER; DOES THE PURCHASER HAVE THE CAPABILITY OF PROCURING IN ACCORD WITH A.I.D. REGULATIONS; HAS A METHODOLOGY BEEN DEvised WHICH ASSURES COMPLIANCE WITH A.I.D. REGULATIONS BUT LESSENS THE BURDEN ON THE INDIVIDUAL PURCHASER? CAN A FEW MAJOR ITEMS BE IDENTIFIED FOR A.I.D. DOLLAR FINANCING WHICH COULD BE PURCHASED BY THE GOP IN COMPLIANCE WITH A.I.D. REGS, IN ORDER TO REDUCE PROGRAM COMPLEXITY IF IMPORTED ITEMS ARE CHOSEN FOR DOLLAR FINANCING.

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2. THE PP WILL NEED TO FURTHER DOCUMENT THE NEED FOR LIMESTONE APPLICATION. ALL AVAILABLE INFORMATION SUPPORTS THIS EFFORT, BUT ALL APPEARS BASED UPON DATA UNAVAILABLE FOR AIO/V REVIEW. ASSUMING AVAILABILITY OF VALID DATA AND JUSTIFICATION THAT LIMEING IS AN APPROPRIATE ELEMENT OF THE CHOSEN SOLUTION, THEN THE ENTIRE PROPOSED PROGRAM MUST BE THOROUGHLY DESCRIBED, I.E., THE DEVELOPMENT PLAN FOR INCREASING PRODUCTIVE CAPACITY MUST BE SHOWN TO BE ECONOMICALLY, FINANCIALLY AND PHYSICALLY FEASIBLE, TO INCLUDE ENVIRONMENTAL STUDY OF SITES, FACILITIES, TRANSPORTATION, STORAGE AND APPLICATION; ANY SUBSIDIZATION PLAN MUST BE SHOWN TO BE ECONOMICALLY, FINANCIALLY AND ADMINISTRATIVELY FEASIBLE AND JUSTIFIABLE; USER DEMAND MUST BE SHOWN TO BE EXISTANT INCLUDING DESCRIPTION OF INCENTIVES, EDUCATION,

DEMONSTRATIONS, ETC., TO BE USED TO CREATE DEMAND IF IT IS SHOWN TO BE NECESSARY FOR THE PUBLIC GOOD; MICRO LEVEL COST BENEFIT ANALYSES MUST SHOW THAT LIMEING IS FINANCIALLY FEASIBLE AND DESIRABLE FOR THE USER.

2. DOLS 5.5 MILLION TECHNICAL ASSISTANCE GRANT COMPONENT-GIVEN A PERCEIVED HIGHLY COMPLEX PROGRAM TO INCREASE AGRICULTURAL PRODUCTIVITY, THE HEAC CONCURS WITH THE NEED FOR SUBSTANTIAL TECHNICAL ASSISTANCE. HOWEVER, WHAT IS LACKING AT THIS STAGE IS AGAIN A DESCRIPTION OF THE PROBLEMS TO BE SOLVED (SEE PARA 3 ABOVE). THE PP MUST CLEARLY DEFINE THE NEEDS RELATED TO THE AREAS CHOSEN FOR A.I.D. SUPPORT. WHILE THE PID STRESSES RESEARCH AND EXTENSION AS A TARGET, WHICH SEEMS APPROPRIATE, THE HEAC SUGGESTS THAT IFADAP, CORCOOP, AND OTHER ENTITIES IN THE PROGRAM MAY REQUIRE ASSISTANCE IF THE OVERALL PROGRAM IS TO BE EFFECTIVELY IMPLEMENTED. DUE TO THIS PERCEIVED MAGNITUDE OF NEED, THE HEAC SUGGESTS CONSIDERATION BE GIVEN TO LENGTHENING THE TA COMPONENT TO FIVE RATHER THAN THREE YEARS. BESIDES PROVIDING DETAILS REGARDING NEEDED LONG AND SHORT-TERM TRAINING AND CONSULTATIONS, AN ITEMIZED LISTING OF PROBABLE COMMODITY NEEDS SHOULD BE SHOWN. WHATEVER THE ULTIMATE TA COMPONENT CONSISTS OF, IT MUST BE SHOWN TO BE IMPLEMENTABLE WITH A DESCRIPTION OF THE ADMINISTRATIVE PROCEDURES TO BE ESTABLISHED. THIS IMPLIES THAT THE TA COMPONENTS BE DEVELOPED WITHIN A COHERENT AND VIABLE PROGRAM WITH A WELL-DEFINED PURPOSE AND IDENTIFIABLE OUTPUTS.

F. THE ACTIVITIES BEING UNDERTAKEN UNDER A.I.D. GRANT 158-0001, AND THE REMAINING UNPROGRAMMED FUNDS UNDER THIS GRANT, SHOULD BE DESCRIBED IN THE PP. IT SHOULD BE DEMONSTRATED THAT A.I.D. FINANCING IS BEING EFFECTIVELY COORDINATED AND APPLIED IN THE AGRICULTURAL SECTOR.

G. GOP AGRICULTURAL POLICIES HAVE BEEN IDENTIFIED AS ONE OF THE CONSTRAINTS TO INCREASED AGRICULTURAL PRODUCTIVITY. THE PP SHOULD DEMONSTRATE TO WHAT EXTENT THESE POLICIES ARE CONSTRAINTS TO PROJECT SUCCESS; TO WHAT EXTENT THEY ARE BEING CHANGED; AND WHAT INCENTIVES/ASSURANCES THERE ARE THAT FURTHER APPROPRIATE CHANGES WILL BE MADE WHEN NECESSARY. THE HEAC SUGGESTS THAT THIS MAY BE AN AREA WHERE TECHNICAL ASSISTANCE MIGHT BE NEEDED.

H. FARM-LEVEL SOCIAL AND FINANCIAL ANALYSES NEED TO BE INCLUDED IN THE PP. POSSIBLE CONSTRAINTS TO PROJECT SUCCESS INCLUDE: LAND TENURE ISSUES;

MIGRATION PATTERNS; LOW INCOMES AND POSSIBLY INSUFFICIENT INVESTABLE SURPLUSES; AND MARKETING ASPECTS, AS WELL AS GENERAL RECEPITIVITY TO THE PROGRAM AT THIS LEVEL. IN THAT THE FULL IMPACT OF THE PROGRAM WILL BE FELT PRIMARILY IN NORTHERN PORTUGAL, THIS AREA MUST BE THOROUGHLY DEFINED. HOWEVER, AS PROGRAM ELEMENTS COULD REACH ALL AREAS, SUBSTANTIVE DIFFERENCES BETWEEN AREAS MUST BE DISCUSSED.

I. AS MENTIONED IN SUB-PARA D. ABOVE, A FULL ENVIRONMENTAL ASSESSMENT MUST BE MADE OF THIS PROGRAM. THE NE BUREAU ENVIRONMENTAL COORDINATOR WILL BE AVAILABLE TO FULFILL THIS REQUIREMENT.

J. THE HEAC RECOMMENDS THAT A DESIGN TEAM BE FIELDIED AT ONCE TO ADDRESS THE ABOVE ISSUES AND TO PREPARE THE FINAL PP. IT WAS DETERMINED THAT THE MOST APPROPRIATE AND EXPEDITIOUS MEANS OF FIELDING NEEDED SPECIALISTS WAS VIA A PASA ARRANGEMENT WITH THE USDA TO BE FUNDED BY AIO GRANT 158-0001 TO THE LEVEL OF NTE DOLS 40,000. AREAS OF EXPERTISE RECOMMENDED ARE: (1) CREDIT ADVISOR; (2) RESEARCH/EXTENSION ORGANIZATIONAL SPECIALIST; (3) AG POLICY ADVISOR; (4) AG ECONOMIST; (5) SOILS/LAND MANAGEMENT SPECIALIST; AND (6) FORAGES/RANGE MANAGEMENT SPECIALIST. THESE INDIVIDUALS SHOULD PERFORM SERVICES IN SUPPORT OF A TEAM DEFINED SCOPE-OF-WORK. IT IS NOT BELIEVED NECESSARY FOR THEM ALL TO BE CONCURRENTLY PRESENT IN PORTUGAL TO EFFECTIVELY FULFILL THEIR SCOPES-OF-WORK. ALL MEMBERS SHOULD BE THOROUGHLY BRIEFED BY AIO/V PRIOR TO DEPARTURE AND DIRECTLY RESPONSIBLE TO USAID/LISSBON, AS THEIR EFFORTS ARE TO BE DIRECTED TOWARDS DEVELOPING THIS PP AS OPPOSED TO PREPARING A REPORT OR CONCEIVING AND DESIGNING A NEW PROJECT.

K. IN ADDITION TO THE ABOVE TECHNICAL DESIGN TEAM MEMBERS, AN AIO/V LOAN OFFICER WILL BE MADE AVAILABLE; THE NE BUREAU ENVIRONMENTAL COORDINATOR IS AVAILABLE; AND, UNDER A SEPARATE TA EFFORT, (SEE STATE 124170) AN EXPERT IN PUBLIC ADMINISTRATION AND AN EXPERT IN NORTHERN PORTUGUESE SOCIAL ASPECTS MAY BE IN PORTUGAL AND MIGHT BE CALLED UPON FOR ASSISTANCE.

PROMPT ACTION, BOTH HERE AND IN THE FIELD. HOWEVER IT MUST ALSO BE STRESSED THAT THE ISSUES RAISED HEREIN MUST BE RESOLVED PRIOR TO FINALIZATION OF THE PP IF APPROVAL AND OBLIGATION ARE TO BE ACHIEVED THIS FISCAL YEAR. IT IS SUGGESTED THAT AS RESOLUTIONS TO THE VARIOUS ISSUES ARE BEING PROPOSED AT USAID THAT THESE PROPOSALS BE SHARED WITH THE PRC, IF POSSIBLE, TO LESSEN PROBLEM OF LAST MINUTE DIFFICULTIES WITH FINAL PP.

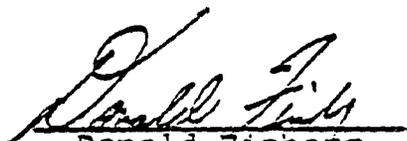
5. THE PRC ISSUES AND RECOMMENDATIONS MEMO, HAND-CARRIED BY C. SUCANAN, SHOULD BE CONSIDERED AN ANNEX TO THIS CABLE, PROVIDING FURTHER INSIGHT INTO AIO/V'S CONCERNS WITH THE PID. NUSKIE

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CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Donald Finberg, AID Representative, the principal officer of the Agency for International Development in Portugal, having taken into account, among other things, the maintenance and utilization of projects in Portugal, previously financed or assisted by the United States, do hereby certify that, in my judgement, Portugal has the financial and human resources capability to implement and utilize effectively the Agricultural Production Program to be financed by this loan/grant.

This judgement is based upon consideration discussed in the Project Paper to which this certification is attached.


Donald Finberg
AID Representative

PROJECT CHECKLIST

Below are statutory criteria applicable generally to projects
FAA funds and project criteria applicable to individual fund
uses: Development Assistance (with a subcategory for criteria
applicable only to loans); and Economic Support Fund.

GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Acc Unnumbered: FAA
Sec. 653(b); Sec. 614A.

(a) Describe how Commissions on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?

(a) Congressional notification will be submitted following AID/W approval.

(b) Yes.

2. FAA Sec. 611(a) (1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes, firm financial plans have been developed as a part of the project paper.

(b) Yes.

3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

None required.

4. FAA Sec. 711(b); FY 79 App. Acc
Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1977?

Not applicable.

TAA Sec. 511(e). Is project is capital assistance (e.g., construction), and all U.S. assistance for is will exceed \$1 million, has Mission Director certified and regional assistance Administrator takes into consideration the country's capability effectively to manage and utilize the project?

TAA Sec. 509. Is project susceptible of execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

TAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry/agriculture and commerce; and (f) strengthen free labor unions.

TAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprises).

TAA Sec. 612(b); Sec. 616(h). Describe steps taken to assure that as the maximum amount possible, the country is contributing local currencies to meet the cost of commercial and other services, and foreign currencies earned by the U.S. are utilized to meet the cost of commercial and other services.

Yes. See Annex E.

The project is not susceptible to execution as a regional or multilateral project and is not expected to provide measurable encouragement to regional programs.

The project will (a) increase trade by promoting agricultural production (b) foster private initiative in handling of inputs, (c) strengthen integration of cooperatives and other credit institutions, (d) support growth of a free market for inputs, and (e) increase the technical efficiency of agriculture and the government sector serving it. Labor unions will not be affected.

A large portion of services and commodities will have their source and origin in the U.S. and will be provided by U.S. private enterprise.

The Grant Agreement will so provide.

FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

FAA Sec. 501(a). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

FY 79 App. Act Sec. 608. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No.

MEETING CRITERIA FOR PROJECT

Development Assistance Project Criteria

a. FAA Sec. 102(b); III; III;
281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing

Not applicable.

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countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source)

(1) (103) for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; (103A) if for agricultural research, is full account taken of needs of small farmers;

(2) (104) for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost; integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) (105) for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor; or strengthens management capability of institutions enabling the poor to participate in development;

(4) (106) for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

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(i) technical cooperation and developments, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. (107) Is appropriate effort placed on use of appropriate technology?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 1 year? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

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f. FAA Sec. 231(b). Describe

activities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and political processes essential to self-government.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

Not applicable.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance support and promote economic or political stability? To the extent possible, does it reflect the policy directions of section 1027?

This assistance will support economic stability by promoting a sound rural economy and encouraging greater participation by small farmers in managing their farms.
Yes.

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

No.

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Department of State

INCOMING
TELEGRAM

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ACTION AID-35

ACTION OFFICE NENA-03
INFO NEPD-01 NEOP-01 NETC-04 PPCE-01 POPR-01 PPPB-02 GC-01
PREA-01 GCFL-01 GCNE-01 AADS-01 C-01 CMGT-02 CNE-02
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TO SECSTATE WASHDC IMMEDIATE 5179

UNCLAS LISBON 0289

AIDAC

FOR: STERNE NE/NA

E. O. 12065: N/A

SUBJ: GRANT 150-0023; AGRICULTURAL PRODUCTION PROGRAM

REF: LISBON 5929

1. FOLLOWING IS TEXT OF LETTER RECEIVED AUGUST 12 FROM
MINISTER OF FINANCE AND PLAN DR. ANIBAL CAVACO E SILVA

QUOTE
MR. DONALD FINBERG
A. I. D. REPRESENTATIVE

DEAR SIR,
PURSUANT TO DISCUSSIONS AND WORKING SESSIONS HELD
BETWEEN THE MINISTRY OF AGRICULTURE AND FISHERIES AND
THE GABINETE DE COOPERACAO ECONOMICA E TECNICA OF THE
U. S. EMBASSY, ON THE MAP PROGRAM FOR SOIL CORRECTION,
FERTILIZATION AND FORAGES, I HEREBY REQUEST THE FINANCIAL
SUPPORT OF THE UNITED STATES GOVERNMENT UP TO \$10,000,000
AS A GRANT FOR A TECHNICAL COOPERATION PROGRAM BETWEEN
OUR TWO GOVERNMENTS.

SIGNED ANIBAL CAVACO E SILVA,
MINISTRY OF FINANCE AND PLAN.

2. COPY BEING POUCHED TO STERNE AUGUST 12.
ROWELL

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