PD-AAS-643

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ANNUAL BUDGET SUBMISSION

FY 83

REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS (ROCAP)

JUNE 1981

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS
(ROCAP)

FY 1983
ANNUAL BUDGET SUBMISSION

May 1981

REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS

FY 1982 ANNUAL BUDGET SUBMISSION

Table of Contents

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT ($ Thousands)

Country/Office ROCAP

DEVELOPMENT ASSISTANCE	FY 1981 EST	FY 1982 EST	FY 1983 REQUEST MIN	FY 1983 REQUEST CURR	FY 1983 REQUEST AAPL	PLANNING PERIOD 1984	PLANNING PERIOD 1985	PLANNING PERIOD 1986	PLANNING PERIOD 1987
Agriculture Rural Dev. & Nutrition									
Grants	3,550	6,300	6,800		6,800	6,250	6,255	5,500	5,500
Loans	6,000	-	-		7,000	7,000	-	10,000	10,000
Selected Dev. Activities									
Grants	250	2,300	3,200		3,200	3,750	3,745	3,500	3,500
Loans		9,000	-		-	-	8,000	-	-
TOTAL DA ACCTS.	9,800	17,600	10,000		17,000	17,000	18,000	18,000	18,000
Grants	3,800	8,600	10,000		10,000	10,000	10,000	9,000	9,000
Loans	6,000	9,000	-		7,000	7,000	8,000	9,000	9,000
Economic Support Fund									
Grants	900	500	-		-	-	-	-	-
Loans	-	-	-		-	-	-	-	-
Housing Guaranties (non-add)					15,000		15,000		15,000
TOTAL PERSONNEL	33.7	40.0	42.0		42.0	42.0	42.0	42.0	42.0
USDH (workyears)	10.7	16.0	18.0		18.0	18.0	18.0	18.0	18.0
FNDH (workyears)	23.0	24.0	24.0		24.0	24.0	24.0	24.0	24.0

TABLE I - NARRATIVE

The projects proposed in this ABS flow from ROCAP's overall regional development strategy and the analysis of long-range growth constraints presented in the recent FY 1983 CDSS. In general, the AAPLS will permit ROCAP to assist regional institutions start to address constraints to growth in several key sectors (e.g., Agriculture, Energy and the Environment), and to involve private sector institutions in the development process to a much greater degree than has previously been the case.

We have not included in this ABS our CDSS proposals to help deal with the current political and economic crisis facing Central America. Nevertheless, we again stress that the provision of ESF and other types of fast disbursing assistance to help those countries facing major balance of payments and fiscal problems, and to help the private sector finance essential imports, working capital, and new investment opportunities, is a critical need and one which will directly influence the region's longer term growth prospects.

In response to a recent AID/W request, ROCAP submitted a proposal (ROCAP Guatemala 2944) for an incremental $77 million loan program over five years to assist the private sector in obtaining part of its requirements for working and investment capital. If there is any possibility of a significant increase in ESF or DA funds for the Caribbean Basin or for Central America, ROCAP would be pleased to prepare a more detailed proposal. We recognize, however, that the bulk of the fast disbursing assistance that needs to be provided to meet the current economic crisis should be on a bilateral basis, and that ROCAP and the regional lending institution it supports should only be seen as a complementary channel for the disbursement of AID resources to the private sector.

The Policy Guidance Message from the AID Administrator on the FY 1983 ABS was very helpful and, we believe, fully supportive of ROCAP's regional development strategy. We also believe that the project initiatives being proposed in this year's ABS are fully consistent with the overall thrust of the analysis and programs outlined in the ROCAP CDSS and the ABS guidance. Thus, we will use the framework of the Administrator's Policy Message to provide an overview and to describe the highlights of the proposals in this ABS.

Regional programs, probably no less than bilateral programs, require an appropriate policy framework. As we pointed out in the CDSS, the current political and economic problems of the countries indicate that there is little chance for major progress in the Central American economic integration movement in the short-run. On the other hand, the institutional framework is well established and pressing common problems can make regional solutions and joint initiatives very appealing. The FY 1981 Coffee Rust project recently authorized provides a clear cut example of regional cooperation to meet an emergency common to all countries within the region. The FY 1981 INCAP Nutrition Outreach project, now in the process of being authorized, responds to a policy decision of the Ministers of Health to obtain more timely, and higher caliber technical assistance from INCAP for their national nutrition programs.

ROCAP's relationships with both public and private regional institutions are long standing and close. Thus, there is considerable latitude to stimulate discussion of development policy issues and action at the regional level which can also impact at the national levels. For example, the September 1980 Mission Directors Coordinating Committee (MDCC) meeting endorsed several new ROCAP initiatives in the areas of energy, environment, and the private sector to stimulate awareness of critical development problems and motivate a policy dialogue. These initiatives, now underway, provide much of the background and framework for the ROCAP ABS proposals.

-- Energy - ROCAP sponsored the first Central American Energy and Development Conference in Tegucigalpa in March, 1981. All major international donors, (including Mexico and Venezuela), all regional institutions concerned with energy, and all of the countries of Central America and Panama sent representatives. While Ministers of Economy and Planning did not attend the final day as hoped, there was an open and frank discussion by the representatives on the ROCAP-financed Regional Energy Assessment, as well as on major energy programs and common problems. As a result, there is more of a consensus on what needs to be done and closer contacts have been established between donors and the countries. ICAITI, SIECA/COMENER and CABEI collaborated closely in organizing the conference and are now following up to assure that regional institutions play a more effective role in helping the countries with their energy problems.

-- Environment - ROCAP is pursuing a similar approach to that used in the Energy Sector. Country Environmental Profiles (CEPS) are being or will be prepared for each of the countries with the technical assistance of the ROCAP Regional Environmental Advisor. These CEPS will be followed by a regional assessment and a regional conference to create awareness and to motivate policy and program decisions.

-- Private Sector - the Private Sector Study, sponsored by ROCAP and now underway, involves a "Blue Ribbon" group of Central American businessmen, the Central American School of Business Administration (INCAE), the Federation of Private Sector Entities (FEDEPRICA) and the Federation of the Chambers of Industry (FECAICA). The objective of this initiative is to establish a policy level dialogue involving the private sector, national governments, regional institutions, foreign banks and donors. This is the first study of this type to be carried out in Central America and its recommendations could be of major importance in orienting AID and other donor assistance efforts in support of private sector initiatives. National seminars and other efforts to disseminate the results of the study and begin a continuing dialogue are planned.

-- Agriculture - the idea of establishing an effective policy level dialogue is also the thrust of the recently completed ROCAP project to support a Central American initiative to create an Agricultural Secretariat. The Secretariat will bring together the Ministers of Agriculture into a policy-making body to discuss common regional agricultural problems and provide the institutional mechanisms to identify and carry out studies and analyses needed for policy decisions. The countries all face similar problems in agriculture, and regional cooperation can bring with it important economies of scale and provide significant benefits by stimulating relevant research, increasing the levels of intraregional trade, and by promoting the diversification of agricultural production for export.

Several of the above and similar activities in the past have been carried out using PD&S or other non-project sources of funds. In FY 1982 a specific project, Regional Cooperation, is proposed to provide additional resources needed to carry out studies, hold conferences, etc., to bring about awareness of critical development problems, e.g., problems as identified in the "Year 2000 Report", and establish a policy dialogue.

Regarding the Administrator's second point on institutional development and technology transfer and adaptation, we strongly agree and welcome the recognition that this is a long-term but essential process. Within this context, regional institutions are well established and are fully capable of supporting and accelerating economic growth and development in Central America in a number of technical areas. However, in some cases they will have to expand their outreach efforts at the national level so that expensive duplication of research efforts and a waste of scarce technical talent can be avoided. Agricultural research is an area where regional solutions to common problems is most appropriate. The ROCAP ongoing Small Farmer Production Systems project with the Tropical Agricultural Center of Research and Training (CATIE), a proposed Crop Diversification Research project in FY 1983, also with CATIE and the recently authorized Coffee Rust Control project with PROMECAFE, all include important national institutional building components.

On the other hand, both regional and national institutional building are needed in some new problem areas such as energy and environment. Some institutional building components are included under the ongoing Fuelwood project with the Central American Institute for Industrial Technology (ICAITI) and CATIE in energy conservation, alternative energy sources and identifying and developing fast growing fuelwood species. Longer term institution building efforts at both the regional and national levels are needed, however, and will be included under the proposed FY 1982 Energy Policy Support, Conservation and Renewable Energy Development Project, and under the proposed FY 1983 Management for Sustainable Energy Production Project.

The Administrator's third point applies directly to ROCAP in the sense that we service the USAIDs with both macro and micro economic analysis support. ROCAP's Senior Regional Economist has of necessity given priority attention to macro-economic analysis this past year because of the economic crisis facing the region. In depth macro-economic reports were prepared for El Salvador, Honduras, Nicaragua and Costa Rica and provided critical information needed by U.S. policy makers. With the proposed addition of a second Regional Economist in FY 81 ROCAP will be able to increase its support capability and substantially improve the quality and timeliness of macro-economic as well as project economic analyses both at the regional and bilateral levels.

The Administrator's fourth major point was on the role of the private sector. ROCAP's on-going projects include a Technology Transfer Project for industry with ICAITI and a $15.0 million Rural Enterprise Loan with CABEI. We are working with CABEI to increase the pace of disbursements under this specific loan and are starting a dialogue with CABEI on how to make the Bank generally more responsive to private sector needs. A new ROCAP $6.0 loan to LAAD for agribusiness now being authorized is, in our opinion, a superb example of AID assistance to the private sector and one which meets "tough" economic criteria for increasing employment, incomes, output and exports.

In addition, the proposed Energy Policy Support, Conservation and Energy Development project proposed for FY1982 has a major component to utilize ICAITI's proven capacity in technology transfer and alternative energy to help the private sector. The project also includes a proposed FY1982 loan to help the private sector adapt energy saving technologies as well as to produce or utilize alternative sources of energy. The private sector is also expected to play a vital role in spreading the rural energy technology developed under the Fuelwood project. Under the proposed FY1982 PVO Fuelwood Conservation/Production grant project, U.S. and local PVOs and PCVs would act as transfer agents at the community level to introduce energy efficient stoves for homes and fast growing tree species for use as fuelwood.

Two other initiatives are proposed in FY1982 and FY1983 to respond directly to the needs of the private sector. A new grant project in FY 1982, Private Sector/Export-Investment Promotion, will permit the key regional private sector institutions to provide a variety of export promotion, marketing, and investment services to their members. This project will be carried out in conjunction with the TDP, OPIC and U.S. private sector institutions. A proposed loan in FY1983, Diversification of Non-Traditional Export Crops, would create a fund in CABEI to encourage private sector efforts to diversify and expand agricultural exports. A related grant project in FY1983 would provide the needed research for crop diversification.

We believe the existing ROCAP projects and ABS proposals are highly responsive to the Administrator's overall priorities. We are also confident that the new proposals are focused on some of the most pressing development needs of the area.

In FY 1982, ROCAP proposes the following projects:

-- Regional Cooperation (Grant) - To bring about awareness and develop a policy consensus on the key development problems facing the area, e.g., private sector, export diversification, population growth, environment, and energy.

-- Private Sector/Export-Investment Promotion (Grant) - To respond to constraints and opportunities identified in the private sector study, and help the regional private sector institutions provide needed services to their members.

-- Energy Policy Support, Conservation and Renewable Energy Development (Grant) - To strengthen regional institutions in alternative energy so that they can provide technical outreach services to the national governments and private sector. (Loan). - To enable industries to produce energy saving or substituting devices, and purchase new technologies to save or substitute for imported oil.

-- PVO Fuelwood Production/Conservation (Grant) - To capitalize on the research results under the ongoing Fuelwood project and help U.S. and local PVOs spread the new technologies to rural areas, e.g., fuel efficient stoves and fast growing trees.

In FY 1983, ROCAP proposes the following projects:

-- Diversification of Non-Traditional Export Crops (Grant) - To draw upon existing research and carry out new research on promising non-traditional export crops, particularly crops for the less densely populated tropical lowland areas. (Loan) - To establish a fund in CABEI to encourage the private sector to produce and export non-traditional agricultural export crops.

-- Management for Sustainable Energy Production (Grant) - To protect the key hydro-electric watersheds and bring about an awareness of watershed management and environmental problems by strengthening the outreach capacity of regional institutions to provide guidance and technical assistance to national agencies responsible for planning, designing and implementing watershed management programs.

The above project proposals can be carried out with very modest staff increases. We request an increase of one FN position in FY 1982 to add an additional financial analyst to the staff to handle the considerable increased project workload which is evident from the ABS financial tables.

We also request two USDH positions in FY 1983. These would substitute for existing contract positions in Energy and Environment. This requirement is based on the evolving nature of AID's involvement in these areas at both the regional and bilateral levels, where increasingly we will need enhanced regional support capability and project managers for proposed ROCAP programs in these two areas, and is also consistent with the Agency's long-term staffing needs.

The project proposals follow ABS "full funding" guidance with the exception of the proposed Regional Cooperation grant. As this is an experimental type project which will start slowly, we believe that it is acceptable to provide only partial funding given other project funding requirements.

We believe the ABS proposals constitute a solid program with very substantial development impact potential at modest funding and staffing levels.

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1981 to FY 1983
($ thousands)

Country/Office ROCAP

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPL
Agriculture, Rural Development and Nutrition					
000.3 Program Development and Support (G)	50	100	100		100
0048 Agricultural Research and Information System (G)	200	--	--		--
0083 Small Farm Production Systems (G)	1,350	1,900	1,900		1,900
0089 Fuelwood and Alternative Energy Sources (G)	1,200	1,400	1,400		1,400
0090 Coffee Rust (G)	350	1,000	800		800
0094 Central American Agricultural Secretariat (G)	200	250	250		250
0097 LAAD - Agribusiness Export Development (L)	6,000	--	--		--
0102 Private Sector Export Investment Promotion (G)	--	1,400	1,400		1,400
0104 Regional Nutrition Technical Outreach (G)	200	250	250		250
0108 Diversification of Non-Traditional Export Crops (G)	--	--	700		700
0108 Diversification of Non-Traditional Export Crops (L)	--	--	--		7,000
Selected Dev. Activities					
0000.6 Program Dev. and Support (G)	250	100	100		100
0095 Energy Policy Support, Conservation and Renewable Energy (G)	--	1,500	1,500		1,500
0095 " " " (L)	--	9,000	--		--
0096 Regional Cooperation Initiatives (G)	--	200	200		200

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1981 to FY 1983
($ thousands)

Country/Office ROCAP

APPROPRIATION ACCOUNT	FY 1981	FY 1982	FISCAL YEAR 1983		
			MINIMUM	CURRENT	AAPL
0107 PVO Fuelwood Prod/ Conservation (G)	--	500	700		700
0106 Watershed Management for Sustainable Energy Prod. (G)	--	--	700		700
TOTAL ALL DA APPROPRIATION ACCOUNTS	9,800	17,600	10,000		17,000
Economic Support Fund					
0101 INCAE Management Dev. (G)	900	500	--		--
Housing Guaranties CABEI HIG					15,000

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA

Country/Office: ROCAP

PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE INITIAL	OBLIGATION DATE FINAL	LIFE OF PROJECT COST AUTH	LIFE OF PROJECT COST PLAN *	ESTIMATED U.S. DOLLAR COST ($000) CUM PIPELINE AS OF 9/30/80	FY 1981 OBL	FY 1981 EXP	FY 1982 OBL	FY 1982 EXP	FY OBLIGATIONS 1983 AAPL	1984	1985	1986	1987	FUTURE YEAR	ITEM #
	AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION																	
0000.3	Program Development & Support	G	1975	Continuing			88	50	80	100	150	100	100	100	100	100	500	
0048	Agricultural Research and Information Systems	G	1975	1981	3279 3329	*	717	200	917									
0065	Nutrition Programs	G	1976	1980	1660		241		150		91							
0069	CABEI - Regional Rural Agri-Business	L	1977	1977	15000 15000	*	11,709		6,000		5,709							
0083	Small Farm Production Systems	G	1979	1983	7633 7759	*	1,236	1,350	1,900	1,900	1,900	1,900						
0089	Fuelwood and Alternative Energy Sources	G	1979	1985	7500 7500	*	840	1,200	1,475	1,400	1,500	1,400	1,400	855				
0090	Coffee Rust	G	1981	1984	3500	*		350	50	1,000	1,000	800	1,350					
0094	Central American Agricultural Secretariat	G	1982	1985	850	*		200	50	250	350	250	150					
0097	LAAB - Agribusiness Export Development	L	1981	1981	6000	*		6,000	2,000		2,000							
0102	Private Sector Export Investment Promotion	G	1982	1985	6000	*				1,400	500	1,400	1,600	1,600				
0104	Regional Nutr.Tech.Outreach	G	1981	1984	792	*		200	50	250	109	250	92					
0108	Diversification of Non-Traditional Export Crops	G	1983	1987	6000	*						700	1,300	1,500	1,500	1,000		

AID 1330-4 (5-81)

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA

Country/Office: R O C A P

PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE INITIAL	OBLIGATION DATE FINAL	LIFE OF PROJECT COST AUTH	LIFE OF PROJECT COST PLAN	ESTIMATED U.S. DOLLAR COST ($000) CUM PIPELINE AS OF 9/30/80	FY 1981 OBL	FY 1981 EXP	FY 1982 OBL	FY 1982 EXP	FY OBLIGATIONS 1983 AAPL	1984	1985	1986	1987	FUTURE YEAR	ITEM #
0108	Diversification of Non-Traditional Export Crops	L	1983	1983	7000	*						7,000						
	FN-Appropriation Total						14,831	9,550	12,672	6,300	13,309	13,800	5,992	4,055	1,600	1,100	500	
	Grants						3,122	3,550	4,672	6,300	5,600	6,800	5,992	4,055	1,600	1,100	500	
	Loans						11,709	6,000	8,000	0	7,709	7,000	0	0	0	0	0	

5-28-81
FI7

AID 1330-8 (4-81)

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA — Country/Office: R O C A P

PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE INITIAL	OBLIGATION DATE FINAL	LIFE OF PROJECT COST AUTH	LIFE OF PROJECT COST PLAN	ESTIMATED U S DOLLAR COST ($000) CUM PIPELINE AS OF 9/30/80	FY 1981 OBL	FY 1981 EXP	FY 1982 OBL	FY 1982 EXP	FY OBLIGATIONS 1983 AAPL	1984	1985	1986	1987	FUTURE YEAR	ITEM #
	SELECTED DEV. ACTIVITIES																	
0000.6	Program Dev. & Support	G	1975	Continuing			15	250	215	100	150	100	100	100	100	100	500	
0095	Energy Policy Support, Conservation & Renewable Energy Dev.	G	1982	1986		6000				1,500	500	1,500	1,000	1,000	1,000			
0095	" " "	L	1982	1982		9000				9,000	1,000							
0096	Regional Cooperation Initiatives	G	1982	1985		800				200	100	200	200	200				
0107	PVO Fuelwood Prod/Conservation	G	1982	1985		2500				500	300	700	750	550				
0106	Watershed Management for Sustainable Energy Production	G	1983	1987		5000						700	1,000	1,300	1,000	1,000		
SDA	Appropriation Total						15	250	215	11,300	2,050	3,200	3,050	3,150	2,100	1,100	500	
	Grant						15	250	215	2,300	1,050	3,200	3,050	3,150	2,100	1,100	500	
	Loan						0	0	0	9,000	1,000	0	0	0	0	0	0	
	ECONOMIC SUPPORT FUND																	
0101	INCAE Management Dev.	G	1980	1982	1800	1800	0	900	900	500	500							
ES	Appropriation TOTAL						0	900	900	500	500							
	GRANT						0	900	900	500	500							
	LOAN						0	0	0	0	0							

AID 1330-8 (4-81)

FY 1983 ANNUAL BUDGET SUBMISSION

TABLE IV PROJECT BUDGET DATA — Country/Office: R O C A P

PROJECT NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE INITIAL	OBLIGATION DATE FINAL	LIFE OF PROJECT COST AUTH	LIFE OF PROJECT COST PLAN	ESTIMATED U.S. DOLLAR COST ($000) CUM PIPELINE AS OF 9/30/80	FY 1981 OBL	FY 1981 EXP	FY 1982 OBL	FY 1982 EXP	FY OBLIGATIONS 1983 AAPL	1984	1985	1986	1987	FUTURE YEAR	ITEM #
	EDUCATION																	
0000.5	Program Dev. & Support	G	1975	Continuing			1		1									
0040	SIECA Institutional Assist.	G	1972	1980	2773	2773	101		50		51							
0066	Transfer of Technology	G	1976	1980	1043	1043	282		282									
HE	Appropriation TOTAL						384		333	0	51							
	GRANT						384		333	0	51							
	LOAN						0		0	0	0							
	Total All DA Appropriations						15,230	9,800	13,220	17,600	15,410	17,000	9,042	7,105	3,700	2,200	1,000	
	GRANT						3,521	3,800	5,220	9,100	6,701	10,000	9,042	7,105	3,700	2,200	1,000	
	LOAN						11,709	6,000	8,000	9,000	8,709	7,000	0	0	0	0	0	
	Econ. Support Approp. Total						0	900	900	500	500							
	Grant INCAE						0	900	900	500	500							
	Loan						0	0	0	0	0							
r1/																		

AID 1330-6 (4-81)

NEW FY 1983 PROJECT NARRATIVE

596-0095 Energy Policy Support, Conservation and Renewable Energy Development *

		Grant	Loan
Proposed Funding: (SDA)	FY 1983	1,500,000	9,000,000
	FY 1984	1,500,000	
	LOP	6,000,000	

Purpose: To strengthen the capabilities of regional and national level energy planning institutions and to effectively increase the energy supply through energy conservation and the development of technologies utilizing indigenous renewable resources.

Background: The Central American region, with the exception of Guatemala, is 100% dependent on imports for its oil requirements. (Guatemala currently produces 15% of its demand). The cost of this oil, coupled with necessary financing, often at commercial interest rates, is rapidly diminishing the prospects for sustained economic development. Growing national and external debts (largely attributable to oil imports), are aggravating inflation, reducing investment and exacerbating the increasingly precarious economic, social and political situation of the region.

Although the resource endowments of the region vary, there is sufficient commonality to justify regional approaches to certain energy problems and to benefit from the economies of scale regional activities can offer. All the CAP countries are seriously concerned about the impact of the energy situation, but they possess scarce human or technical resources to apply to the problem. The lack of expertise is particularly evident in areas of national energy planning, rationalization of energy use and development of renewable energy options. Two important objectives of this project -- considering the inevitably intertwined future of the countries in the region -- will be to promote (a) the recognition of the need for greater interchange and cooperation on common energy problems and (b) the application of practical regional solutions to both the shortages of energy expertise and the shortages of actual energy.

ROCAP has been active in developing regional activities in the energy sector, namely the Fuelwood and Alternative Energy

---

* All funds to be obligated for this project are for energy.

Sources Project (596-0089), the Regional Energy Assessment Contract, the Regional Energy Conference held in March '81 in Tegucigalpa and studies on ethanol economics and solar data collection. ROCAP considers energy problems to be one of the most critical constraints to future growth in the region and is simultaneously proposing two other projects complementary to this one; Watershed Management for Sustainable Energy Production (596-0106) and PVO Fuelwood Production Conservation (596-0107).

Three regional institutions with extensive experience in the energy problems of the region would provide the major vehicle for project implementation. These same three institutions were the active sponsors of the successful Regional Energy Conference mentioned above and are maintaining a constructive dialogue on how to proceed with regional support for energy development. These institutions, all with limited but highly qualified professional bases, are discussed below.

ICAITI: Instituto Centroamericano de Investigación de Tecnología Industrial (Central American Institute of Research and Industrial Technology) is located in Guatemala City. ICAITI was set up in 1956 by the five Central American countries with assistance from the United Nations. Its basic purpose is to contribute to the improvement and growth of industries in Central America through modernization of existing establishments and design of new industries. Its Board of Directors consists of the Ministers of Economy of the Central American countries and the Director of the Institute, who is chosen by the Board with the approval of the United Nations. Present staff numbers 133 of which 55 are engineers and scientists, 31 are administrative professionals and the balance are support personnel.

SIECA/COMENER: The Comisión Centroamericana de Energía (COMENER) located in Guatemala City, was established in 1975 with SIECA (Secretaría Permanente del Tratado General de Integración Económica Centroamericana) serving as Executive Secretariat. Its function is to formulate regional energy policies and to coordinate national energy plans. SIECA, formed in 1965, is concerned largely with internal trade policies and practices but also has the broader responsibility for the coordination of development planning done at the regional level.

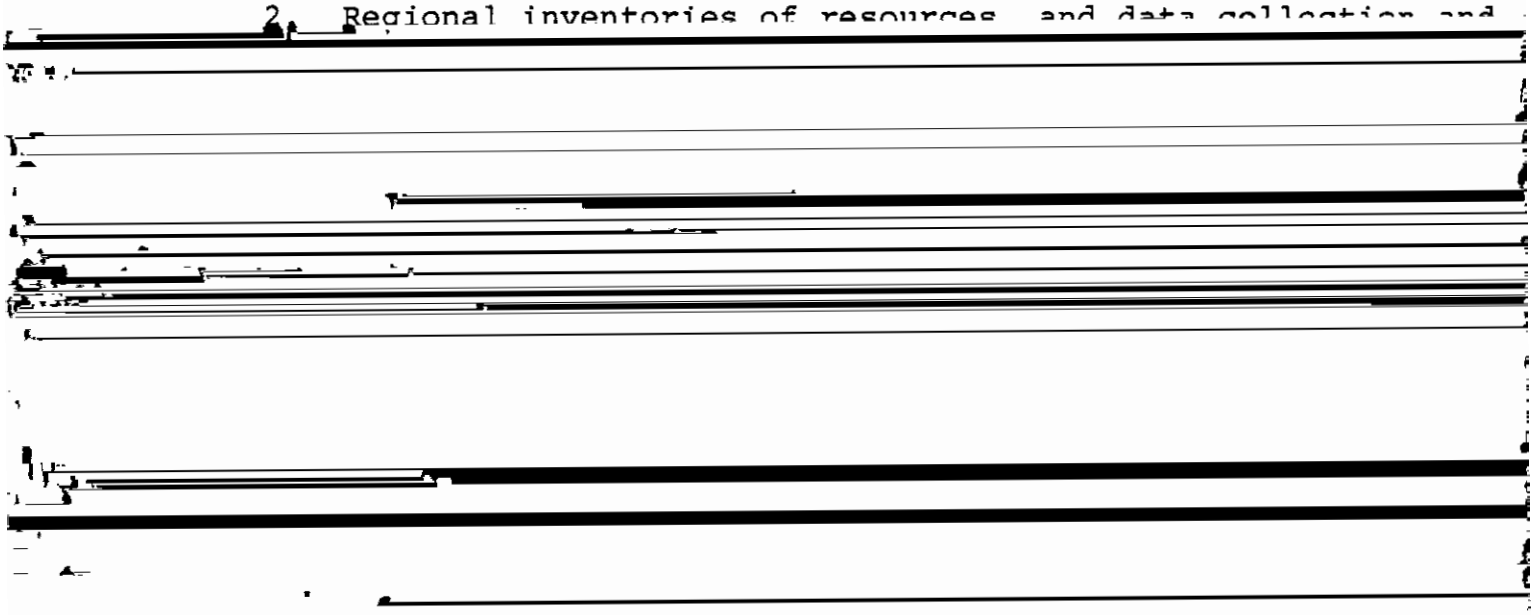
BCIE (CABEI): The Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration) was formally established in 1961 in Tegucigalpa, Honduras.

CABEI's primary mission is to promote the region's economic development and integration. Its activities include infrastructure loans as well as loans for industry, agriculture and electric transmission which go beyond the boundaries of single countries in the common market.

Project Description: A serious effort to address the region's worsening energy problems will require a multitude of resources targeted at a broad range of constraints. ROCAP believes that under this project modest AID resources, experience and skills can best be focussed on:

1. Regional energy planning and policy assistance;

2. Regional inventories of resources and data collection and



3. Selection, design, construction and implementation of appropriate renewable energy technologies throughout the region;

4. Adaptation of energy conservation methods and energy efficient technologies to new and existing industrial and agroindustrial activities common to the region;

5. Establishment of a regional credit fund that would provide financing for renewable energy and energy-saving equipment; including financing to firms trying to produce, assemble and distribute such equipment;

6. Fortifying the ability of regional institutions to assist 1) national institutions in the above five activities and 2) host countries in the preparation of energy programs for

of information requisite for rational planning of regional and national energy investments.

The proposed project will be designed to furnish the technical, managerial and administrative expertise necessary to assist each of the regional institutions in becoming effective promoters and transfer agents of similar skills to the national institutions. Contracts will be made for specialized technical assistance to conduct assessments, design surveys, construct pilot plants, develop training curricula, write technical manuals, etc. All efforts will be made during project design to incorporate possible project inputs from Peace Corps, VITA and other PVOs; and careful attention will be given to sources of existing data -- UNDP, CEPAL, OLADE, FAO, WMO, etc. Consideration will also be given to possible complementary grants from the National Academy of Sciences (NAS), the AID Science Advisor's Fund and others.

The following very briefly describes the relationship and responsibilities of the three regional implementing institutions:

SIECA/COMENER will be supported with staff and technical assistance that can allow it to better fulfill its role as the regional coordinator and regional forum for energy planning and energy policy development. SIECA/COMENER, as a significant subregional contributor to the UN Conference on New and Renewable Energy (Nairobi, August 1981), can be instrumental in facilitating the involvement of each country in supporting and implementing this project.

The responsibility for encouraging the establishment of national mechanisms and entities that can promote the training for, and financing and dissemination of information on energy-related activities will also fall to SIECA/COMENER.

ICAITI in cooperation with SIECA/COMENER will be responsible for reviewing the meteorological, hydrological and biomass resource data available on the region. With grant funds, technical expertise and coordination with other regional (Comité Regional de Recursos Hidráulicos, World Meteorological Organization and others) and national institutions, ICAITI will develop and implement plans for filling existing data gaps.

ICAITI will also provide host countries institutions with technical assistance, manuals, training courses and workshops on increasing the efficiency of energy use in industry and other

activities. These activities will include not only preparing individuals to do energy audits and make energy-saving recommendations, but also teaching them about prospects for substituting local renewable energy resources. For example, coffee wastes may be used to dry beans to replace fuel oil, small hydro resources can provide mechanical and electric power to replace diesel, wood pyrolisis or gasification can replace gasoline and produce a valuable charcoal for fuel elsewhere, wood and charcoal can substitute for fuel oil in industry, solar thermal energy can be used to fill certain process heat requirements, photovoltaics can be used for remote communications, and wind power may be suitable for water pumping or generating electricity.

On a broader scale the review of resources will indicate the areas of greatest opportunity. Matching the resource base to local energy needs will show what renewable interventions are most cost-effective. ICAITI will then fund the design and construction of selected energy technologies as demonstration or pilot facilities. In many cases, this will require the transfer of technologies developed in the U.S. and elsewhere for adaptation to Central American conditions.

CABEI, with loan funds, will establish a revolving credit facility that will provide loans at near commercial rates to municipalities, cooperatives, firms, or individuals that wish to replicate successful ICAITI demonstrations. If SIECA/COMENER is successful in defining the national financing mechanisms, credit arrangements would be essentially administered in each host country. Credit may also be provided to firms wishing to manufacture small scale conservation or renewable energy equipment. Projects funded may include: bagasse fired cogeneration at a sugar mill, solar drying of wood or crops, photovoltaic powered rural refrigeration, wood pyrolisis, heat exchangers in new small heat consuming industries, mini-hydro installations, small commercial biogas plants, small scale alcohol production, windmills and more efficient charcoal kilns.

Technical assistance from ICAITI would be available to CABEI for the technical review of project proposals and to assist with feasibility studies to potential borrowers if required. The borrowers, in turn, would agree to maintain cost and other records and to permit on site visits by others interested in using the new energy technology.

ICAITI, SIECA/COMENER and CABEI will jointly or separately offer project development support to various host country institutions as requested. The specific technical expertise that will be reinforced in each regional institution may provide valuable assistance to each country as they prepare projects and proposals for submission to other donors, i.e., the Mexican-Venezuela Oil Facility, IDB, IBRD, etc. Project resources will be allocated in order to pay for these special assistance initiatives.

In summary, this project, although funded for only five years, envisions impacts 10 and more years out. By strengthening the capabilities of regional institutions to conduct and support energy-saving and renewable energy interventions, ROCAP believes the chances for successful resolution to the region's growing energy problems will be enhanced. The project will fund a considerable training component, mostly within the region, and provide for exchange programs to other countries. During project development the advisability of a regional information center to track innovations, collect documents on energy projects in the region and distribute the same will also be investigated.

Issues: The proposed project raises a series of interrelated issues which will be addressed during project development.

a) Information gaps: Can SIECA/COMENER and ICAITI, reasonably expect to build a detailed regional inventory of renewable energy resources? Should their efforts be concentrated on certain resources, and how will they cooperate with other regional and national institutions?

b) Target and Scale: Resource and demand information will help target demonstration activities but care will need to be taken to assure that A.I.D. resources are invested in alternative energy areas which have the highest rates of return and have the highest potential for replication using national and other donor resources.

c) Funding: At what stage do loan funds replace grant funds, and should mixed grant and loan funds be provided? What degree of concessionality might be considered in loans?

d) Private Sector - How can private sector be encouraged to make investments in technologies proven to be cost-effective?

NEW FY 1982 PROJECT NARRATIVE

596-0096 Regional Cooperation Initiatives*

			Grant
Proposed Funding:	(SDA)	FY 1982	$200,000
		FY 1983	$200,000
		LOP	$800,000

Purpose: To create an awareness of long-range problems that are common to all the countries in the Central American area and to promote strategies and programs to address those problems on a regional and bilateral basis.

Background: The Global 2000 Report to the President, released in 1980, has helped to bring about a general awareness of long-range problems facing the developing world and the implications of present trends. The challenge now is to transfer this awareness to the developing nations and to see what steps can be taken to address the problems before they become major constraints to development and to the quality of life.

Central America presents an opportunity to make progress on long-range solutions at a relatively low cost. Many problems, e.g., deforestation, soil erosion, water pollution and rapid population growth, are common to all of the countries. The area involved has a common heritage, history of regional cooperation, and functioning regional institutions which can be of significant assistance in carrying out research and operational programs.

Project Description: This project will finance analyses and studies which are required to focus the topics covered in the Global 2000 Report on the particular situation of Central America. Funding will also be provided to conduct meetings, seminars, training programs, and conferences with regional decision-makers to develop awareness, strategies and programs to deal with specific regional problems or problems common to all the countries. Recommendations for action-oriented programs will be made at both the regional and national levels.

Other international donors, including the Inter-American Development Bank, World Bank, European Economic Community,

* Part of the funds to be obligated for this project are for energy and for the environment, but a breakdown is not available at this time.

as well as regional organizations, will be encouraged to participate in the development and financing of new regional initiatives resulting from the analysis and recommendations produced by this project. The project will be structured to involve all important regional and national entities of the area's public and private sector.

Technical assistance will focus, primarily, on the following major areas: (A) a realistic definition of major economic growth and development constraints, development opportunities and trends that Central America, as a region, will face over the next 20 years; (B) identification and assessment of regional policy, program and investment options for both the public and private sectors; (C) environmental issues and trends, e.g., water pollution, pesticide residues in foodstuffs, deforestation, soil erosion and resource depletion, in the individual countries and the region as a whole; (D) population growth implications, e.g., projected impact on resources, nutrition, environment, social services and employment in the region; and (E) the examination of possibilities for alternate energy policies and technologies including integrating two or more technologies using local renewable resources into a single, low-cost energy system.

The problems of environmental degradation, excessive population growth rates, and high energy costs, etc. have dimensions which, if addressed on a regional basis, can have economies of scale. Sustained interaction on resolving these problems should lead to a greater degree of interdependence, solidarity and cooperation among the Central American countries.

NEW FY 1982 PROJECT NARRATIVE

596-0097 Private Sector Export-Investment Promotion

			Grant
Proposed Funding:	(SDA)	FY 1982	$1,400,000
		FY 1983	$1,400,000
		LOP	$6,000,000

Purpose: To strengthen the capacity of private sector industrial and agricultural institutions in Central America to provide a broad array of export and investment related services to their members. The project will promote exports and stimulate direct foreign investment in Central America, thereby contributing to (a) the recovery of income and employment; (b) the strengthening of the private sector; and (c) the increase, diversification and stabilization of foreign exchange earnings.

Background: As a result of a combination of factors -- deteriorating terms of trade; social and political unrest; the practical cessation of foreign private investment and foreign commercial bank lending; capital flight; and a weakened and demoralized private sector -- the region is experiencing a huge deficit in its balance of payments (estimated at $760 million in 1980) and a declining real GDP.

Further, the region is still heavily dependent on the export of four major primary products -- coffee, cotton, bananas, and sugar -- for over 60% of its earnings from merchandise exports. As a result, the region is extremely vulnerable to fluctuations in primary product prices, particularly coffee. The current low-price of coffee is partly to blame for the region's current balance of payments difficulties and stagnating economies.

Unemployment and underemployment rates have traditionally been high and are currently estimated to range from 20-25% in Costa Rica, 25-30% in Honduras, Guatemala and Nicaragua, and 30-40% in El Salvador. Productivity in small farms, particularly those producing food crops, remains low. The population growth rate, at 3% per year, is among the highest rates in the world, thus making it difficult for production and output to keep pace. Demand for imported oil has grown

at the rate of 7% annually and over the past two years the price has increased 120%. No doubt these demands and further price increases will take a greater share of foreign exchange earnings in the future.

It is expected that the proposed project will make a modest contribution toward attainment of the following objectives:

a. Encourage the resumption of private direct foreign investment and foreign bank lending both through improvement of the general investment climate and through specific measures identifying promising investment opportunities.

b. Contribute to the reactivation of the Central American economy by strengthening the private sector which has been weakened by an acute shortage of foreign exchange, working capital and commercial bank credit.

c. Promote the diversification of the Central American economy, and particularly the expansion of regional exports to areas outside of the CACM.

Project Description: This project will involve an institutional arrangement with one of the region's private sector associations of businessmen. Likely candidates the Federation of Central American Chambers of Industry (FECAICA), with which all Chambers of Industry are affiliated or the Federation of Private Entities (FEDEPRICA).

The project would establish a special division or semi-autonomous affiliate within FECAICA or FEDEPRICA that would provide specialized services to both exporters of non-traditional manufactured products (to outside markets) and to potential foreign investors. The proposed institution would provide the following services:

a. A comprehensive information and technology service designed to: (i) assist exporters in identifying potential buyers in foreign markets; (ii) assist importers in locating suppliers of particular products, raw materials, parts, and specialized equipment and machinery; and (iii) advise local manufacturers on the most appropriate equipment for their particular operation (technology transfer). ICAITI's proven capacity to access information of this nature could play a role in this project.

b. Identification of investment opportunities and provision of financing and supervision in carrying out feasibility studies and project appraisals. The institution would also assist potential foreign investors in contacting interested parties within the region, providing them with relevant information on laws and restrictions, licences, taxes and tax exemptions, and other matters relevant to the investment venture being considered. The institution would also assist the potential investor in exploring possible sources of financing, both with potential local investors and commercial banks. In this regard the institution could maintain a close relationship with OPIC and AID's Trade and Development Program.

c. Technical assistance to medium and small businesses: It is expected that special technical assistance will be required by new enterprises expecting to break into the export market, as well as by small and medium size businesses. They may require special assistance in the areas of business management, product design, marketing, financing, shipping, packaging and production to assure necessary volume and quality. They may also require advice in the area of negotiating the opening of Letters of Credit and complying with the various regulations and procedures governing foreign trade. The roles of the International Executive Service Corps and the World Trade Institute, which are already widely known in the region, could be expanded.

d. Export promotion services which would facilitate sales of Central American products to overseas (non-CACM markets in North America, as well as the Caribbean, Europe, and Japan. Such services could include establishing new relationships with foreign buyers, financing the costs of export drives through, for example, trading companies and, of course, technical assistance to C.A. producers in the areas of packaging, production scheduling and quality control, etc. One organization which could provide more export development services in the region is the World Trade Institute. Another linkage could be developed through U.S. Chambers of Commerce, which are very active in establishing investment and trading relationships.

e. Special courses and seminars: The proposed institution would be expected to coordinate training courses in the area of export promotion, formation of joint ventures, foreign marketing, etc. for business members of the associations.

INCAE has the capacity to offer management training programs of this nature.

The new institution will not be expected to provide its services free of charge. Customers will be expected to pay for training, marketing services and other information, and particularly for technical assistance and feasibility studies that actually materialize as investment projects. On the other hand, the cost of feasibility studies that are not utilized, as well as certain types of information provided on a routine basis would have to be absorbed by the institution from general membership fees. It is expected that customer charges will cover only a fraction of total operating costs during the first two years of the project, but would rise rapidly in the third and fourth years. The direct contribution of private sector organizations (in the form of annual subscriptions to the regional office) is expected to rise gradually as the project gets underway. Customer charges for services rendered are expected to rise quite rapidly as the services are promoted and users obtain access.

NEW FY 1983 PROJECT NARRATIVE

596-0106 Watershed Management for Sustainable Energy Production *

			Grant
Proposed Funding:	(SDA)	FY 1983	700,000
		FY 1984	1,000,000
		LOP	5,000,000

Purpose: To strengthen the institutional capabilities of Central America and Panama at both the regional and national levels for the planning and implementation of critical watershed management projects leading to the optimal development and sustained use of hydroelectric and related forest resources.

Background: Among all the energy options available with current technology, hydroenergy is the one with by far the greatest potential for meeting the goals of both 1) maximum substitution of imported oil and petroleum derivatives, and 2) meeting the rapidly increasing energy needs of the CAP region in the near future.

All the CAP countries are accelerating development of their generally plentiful hydroelectric resources. The consumption of hydroelectric energy averaged only about 10% of total energy consumption for the CAP region in 1977; however, this is projected to increase to between 26 to 31% by the year 2000 (MITRE, 1980). Before 1985, nearly 1.7 million hydroelectric kilowatts will have been added to production capacity in Central America.

Some of the large and costly hydroelectric projects underway include Pueblo Viejo Chixoy, Guatemala (300 MW); Aguacapa, Guatemala (90 MW); San Lorenzo, El Salvador (180 MW); El Arenal, Costa Rica (157 MW); Coribici, Costa Rica (174 MW); Boruca, Costa Rica (500 MW); El Cajón, Honduras (292 MW); Copalar, Honduras (350 MW); Changuinola-Teribe, Panama (800 MW). Eventually these and other projects will be linked up under a regional electrical grid and will constitute the single most important combined asset of the area in meeting the energy crisis.

---

* All funds to be obligated for this project are related to energy and the environment and any breakdown would be arbitrary.

Land use practices in upland areas can detrimentally affect hydropower development downstream and the productivity and useful life of hydroelectric projects are intimately dependent upon proper catchment protection. The adverse effects of upland erosion and deforestation which are common in all the CAP countries may be summarized under four categories of problems: (a) siltation (loss of useful life, degradation of water quality and turbine damage); (b) torrential conditions (increased bedload impacts and river channel cutting); (c) higher peak streamflows; and (d) less infiltration (tendency for streams to dry up earlier and/or be lower during the dry season).

In Central America and Panama the major direct causes of watershed deterioration in their approximate order of importance are: (1) colonization and deforestation of forest production or protection lands; (2) overgrazing and burning of steep uplands; (3) road construction (because of improper design, construction and maintenance and/or secondary effects of colonization of forest lands); and (4) improper agricultural and logging practices.

Most of the existing hydroelectric projects in CAP countries have been undertaken without proper regard for such environmentally related problems. Also,hydroelectric dam sites with potential for future exploitation receive little or no attention in terms of watershed protection. This approach is likely to be enormously expensive for the region in the future in terms of maintenance, shortened lives of the various projects, and reduced future hydroelectric power productivity. The cost of needed conservation measures is now relatively low, but will become increasingly expensive, if not impossible, as catchment deterioration continues. Thus, a project in hydro-watershed management has a very high potential payoff for the region at this time.

Within the interrelated areas of energy and environment two regional institutions exist that have histories of involvement and respectable levels of professionalism, COMENER and CATIE. The Regional Energy Commission (Comisión Centroamericana de Energía - COMENER) was formed in 1975 to establish a regional energy policy and to coordinate national energy plans. COMENER has been a strong supporter of the Regional Electrical Grid and recognizes that the long-term success of renewable energy exploitation via hydropower depends on the conservation and sustained use of the resource base. The Centro Agronómico Tropical de Investigación y Enseñanza

(CATIE) dates back to the founding of the Interamerican Institute of Agricultural Sciences (IICA) in Turrialba, Costa Rica, in 1942. Since the creation of CATIE, its Natural Resources Division has expanded into agroforestry, wildlife conservation, watershed management, small farm silviculture, and small farm agroforestry. Its past work and active involvement with all of the CAP countries in the areas of wildlands and watershed management make it a suitable regional institution for field execution of projects having to do with resource conservation and management.

Project Description: This five-year project will support the efforts of the regional institutions to develop an increased capability at the national level for the planning and implementation of hydroelectric watershed management projects.

Project resources and efforts will support the following general sequence of activities:

1. Strengthen the capacity of regional institutions to assist national organizations in the development of watershed management assessments and in the preparation of long-term hydroelectric resource development plans and programs. Regional institutional resources will augment the technical, managerial, and administrative capacity of national electrical institutions (i.e., IRHE, ICE, ENEE, INDE, etc.), in the area of hydroelectric watershed management and protection. Collaborative technical assistance relationships will also be promoted with the national forestry institutes (i.e., RENARE, DGF, DIGERENARE, INAFOR, etc.) which have experience in this area, but which currently are overextended and incapable of acting in many critically threatened hydroelectric watersheds.

2. The project will assist both the countries and the regional organizations cooperating in the development of the regional grid system in more wisely planning and utilizing their resources. The inventory and analysis of the state-of-conservation of both existing and projected hydroelectric catchments by the project,including critical information on reservoir sedimentation rates and useful life estimations for key catchments, will permit the long-term development of a regional hydroelectric watershed system plan and simultaneously fortify the national institution's analysis capability.

3. The project will assist in the identification of key hydroelectric watersheds which are critical sites for

existing or future energy production with the objective of promoting the development of model watershed management efforts in each country.

4. Master and operational plans will be developed for these selected catchments with the idea of providing bankable watershed management packages which the countries would submit for financing to donor institutions such as BID, World Bank, CABEI, bilateral USAID, or the Mexico-Venezuela Fund. Master plans will include descriptions of needs for research, training, staff support, equipment and instruments, and other activities to be carried out.

5. The national institution building objective will be accomplished primarily through the mechanism of initially assisting in the planning and development of new watershed management projects, and subsequent to donor or national funding for the projects, by technical backstopping for their implementation in each country.

Regional technical assistance and training will be provided for national institutions in specialized management fields including agroforestry, soil and water conservation, silviculture, fuelwood plantations, wildlands and range management, employment-generating small forest resource industries, and others.

With respect to institutional responsibilities, COMENER will act as the regional coordination and macro-planning group. It will be responsible for the formulation of both a regional hydrowatershed management system plan and the regional and national strategies. COMENER's high level contacts will facilitate host country involvement, project support and implementation, and pilot watershed selection.

CATIE, through its Wildlands and Watershed Management Unit (PASC), will serve as a technical center for the development of master and operational plans and provision of expertise to the countries for field execution. Staff specialists in the areasof watershed management/planning, soils and land use, natural resources economics, hydrology and wildlands management, will provide the countries with scarce human resources for planning and technical assistance in the design and implementation of pilot watershed management projects. CATIE will also serve as a focal point for the many regional research, training, documentation and demonstration activities to be carried out.

Both COMENER's and CATIE's institutional outreach capabilities will be increased by the project through the provision of both additional staff and increased access to U.S. technical assistance.

Issues: This activity raises a series of interrelated issues which ROCAP will consider during project design. These include:

a) Coordination: The variable institutional responsibilities and coordination mechanisms required between CATIE, COMENER and host country institutions needs detailed study. What are the most suitable regional institutional arrangements at a COMENER-CATIE level? Will it be necessary for COMENER to work through the Comité Regional de Recursos Hidráulicos (CRRH) and/or the Comité de Gerentes de Empresas Eléctricas (CEAC)?

b) Continuity of Project after Termination of AID Support: What policies and procedures can be institutionalized under this project to insure that international donors include resource conservation components in all future hydropower projects?

c) Viability of CATIE and Regional Acceptance of COMENER: CATIE's financial problems are serious, and COMENER has not received the regional support that would seem appropriate for an institution of its nature and potential role. In what way can the project assist in, yet not be affected by, CATIE's financial burdens and COMENER's lack of national level support and participation?

d) Local Cost Financing: The AID project does not provide funds for the considerable local cost financing that will be needed for the pilot watershed conservation projects. During the course of developing the project and preparing the PID, ROCAP will look into the possibility of using the Mexican-Venezuelan oil facility, national budgets and other donor sources to cover such costs.

NEW FY 1982 PROJECT NARRATIVE

596-0107 PVO Fuelwood Production/Conservation*

			Grant
Proposed Funding:	(SDA)	FY 1982	$ 500,000
		FY 1983	$ 700,000
		LOP	$2,500,000

Purpose: To assist PVOs to mobilize and promote the creation and/or the strengthening of rural village level community organizations to carry out fuelwood production and energy conservation measures in rural areas.

Background: Fuelwood is the major energy source for heating and cooking and for small industries in the rural areas (more that eighty percent of the households in the region use wood or charcoal for cooking). Increased costs of petroleum-based fuels are resulting in the increased consumption and cost of woodfuel (in some cases rising more rapidly than petroleum) with an adverse impact on the rural population which depend upon it for essential cooking and heating. The increased demand for wood is accelerating the destruction of plant cover in many areas which is causing increased soil erosion, loss of fertility, decreased crop yields, declining dry season stream flows, flooding, siltation, and destruction of infrastructure. Trees are a traditional and still viable source of energy. The Bio-Energy "80" World Congress, April 21-24, 1981 emphasized that wood was the most promising source of alternative energy to fossil fuels for developing countries, particularly for the rural areas.

Project Description: This project will build upon the research results developed by ICAITI and CATIE under the current ROCAP financed Fuelwood and Alternative Energy Sources project and make the benefits of this research widely available. These research results include fuel efficient cooking stoves and other more efficient direct combustion technologies for rural applications as well as the identification of appropriate fast growing tree species for different agroecological areas.

ROCAP recognized fuelwood as a critical regional problem and initiated a research oriented project in 1979 to identify fast growing species and appropriate production practices as well as to test energy efficient technologies for using fuelwood in rural homes and communities. Unfortunately, the

* All funds to be obligated are to benefit or stimulate PVO activities. All funds to be obligated are also related to energy and environmental problems.

project does not include a significant outreach element to effectively transfer the research findings to a sufficient number of villages to adequately establish the viability of the program.

Under this project, ROCAP proposes to work through U.S. and national level PVOs who, working with village groups, will develop and implement sub-projects, incorporating both the production of fuelwood and its efficient use. The acceptance of these new technologies at the grass roots level will directly and immediately benefit the rural population and ultimately benefit the nations of the region. The PVOs are, in many respects, the ideal institutions to introduce these new technologies because of their existing organizational structures, capable personnel and experience and credibility at the village level. The PVOs are also a potential resource in terms of mobilizing additional funds and carrying on a long term effort. The existing project involves a limited number of PVOs and PCVs, particularly in the demonstration of more efficient cooking stoves, and there has been a high degree of cooperation and enthusiasm for these efforts. The task now is to go beyond the limited demonstration stage and to mount efforts which would start to make a real impact at the local level. Since the national institutions have been ineffective in this area and since results will take 5 to 10 years, immediate action is necessary.

The PVO sub-projects under this activity may include most of the following:

a) Developing and training viable village organizations to use the new technologies.

b) Establishment of nurseries for the reproduction of plants, village woodlots, and energy plantations. (Utilizing the CATIE seedbank.)

c) Promoting mechanisms for the construction and dissemination of efficient cooking/heating devices at the local level. (As designed and tested by ICAITI and others.)

d) Improving strip-planting of fuelwood and food intercrops, including fruit/nut trees, where feasible.

e) Where available tree growing sites are more than adequate to meet village fuelwood needs, promote the making of charcoal as a cash income (perhaps by pyrolysis using the off-gas to run small motors or generators).

f) Undertaking site adaptability trials of different species and reporting the results for use at other sites.

g) Where appropriate leguminous species may be grown, developing demonstrations on the value of intercropping and the use of leaves and seeds for fertilizer and animal feed.

h) Where possible, emphasis will be given to replanting on steep slopes, marginal lands, eroding lands and for field borders.

This project would assist the PVOs and PCVs in carrying out these important activities by providing support in two major areas:

Technical Support from Regional Institutions: ICAITI and CATIE would backstop the PVO programs. The regional institutions would make the new technologies available through training programs for PVO and other personnel, and help spread the technology to the local level by developing appropriate training materials, e.g., pamphlets, films, and other audio visual materials. The regional institutions would also backstop the PVO sub-projects when technical problems develop in introducing fast growing trees and cookstoves. Every effort will also be made to involve appropriate national government personnel in these training and backstopping activities, especially as their capabilities grow.

Institutional Support for Major PVO Efforts - ROCAP believes that a number of PVOs will be willing to make these efforts a major component of their present and planned programs. In some cases, the PVOs will need institutional support to get started and until the new technologies are well accepted at the local level. Funds under the project would be used to provide limited support, i.e., salaries for coordinators, commodities, such as seeds, tools, fertilizer, demonstration stoves, etc. PVO proposals for this type of financial support would be submitted to CATIE/ICAITI through bilateral USAID Missions for their review and endorsement. Such proposals would describe the PVO program under the project over a period of years and the PVO contributions.

Issues: The major issue under this project is whether the technologies developed under the Fuelwood Project will be sufficiently advanced to advocate their wide spread application. This issue will be evaluated during the PID and PP stages of developing the project.

A second issue is whether this is an appropriate regional activity. ROCAP believes that further regional efforts are necessary to carry the Fuelwood Project closer to the payoff stage and that the continued involvement of the regional institutions is essential. Regarding ROCAP support to the PVOs, in some cases implementation could be handled at the regional level, e.g., Peace Corps, CARE, CRS, CWS, Save the Children, etc. In others, the PVO proposals might be best approved and implemented by the bilateral missions. In those situations, ROCAP would work out appropriate procedures with the missions similar to the practice now applicable in DS/W projects.

NEW FY 1983 PROJECT NARRATIVE

596-0108 Diversification of Non-Traditional Export Crops

			Grant	Loan
Proposed Funding:	(FN)	FY 1983	$ 700,000	$7,000,000
		LOP	$6,000,000	

Purpose: To promote the diversification of agricultural production with emphasis upon high value, labor intensive, non-traditional export crops -- through an integrated program of crop diversification research and supportive investment credits.

Background: The increase in volume of intraregional trade in traditional agricultural products has stagnated since 1972, primarily as the result of intensified national policies on agricultural self-sufficiency spawned by increasing difficulties with balance of payments, budgetary problems and political differences. It has become apparent that the expansion and diversification of agricultural production for export is essential to resolving both current and long-term regional problems associated with an extremely rapid population growth and increasingly higher levels of unemployment and underemployment.

The regional population of 23 million in 1980 is projected to reach 39.8 million in 2,000. The quantity of good agricultural land is limited and mostly occupied. This is forcing increased migration to the less densely populated tropical lowlands which are characterized by soils of limited potential for the production of traditional basic food grains. At the same time, the general level of productivity of currently occupied land is low, relative to its potential, as a result of continuous traditional mono-culture and accompanying erosion and loss of fertility. Crop diversification is essential for the preservation of the basic resources (soil and water) and for the rational development of the less densely populated tropical lowlands. In addition, diversification into non-traditional, high value, labor intensive export crops (vanilla, cacao, ginger, rubber, spices, achiote, pepper, nuts, fruits, vegetables and oil crops) offers an

opportunity to capitalize on the regional comparative advantages of ample labor, a wide diversity of agroclimatic zones and relative proximity to large external markets.

Description: At the present time there is a limited, region-wide knowledge base upon which to develop sustained agricultural production programs for the less densely populated tropical lowlands, particularly programs relevant to smaller producers. However, CATIE has and continues to conduct significant levels of research on a number of individual and combinations of perennial species such as cacao, coffee-cacao, cacao-laurel (Cordia alliodora), achiote (Bixa orellana), pejibaye (peach palm - Bactris gasipaes) and plantain. CATIE has developed a number of hybrid clones of cacao, has identified parent material resistant to Mal de Machete (Cretocystis fimbriata) disease, and has developed a number of improved cultural management practices for cacao and laurel. In addition, they are conducting trials on mixed plantings of perennial tree crops and food crops such as wing-beans, cowpeas and root crops. They also serve as the Genetic Resource Center for Central America and the Caribbean which contains some 360 species of genetic resources in their living collection. These facts are pointed out to illustrate that CATIE has both an interest and experience in perennial and annual tropical lowland crops. It is believed that, based upon their experience in cropping systems and farming systems developed under current and previous ROCAP assisted projects, and their technical capability supported by their collection of tropical crops, they have the capability to offer recommendations for a number of viable crop combinations worthy of investment credit support. There remains, however, a need for more research in order to identify crop combinations and practices that will support sustained production and employment in specific lowland areas of the region.

The proposed project will be implemented by CATIE which will initially determine the state of the art of current research and production requirements on promising non-traditional export crops suitable to the region's lowlands. This will involve pulling together research and production information from public and private sources, both regional and extra-regional and identifying key economic, biological and/or social constraints to implementation at the farm level. Based upon the information developed, CATIE, in collaboration with national agencies, would identify some four to six promising combinations of perennial and annual crops, both

export and food crops, for additional on-site research. CATIE would be responsible for conducting multidisciplinary research in cooperation with national research agencies to develop crop diversification packages appropriate for implementation by farmers and agro-businesses.

The research program in each country would be developed based on in-depth analyses of field surveys of potential areas of production as well as current or potential export markets. CATIE would utilize the data/information system developed through the PIADIC project as well as new information generated by the studies carried out under the Agricultural Secretariat project. Consultants and contractors for specialized assistance from outside the region, including U.S. specialists, will provide assistance to CATIE. In support of national level research efforts, CATIE will provide training at various levels to national personnel in order to develop their capacity to sustain the research, especially in perennial crops which must continue beyond the LOP. All of the above activities will be financed by the Grant portion of the project.

The Loan component would be implemented by CABEI under a separate project agreement. A total of $7 million will be provided for a revolving fund to service both short and long term financing to private and public intermediate financial institutions for activities involved in production, assembly, processing and exporting of non-traditional agricultural exports. It is anticipated that the loan funds would be matched by an estimated $10 million in contributions from the Borrower and the intermediate credit institutions.

Outputs: The principal outputs of this project will be:

- An expanded knowledge base for undertaking rational agricultural production in the less densely populated lowlands that will help accomodate the rapidly expanding population of the region.

- An increase in the production of non-traditional agricultural exports and concomitant gain in FX earnings.

- An increase in rural employment.

- A reorientation of leading policies and priorities on the part of CABEI.

Issues: The following issues will be addressed during project development:

1. Can combinations of perennial/annual crops be identified that will encourage relatively small producers to participate in long-range crop development.

2. Will the national governments support non-traditional exports by avoiding repressive taxes on essential inputs and crop exports.

3. Can marketing channels be effectively identified or developed for non-traditional exports.

TABLE V - FY 1983 PROPOSED PROGRAM RANKING

Country/Office: ROCAP

RANK	DECISION PACKAGES/PROGRAM ACTIVITY		ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING ($000)		WORKFORCE (Number of Workmonths)			
								USDH		FNDH	
	DESCRIPTION					INCR	CUM	INCR	CUM	INCR	CUM
	DECISION PACKAGE MINIMUM								228		288
	Pipeline Projects										
	0075	CABEI - Guatemala Urban Shelter Improvement (HG-004)	0	L	HG	(14,000)	(14,000)				
	0087	CABEI - Central American Secondary Mortgage Market Development	0	L	HG	(15,000)	(29,000)				
	0069	CABEI - Regional Rural Agribusiness (T-016)	0	L	FN	(291)	(29,291)				
	0097	LAAD - Agribusiness Export Development	0	L	FN	(2,000)	(31,291)				
	0095	Energy Conservation/Development	0	L	SDA	(8,000)	(39,291)				
		Sub-Total (Non-Add)					(39,291)				
	New and Continuing Projects										
1	0083	Small Farm Production Systems	0	G	FN	1,900	1,900				
2	0089	Fuelwood and Alternative Energy Sources	0	G	FN	1,400	3,300				
3	0090	Coffee Rust	0	G	FN	800	4,100				
4	0094	C. A. Agricultural Secretariat	0	G	FN	250	4,350				
5	000.3	Program Development and Support F&N	0	G	FN	100	4,450				
6	0102	Private Sector Export Investment Promotion	0	G	FN	1,400	5,850				
7	0095	Energy Policy Support, Conservation and Renewable Energy Development	0	G	SDA	1,500	7,350				
8	000.6	Program Development and Support	0	G	SDA	100	7,450				
9	0107	PVO Fuelwood Prod/Conservation	0	G	SDA	700	8,150				
10	0104	Regional Nutrition Technical Outreach	0	G	FN	250	8,400				
11	0096	Regional Cooperation Initiatives	0	G	SDA	200	8,600				
12	0108	Diversification of Non-Traditional Export Crops	N	G	FN	700	9,300				
13	0106	Watershed Management for Sustainable Energy Production	N	G	SDA	700	10,000				
		Basic Workforce									
	Total Minimum Package and Related Workforce					10,000			228		288

AID 1330-9 (4-81)

TABLE V - FY 1983 PROPOSED PROGRAM RANKING

Country/Office: ROCAP

RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING ($000) INCR	PROGRAM FUNDING ($000) CUM	WORKFORCE (Number of Workmonths) USDH INCR	WORKFORCE (Number of Workmonths) USDH CUM	WORKFORCE (Number of Workmonths) FNDH INCR	WORKFORCE (Number of Workmonths) FNDH CUM
	DECISION PACKAGE AAPL									
14	0108 Diversification of Non-Traditional Export Crops	N	L	FN	7,000	17,000				
15	Housing Guaranties CABEI HIG	N	L	HG	(15,000)					
	Total AAPL Package and Related Workforce							228		288

Narrative for Table V Proposed Project Ranking

The proposed project ranking follows closely the overall priorities set forth in the FY 1983 CDSS. Projects are concentrated heavily on three priority areas, agriculture, energy, and the private sector. The exceptions are 065 Nutrition Program which has been ranked relatively high (7th) as the project will be in its third and high payoff year in FY 1983. Project 096 Regional Cooperation has also been ranked relatively high (9th) as its purpose is to try to influence government policies on key development problems related to the CDSS Strategy.

For a program that is tightly focussed on a few sectors, the ranking process tends to be somewhat difficult and the time frame is also a factor. For example, we could have easily ranked project 090. Coffee Rust as the very highest priority given the pressing nature of the problem and its adverse impact on foreign exchange earnings and employment. In the medium term, the Private Sector project 102, might also have a higher priority. Taking a long-term view, the energy projects 095 and 107 having to do with alternative energy and the conservation and production of fuelwood would merit higher priorities. That would also be true for Project 106 aimed at protecting the key watersheds of the region where the high payoff is decades away.

A program that is tighly concentrated on a few key sectors and building on past initiatives and not changing directions tends to rank on going programs the highest. That is the case here where we do not have or anticipate major implementation problems with the on going projects. We have also given heavy weight in the ranking to those projects which will give strong support to national programs involving the USAIDs and that was a major factor, for example, in ranking the first two projects 083 Small Farm Production Systems and 089 Fuelwood and Alternative Energy Sources. In our review, we did not identify any projects that could be considered marginal no matter how listed. For example, project 108, a proposed Export Crop Diversification Loan would become a "shelf project" if funds were not available in FY 1983.

The ROCAP workforce should be essentially stable in FY 1983 and the outyears in terms of managing a portfolio of projects concentrated on the priorities established in this year's CDSS and of providing services to the USAIDs. Thus the new projects proposed would not require an increase in staff.

Country/Office ROCAP

Page 1

TABLE VIII

OPERATING EXPENSE SUMMARY

COST SUMMARIES	FY 1980			FY 1981			FY 1982		
	($000's)	Related Workyear	Unit Cost	($000's)	Related Workyear	Unit Cost	($000's)	Related Workyear	Unit Cost
US Direct Hire	418.5	7.7	54.35	609.3	10.7	56.94	827.6	16.0	51.72
FN Direct Hire	371.9	23.0	16.17	409.0	23.0	17.78	526.3	24.0	21.93
US Contract Pers.	-.-	-.-	-.-	-.-	-.-	-.-	189.2	2.0	94.6
FN Contract Pers.	18.5	1.0	18.5	52.0	4.3	12.09	88.5	6.0	14.75
Housing Expense	78.5	10.3	7.62	115.8	12.0	9.65	232.9	17.0	13.70
Office Operations	365.1	xx	xx	382.6	xx	xx	622.0	xx	xx
Total Budget	1,252.5	xxx	xxx	1,568.7	xx	xx	2,486.5	xx	xx
Mission Allotment	890.3	xxx	xxx	1,076.3	xx	xx	1,739.2	xx	xx
FAAS	15.1	xxx	xxx	12.3	xx	xx	16.0	xx	xx
Trust Fund	0	xxx	xxx	0	xx	xx	0	xx	xx

TABLE VIII

COST SUMMARIES	FY 1983 ($000's)	FY 1983 Related Workyear	FY 1983 Unit Cost	FY 1983 (000's)	FY 1983 Related Workyear	FY 1983 Unit Cost	FY 1983 ($000's)	FY 1983 Related Workyear	FY 1983 Unit Cost
US Direct Hire	973.8	18.0	54.10	973.8	18.0	54.10	973.8	18.0	54.10
FN Direct Hire	608.2	24.0	25.34	608.2	24.0	25.34	608.2	24.0	25.34
US Contract Pers.	175.8	2.0	87.90	175.8	2.0	87.90	175.8	2.0	87.90
FN Contract Pers.	97.8	6.0	16.30	97.8	6.0	16.30	97.8	6.0	16.30
Housing Expense	269.2	19.0	14.16	269.2	19.0	14.16	269.2	19.0	14.16
Office Operations	585.3	xx	xx	585.3	xx	xx	585.3	xx	xx
Total Budget	2,710.1	xx	xx	2,710.1	xx	xx	2,710.1	xx	xx
Mission Allotment	1,834.2	xx	xx	1,834.2	xx	xx	1,834.2	xx	xx
FAAS	20.8	xx	xx	20.8	xx	xx	20.8	xx	xx
Trust Fund	0	xx	xx	0	xx	xx	0	xx	xx

TABLE VIII

WORD PROCESSING EQUIPMENT

At present, USAID/Guatemala-ROCAP have no word processing capability. We propose to develop this capability during FY 1981 or early FY 1982. It is necessary to move ahead with this capability as soon as possible, since conversion of the two Missions to the automatic Disbursement System in Mexico is planned for July 1981. The equipment will also be used for recurring program, administrative and financial reports and for the preparation of program documents that have to be reviewed and retyped several times. It will be operated by existing FN staff.

The following WANG Corporation equipment will be procured:

1	Model 5520	Text Processor CPU	$ 7,300.00
3	Model 5536-1	Work Stations	13,800.00
2	Model 5581WC	Printers	16,100.00
1	Model MT-1	Table for CPU	550.00
2	Model WST-1	Tables for Printer	600.00
		TOTAL	$ 38,350.00

A. Procurement of most equipment and initiation of the system is proposed for FY 1981 or early FY 1982. Acquisition of one work station and printer is proposed for FY 1983.

B. Funding priority of the acquisition is minimum.

C. Funding will be $21,900.00 for USAID and $16,450.00 for ROCAP.

AGENCY FOR INTERNATIONAL DEVELOPMENT
OVERSEAS WORKFORCE REQUIREMENTS
IN WORKMONTHS

TABLE IX

BUREAU: BUREAU FOR LATIN AMERICA AND CARIBBEAN

04/15/81

DECISION UNIT: ROCAP

ITEM	US/ FN	FUNC TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	PERS CAT	WORK SHC	FY 81	FY 82	FY 1983 AT MIN	FY 1983 AT CURR	FY 1983 AT AAPL	FY 1983 ABOVE PLAN LEVEL	FY 84	FY 85
796	U	10	011	61012 DIRECTOR	S	-	40	3	12	12	12	12	-	12	12
	U	10	013	Assist. Mission Director	S		40	3	12	12	12	12		12	12
798	U	10	050	61030 SECRETARY	E	-	30 40	12	12	12	12	12	-	12	12
2144	F	10	050	SECRETARY	N	-	40	12	12	12	12	12	-	12	12
1096	U	20	020	67012 ECONOMIC ADVISOR	H	-	40	12	12	12	12	12	-	12	12
	U	20	020	Asst. Economic Advisor	H		40	2	12	12	12	12		12	12
801	U	20	023	63010 Capital Res. Develop. Officer	H	-	40	3	12	12	12	12	-	12	12
	U	20	023	Asst. Program Officer	H	-	40	3	12	12	12	12		12	12
2145	F	20	050	SECRETARY	N	-	40	12	12	12	12	12	-	12	12
	F	20	050	Secretary	N	-	40	12	12	12	12	12		12	12
1098	U	34	091	68410 GENERAL DEVELOPMENT OFFICER	H	-	40	12	12	12	12	12	-	12	12
808	U	34	103	68515 ASST AG DEV OFFICER	H	-	40	12	12	12	12	12	-	12	12
	U	34	104	IDI Agronomist	E	I	40	3	12	12	12	12	*		
1104	U	34	103	68508 AG DEV OFFICER	H	-	40	12	12	12	12	12	-	12	12
	U	34	504	Nutrition Advisor	H		40	3	12	12	12	12		12	12
2149	F	34	021	ECONOMIST-PROJECT OFFICER	P	-	40	12	12	12	12	12	-	12	12
2147	F	34	050	SECRETARY	N	-	40	12	12	12	12	12	-	12	12
	F	34	050	Secretary	N		40	12	12	12	12	12	-	12	12
2146	F	34	101	AG ECONOMIST	P	-	40	12	12	12	12	12	-	12	12
2148	F	34	250	ENGINEER-PROJECT OFFICER	P	-	40	12	12	12	12	12	-	12	12
2150	F	34	940	ASST CAPITAL DEVELOPMENT OFFICER	P	-	40	12	12	12	12	12	-	12	12
	F	60	034	Tel. Oper. Recept.	N	-	40	12	12	12	12	12	-	12	12
~~810~~	~~F~~	~~34~~	~~990~~	~~OTHER~~		-	~~40~~	~~12~~	~~12~~	~~12~~	~~12~~	~~12~~	~~-~~	~~12~~	~~12~~
~~1099~~	~~F~~	~~34~~	~~990~~	~~OTHER~~		-	40	12	12	12	12	12	-	12	12
	U	34	231	Energy Advisor	P	-	40	-	-	12	12	12	*	12	12
	U	34	232	Environmental Advisor	P	-	40	-	-	12	12	12	*	12	12
1100	U	50	042	64032 BUDGET AND FISCAL OFFICER	H	-	40	12	12	12	12	12	-	12	12
820	U	50	043	64011 CONTROLLER	S	-	40	12	12	12	12	12	-	12	12

AGENCY FOR INTERNATIONAL DEVELOPMENT
OVERSEAS WORKFORCE REQUIREMENTS
IN WORKMONTHS

TABLE IK

BUREAU: BUREAU FOR LATIN AMERICA AND CARIBBEAN

DECISION UNIT: ROCAP

04/15/81

ITEM	US/ FN	FUNC TION	SKILL	POSITION NUMBER AND TITLE	LEVEL	PERS CAT	WORK SHC	FY 81	FY 82	FY 1983 AT MIN	FY 1983 AT CURR	FY 1983 AT AAPL	FY 1983 ABOVE PLAN LEVEL	FY 84	FY 85
822	U	50	043	64022 DEPUTY CONTROLLER - FINANCIAL ANALYST	H	-	40	12	12	12	12	12	-	12	12
	U	50	043	IDI - CONTROLLER	H	-	40	12							
1101	F	50	041	ACCOUNTANT	P	-	40	12	12	12	12	12	-	12	12
	F	50	041	Financial Analyst	P	-	40	12	12	12	12	12		12	12
2151	F	50	041	FINANCIAL ANALYST	P	-	40	12	12	12	12	12	-	12	12
	F	50	041	Financial Analyst	P	-	40	-	12	12	12	12	*	12	12
2152	F	50	041	ACCOUNTANT	P	-	40	12	12	12	12	12	-	12	12
4550	F	50	041	ACCOUNTANT	P	-	40	12	12	12	12	12	-	12	12
4551	F	50	041	ACCOUNTANT	P	-	40	12	12	12	12	12	-	12	12
4552	F	50	041	ACCOUNTANT	P	-	40	12	12	12	12	12	-	12	12
2153	F	50	050	SECRETARY	N	-	40	12	12	12	12	12	-	12	12
	F	50	041	Accountant	P	-	40	12	12	12	12	12	-	12	12
	F	50	041	Accountant	P	-	40	12	12	12	12	12	-	12	12
2154	F	50	050	SECRETARY	N	-	40	12	12	12	12	12	-	12	12
	F	50	041	Accountant	P	-	40	12	12	12	12	12	-	12	12
	F	50	041	Accountant	P	-	40	12	12	12	12	12	-	12	12
1102	U	90	201	68625 HOUSING ADVISOR	S	-	40	12	12	12	12	12	-	12	12
~~1103~~	~~U~~	~~90~~	~~201~~	~~68612 HOUSING ADVISOR~~	~~H~~	~~-~~	~~40~~	~~12~~	~~12~~	~~12~~	~~12~~	~~12~~	~~-~~	~~12~~	~~12~~
~~2155~~	~~F~~	~~90~~	~~050~~	~~SECRETARY~~	~~E~~	~~-~~	~~40~~	~~12~~	~~12~~	~~12~~	~~12~~	~~12~~	~~-~~	~~12~~	~~12~~
	U	60	932	Reg Sup Mat Off	H	-	40	12	12	12	12	12	-	12	12
				TOTAL FOR DECUNIT				~~360~~	~~360~~	~~360~~	~~360~~	~~360~~		~~360~~	~~360~~
								~~427~~	~~480~~	~~480~~	~~480~~	~~480~~		~~468~~	~~468~~
								~~427~~	~~480~~	~~480~~	~~480~~	~~480~~			
								428	492	516	516	516		504	504