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UNCLASSIFIED

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523**

ROCAP

PROJECT PAPER

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT

AID/LAC/P-272

Project Number:596-0108

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

ROCAP

3. PROJECT NUMBER

596-0108

4. BUREAU/OFFICE

Latin American and
the Caribbean

05

5. PROJECT TITLE (maximum 40 characters)

Non-Traditional Ag. Exp. Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
06 30 91

7. ESTIMATED DATE OF OBLIGATION

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

A. Initial FY 86

B. Quarter 2

C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(2,745)	()	(2,745)	(8,000)	()	(8,000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Export Federations		318	318		1,590	1,590
2.						
Host Country						
Other Donor(s)						
TOTALS	2,745	318	3,063	8,000	1,590	9,590

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	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) ARDN	730	140				2,740		8,000	
(2)									
(3)									
(4)									
TOTALS						2,745		8,000	

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

840

874

11. SECONDARY PURPOSE CODE

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

A. Code

BL

TECH

TNG

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To create and/or strengthen private sector capabilities in the provision of hands-on training and technical assistance in skills involving production, post-harvest handling, marketing and transport, and computer information access for non-traditional agricultural export products.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
06 88 06 91

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 041 Local Other (Specify) CA/P

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

17. APPROVED BY

Signature

1.

[Signature]

2.

Title

1. Richard Goughnour, A/Cont.

2. Nadine Plaster Director

Date Signed

MM DD YY
12 20 85

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

MM DD YY

01 11 84

PROJECT AUTHORIZATION

Name of Entity: Technical Assistance and Training
 Contract Firm

Name of Project: Non-Traditional Agricultural Export
 Support

Number of Project: 596-0108

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Non-Traditional Agricultural Export Support Project, involving planned obligations of not to exceed Eight Million United States Dollars (\$8,000,000) in grant funds ("Grant") over a five year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project.

2. The Project ("Project") consists of the provision of technical assistance and training to create and/or strengthen private sector capabilities in the production, post-harvest handling, transport and marketing, and computer information access of non-traditional agricultural export products.

3. The Contract Agreement, which will be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in countries which are members of the Central American Common Market ("CACM"), Panama, or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or

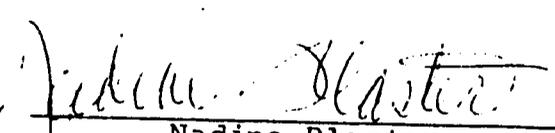
services shall have countries which are members of the CACM, Panama or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

b. Conditions Precedent to Disbursement

(1) Prior to any disbursement of Project funds for technical assistance or training activities involving the participation of the Project-designated export federations of Guatemala, Honduras, Costa Rica, and El Salvador, each federation shall submit in form and substance satisfactory to AID, and agreed upon by each country's Project-designated export federation, a letter of understanding which details the level of effort and commitment of resources by each export federation in support of the Project's technical assistance and training activities.

c. Convenants

(1) The Project-designated export federations of Guatemala, Honduras, Costa Rica and El Salvador shall covenant to continue the project activities of production, post-harvest handling, transport and marketing, and computer information access, by providing the necessary personnel and resources required to sustain project results beyond the life of the Project.

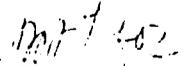
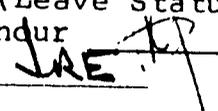


Nadine Plaster
Director
ROCAP

Date

Drafted by: A/PDO M Lofstrom 

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111

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT
596-0108

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I. PROJECT SUMMARY

A. Recommendation

ROCAP recommends the authorization of an \$8 million grant to support the development of non-traditional agricultural exports from the CA/P region, through the provision of long and short-term technical assistance and training programs for private sector export federations, producers and entrepreneurs.

B. Summary Project Description

The countries of Central America and Panama (CA/P) are heavily dependent upon their agricultural sectors for income, employment and foreign exchange earnings. The CA/P economies have also depended to varying degrees upon the traditional agricultural export products of coffee, bananas, cotton, sugar and beef for major contributions to economic production and growth. However, income and foreign exchange generated by the exportation of these traditional products have declined in the recent past, and chances for their recovery are slight given the longer-term trend in export demand for these agricultural products. If near-term growth rates projected for agricultural exports are to be achieved, and overall economic stabilization in the region is to take place, it is essential that significant increases in exports be made through the development and expansion of diversified, non-traditional agricultural products.

In the last few years, there has been a growing interest and some significant progress in the exportation of flowers and fresh fruits and vegetables from the CA/P region to North American markets. Okra, melons, snow peas, broccoli, cucumbers, roses and specialty items such as tropical fruits and foods and some processed foods, directed at ethnic and health food markets, are being profitably exported to the U.S., but on a limited scale and at considerable risk to the exporter. There exists an urgent need in the Central American region to assist agricultural producers and exporters to develop skills in the production and handling of non-traditional crops, to establish efficient management practices at the production level and to equip producers, exporters and export associations with the most sophisticated and up-to-date market information to allow them to successfully compete in the international marketplace.

The project will directly support the efforts of USAID bilateral missions in increasing exports of diversified agricultural products from the region, by providing assistance through key private sector export federations in Central America, and possibly Panama and Belize. The federations themselves will be strengthened under the project and will be used as vehicles to provide technical assistance and training to their memberships, local producers associations, cooperatives, export brokers and sellers and to some extent public sector export personnel.

The most critical constraints to non-traditional agricultural exports will be addressed through the provision of a six member team of technicians supplying 300 person months of technical assistance and training over the five year life of project. In addition, the project will provide 120 person months of short-term assistance in specialized areas not covered by the full time technical team. This assistance will focus on project seminars and workshops related to diversified agricultural exports, and provide direct applications of technical know-how to resolve production, handling, shipping, processing and marketing problems encountered by project beneficiaries.

The project purpose is to create and/or strengthen private sector capabilities through the provision of hands-on training and technical assistance in understanding and applying production, handling, transport and marketing technologies, and in accessing and interpreting market intelligence for the increased development of non-traditional agricultural exports.

ROCAP will sign a contract agreement with the technical assistance team best qualified to carry out the objectives of the project. Total cost of the five year project is \$8 million. The participating host country export federations will provide personnel and logistical and administrative support to the project, estimated at \$1.6 million over the life of the project.

C. Summary Budget

<u>COMPONENT ACTIVITY</u>	<u>ROCAP</u>	<u>COUNTERPART</u>	<u>TOTAL</u>
Management and Chief of Party	\$ 782.0	\$ 165.0	\$ 947.0
Training & Tech. Assist.	3,344.8	605.0	3,949.8
Short-Term Tech. Assist.	1,825.0	160.0	1,985.0
Computer Information Activities	209.8	175.0	384.8
Miscellaneous	762.0	485.0	1,247.0
Contingencies (7%)	484.6	-.-	484.6
Inflation (8%)	<u>591.8</u>	<u>-.-</u>	<u>591.8</u>
TOTALS	\$8,000.0	\$1,590.0	\$9,590.0

D. Project Development Team

ROCAP Project Paper Development

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Michael H. Lofstrom	A/PDO
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Joe Kwiatkowski	Honduras
Frank Bendaña	Honduras
Harry Wing	Guatemala
Tom Ivers	Guatemala
Aaron Williams	Costa Rica

Project Review Committee

Nadine Plaster	Director
John R. Eyre	Deputy Director
Joe O. Hill, Jr.	Controller
J. Michael Deal	Project Dev. Officer
Richard Delaney	Program Officer

II. PROJECT BACKGROUND AND RATIONALE

A. Background

Over the recent past, world market prices have stagnated for the traditional agricultural export products of Central America and Panama (i.e. sugar, coffee, bananas and beef), and as a result the capacity of the CA/P region to generate income and foreign exchange has been adversely effected. A variety of reasons exist as to why world prices for these products have slowed, or in some cases significantly fallen. Recent bumper harvests and high production levels achieved by larger export producer countries outside of the region have accounted for the majority of sales to the U.S. import market. Another key factor is the declining rate in consumption of traditional CA/P agricultural export products by the U.S. and European consumer, attributable to less disposable income in recent years of recession, and more importantly, due to longer-term trends in consumer preferences for substitute products; most notably for sugar and to some extent coffee.

Conversely, there is great potential for increased non-traditional agricultural exports from the Central America and Panama region to the U.S. and elsewhere. Successes recorded in the export of tropical plants and fresh fruit and vegetables have reinforced the expected demand figures for these products. A strong demand for ethnic, health food and off-season fresh produce in the U.S. has been clearly demonstrated.

Some Caribbean Basin countries have been involved in diversified export promotion for many years, but in most cases profitable exports have not been consistently realized. Export promotion programs of the 1970s focused on industrial goods, light manufacture and artisan products. Much of the emphasis has been on opening overseas offices to provide a point of contact for buyers and on participation in international trade fairs. There has also been some attempt to diversify exports because of the stagnant growth in traditional export products, such as coffee, sugar and bananas.

Given the existing resource base, the heavy concentration of population in rural areas, the shortage of industrial management capacity and the difficulty of accessing world markets, most of the Caribbean Basin countries have gravitated toward developing new agricultural products as a

source of exports. Additionally, because fresh produce and some processed food exports require little or no major dollar financed capital investment, and are highly labor intensive, there are considerable economic advantages to undertaking export production and marketing ventures for diversified agricultural products.

An examination of 1982 export data for 11 selected agricultural products shows that cantaloupes, honeydew melons and cucumbers account for the preponderance of exports from the region (see Table 1). Relatively high volumes are also observed for cut roses and carnations, and for certain tree crops; principally mangoes and limes.

Mexico's 1982 exports represent a volume barometer by which the exports of other countries can be compared. Mexico dominates almost all other exports by Caribbean Basin countries except in the case of roses, where the export volume of both Guatemala and the Dominican Republic exceeded that of Mexico. Mexican exports to the U.S. increased considerably in 1983, demonstrating the large potential in U.S. import markets for winter fresh fruits and vegetables.

The market potential for selected products varies within the winter market season due to several factors, among these are: seasonal shifts in consumer preference; domestic supply from Florida, Arizona, and California; and due to exports from Mexico. The combination of these and other factors create "windows" of opportunity in the U.S. winter vegetable market. These windows are periods of time, usually two to three months in duration, characterized by low supply levels and high market prices. They are of particular relevance to Caribbean Basin exporters of fresh fruits and vegetables since high start-up costs and production risks can only be covered if premium prices are obtained. In addition, the cost of transportation from the region is particularly crucial since it often exceeds the cost of production.

There are obvious structural comparative advantages which the countries of the CA/P region all enjoy (e.g. climate, soils, length of growing season, inexpensive labor). To fully capitalize on these potential advantages, however, the producers and exporters of the region need to employ the most efficient management practices, be thoroughly knowledgeable of the latest technologies of production and handling, and be equipped with the most sophisticated and up-to-date market information.

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT
TABLE 1

Dollar Value of Selected Non-traditional
Agricultural Exports, 1980-1984
(US\$ 000)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Broccoli, Cauliflower & Okra					
Guatemala	2887	3587	5811	4874	5468
El Salvador	845	522	1012	961	1245
Flower Seeds					
Guatemala	1027	1355	1739	1185	2524
Costa Rica	2323	2658	2787	2168	3998
Peas, fresh, chilled					
Guatemala	1022	1135	1574	1889	2473
Live plants, suitable for planting					
Guatemala	2871	2527	2222	2047	2396
Honduras	2000	1661	1470	1244	1676
Costa Rica	5251	2304	2301	2280	4628
Vegetable substances, crude					
Guatemala	1754	2336	1903	1260	1849
Melons, fresh, canteloupe					
Guatemala	0	501	970	720	1327
El Salvador	0	0	0	332	537
Brussel sprouts, fresh, chilled					
Guatemala	0	0	0	0	1096
Pineapples, fresh in package					
Honduras	4969	5195	5334	5354	6794
Costa Rica	103	430	351	1069	2999
Mangoes, fresh					
Belize	213	188	250	139	165
Yucca, fresh, chilled, frozen					
Costa Rica	1532	1637	1842	1870	2018
Fresh cut roses, wreaths					
Guatemala	76	326	392	609	920

Source: U.S. Department of Commerce

During most of the last decade, USAID missions in the region have focused much of their attention on improving the production of locally consumed, basic food crops. This emphasis has gradually shifted to a more balanced and effective policy which includes greater support for the production, marketing and export of non-traditional agricultural crops-- primarily directed at the U.S. market.

These more recent initiatives have relied heavily on private sector institutions as vehicles of both production and export promotion. While these institutions provide a private sector organizational framework for export development activities, there is need for a clearer understanding of export production constraints and the export market itself so as to reduce risk and guide investment and production decisions. To be effective in helping to generate export revenues on a broader scale throughout the region, the export federations must be capable of leveraging new resources, arranging for buyer contracts with multiple producers, coordinating sales agreements, and in providing necessary technical training in production and post-harvest handling and transportation and marketing, in order to increase exports and develop entrepreneurial skills.

B. The Problem

Among CA/P producers and exporters, the major obstacles to increasing non-traditional food exports are the scarcity of technical know-how, current market information, and a general lack of experience in the U.S. market. Key aspects of the export process are highly integrated and require the entrepreneur to access and analyze large amounts of production and market data. The exporter must learn a great deal about the nature of the U.S. and other foreign food marketing systems; systems that are vastly more complicated and demanding than the food marketing systems of the CA/P region. At a minimum, aspiring exporters must have immediate access to current information on market prices and seasonal variations, product quality characteristics, import restrictions, product handling and refrigeration requirements, packaging, transportation availability and cost, production technologies, alternative buyers, sales arrangements as well as data on numerous other factors which influence the export market.

An analysis of the CA/P region's agronomic, handling, marketing and organizational practices, based on an illustrative list of 20 non-traditional product mixes, was

conducted as part of the project's intensive review.^{1/} This analysis reveals the following characteristics and lists the major constraints to exporting:

1. The predominance of substandard yields for both fruits and vegetables due to:
 - inferior varieties and generally low quality seed;
 - in general, inadequate cultural/agronomic practices;
 - inadequate insect, disease and weed control;
 - insufficient use of fertilizer applications;
 - unreliable supply systems for high cost, inferior quality agricultural inputs;
 - lack of new technology in farm management practices, with little cost analysis and limited record keeping;
 - improper water management; and
 - inadequate (little or no) testing/trials;
2. Existing substandard transport and storage facilities based on:
 - inadequate and/or improperly located cold storage areas;
 - improper use of limited existing storage facilities;
 - unavailable, inadequate, unreliable, and/or high-cost marine and inland refrigerated transport; and
 - limited and expensive air cargo services and facilities.
3. Improper post-harvest handling technology given:
 - the lack of grading/standard system, quality control and sanitation regulations;

^{1/} An illustrative list of such products includes the following: cantaloupes, honeydew, okra, cucumbers, cut flowers, pineapples, mangoes, watermelon, chile peppers, papaya, plantains, green limes, tropical plants, broccoli, brussel sprouts, cauliflower, snow peas, chayote and strawberries.

- limited understanding of U.S. market quality demands and importance of quality maintenance standards;
 - improper selecting, packing, stacking, testing; and
 - insufficient knowledge of cold storage procedures.
4. Limited contact with market and marketing systems due to:
- inadequate price information and analysis of price and demand factors;
 - limited market research and development training courses;
 - fear of international markets due to mystique of same;
 - distrust of receivers in U.S. markets; and
 - lack of buyer communication and concurrence with specifications prior to the selection of export product varieties.

The non-traditional agricultural export management function has typically been carried out by individuals or firms referred to in the technical literature as export systems coordinators or "channel captains". These individuals or firms are highly specialized in gathering the technical and economic information needed to identify market opportunities and in designing and implementing appropriate export strategies. The channel captain understands every facet of the business including the purchase of agricultural inputs, production, selection, packing, packaging, shipping, distribution, marketing and sales. This individual successfully coordinates the activities of agronomists, packers, shippers, brokers, wholesalers and retailers to consistently achieve profitable export sales.

The channel captain's role in Central America and Panama has often been performed by U.S. citizens with State-side experience in the food marketing system. The channel captain function has also been performed, to some degree, by local businessmen and to a lesser extent by groups of farmers or cooperatives. In most cases, successful CA/P channel captains have had to depend heavily upon a U.S. trading partner (a broker or marketing agent of a U.S. buyer) for much of the required information, analysis and planning. Because of this, the interests of U.S. trading partners have tended to dictate how the CA/P supplier will respond to export opportunities in the U.S. Since the fresh produce business in

the United States is extremely competitive and usually operates on a very thin margin, U.S. importers cannot afford to be too dependent upon one source of supply. Experience has shown that if fresh produce does not arrive on time and meet the agreed upon quality standards, U.S. importers will not hesitate to look for other suppliers who can provide better quality product and more prompt service.

The historical relationship between CA/P suppliers and U.S. importers is there shows clearly that too few individuals or firms in the region capable of serving as channel captains. A lack of qualified export personnel and risk-takers is detrimental for it restricts access to the export market and precludes active competition needed to increase efficiency and bring down export brokerage commissions.

Another part of the overall problem is the quality and general scarcity of adequate export market training in the region. Most educational programs simply do not address the need for applied knowledge in the non-traditional agricultural sector. For example, there are no existing programs to provide specialized training for the export management of perishable food products. Moreover, a recent study contracted by ROCAP also found that "there are relatively few educational institutions which are currently providing anything close to the type of training necessary for effective export marketing."
2/

2/ Harrison, Kelly. Exporting Non-Traditional Agricultural Products from Central American and Panama. November 20, 1984. Page 37.

C. Project Strategy

The ROCAP Non-Traditional Agricultural Export Support Project is designed to provide services to, and build upon in a complementary way, the USAID bilateral projects of agricultural production and export marketing. The project will establish in the region a strong base of technical expertise and market intelligence that will be incorporated into each export federation and, in turn, be utilized by producer associations, agricultural co-ops, individual farmers and potential export entrepreneurs. Additionally, the project will strengthen and enhance the technical and training capabilities of the export federations, as well as provide assistance in the design and implementation of regional and local training seminars and workshops in various aspects of non-traditional agricultural export management.

The project will provide for a six member team of specialized technicians in the field of non-traditional agricultural exports. The contract will finance three full time (5 years each) and three part time (2-4 years each) professionals over the project's five year duration (a total of 300 person months of long term technical assistance). One full time professional will be the Chief of Party (COP). This person will manage and coordinate all project activities and be responsible for accomplishing the objectives of the project. The COP will have a background as an executive in a U.S. trade association, with considerable experience in the management of export/import programs directly related to non-traditional agricultural products. This individual will possess the necessary managerial and analytical skills needed to effectively lead the project.

A full time Production Specialist will work directly with grower associations, producer groups and other entities in the CA/P region to assess the needs for export production assistance and determine production objectives, costs and export quality standards. This individual will have a demonstrated capability in all technical aspects of non-traditional agricultural crop production.

A Post-Harvest Handling Specialist will be provided for the duration of the project to analyze, design and teach, under various instructional formats, all phases of post-harvest handling/packaging and transporting of fresh produce. Another important function of the post-harvest specialist will be to develop and coordinate information on the availability, scheduling and maintenance of refrigerated transport

containers. In this capacity, the consultant will identify and maintain regular contact with U.S. and other firms which provide transport services.

The contract team will include a Marketing Specialist and a Computer Information Specialist, each to be contracted for a period of four years. The Marketing Specialist will be responsible for developing export markets and will assist producers and exporters in negotiating sales and transportation contracts, and in identifying "windows of opportunity" in the CA/P regional export market. The marketing expert will also recommend ways to maximize the use of foreign market intelligence, product demand information, quality specifications and price and cost data for diversified agricultural exports.

The Project Computer Information Specialist will initially assess the project's and export federation's requirements for data processing equipment and materials, and based upon this assessment will establish training and data transfer procedures to be presented to the export federations, their memberships, entrepreneurs and other project participants. Computer training will take place through instructional courses and written material on the applicability and interpretation of data information systems as they relate to non-traditional agricultural exports and export market intelligence. The Computer Specialist will also be in charge of the selection and operation of project-supplied computer hardware and software. Every effort will be made to incorporate existing sources of technical expertise and on-going computer information systems into the project's computer training activities. Such software services as Pro-Net and Fresh-Net and the CBIN system, USDA and the Ibero-American Chamber of Commerce agricultural and investment informational sources, will be included in project computer applications whenever appropriate. It is envisioned that the export federations will collaborate in sharing non-proprietary export information, and conceivably this activity could lead to the development of a CA/P regional data base of information.

A project funded Training Specialist will be employed for two years under the contract, to work on establishing and carrying out training programs designed to transfer skills in agricultural export development. Courses will be given for the staff members of export federations, federation members, exporters, and producer groups and individuals. Classes will be taught by the Training Specialist, and if further specialized training is required the consultant will recommend and assist in locating qualified individuals to be contracted on a short-term basis.

Included in the project's technical assistance package are 120 person months of short-term technical assistance to be applied when circumstances require more specialized expertise, or when the volume of requested technical assistance may justify the contracting of additional help. Contracted short-term technical assistance will also be employed for regional training programs to be held at INCAE and IFAIN, and possibly one other regional training institution.

A key consideration for the selection of the most appropriate technical assistance firm(s) will be the extent to which the contracted firm and the individual team members can demonstrate linkages and institutional connections with organizations that are involved in the importation and production of non-traditional agricultural products. It is envisioned during the five year life-of-project, that constant market exposure of U.S. buyers to the CA/P region's productive areas and export services will lead to new contracts from the region. Many of these firms will be introduced to CA/P regional supply sources by means of connections with project team members. Contract team linkages with producer and agriculture research institutions in the U.S. will also be of great benefit in identifying specialized technical assistance and in acquiring additional project technical resources.

The project's institutional focus will be on the four major non-traditional agricultural export federations of the region. These organizations are: 1) the Federation of Agricultural Producers and Exporters in Honduras, FEPROEXAH; 2) the Association of Non-traditional Agricultural Export Producers of El Salvador, ASPENT; 3) the GREMIAL, or Export Federation Guild of Guatemala; and 4) CAAP, the Private Industrial and Agriculture Council of Costa Rica. The technical needs of each federations are varied at this stage of export development, however, the project will endeavor to provide the most appropriate type of technical assistance and training which is non-duplicative with other efforts and which provides maximum returns to producers and exporters.

The contract team will initially be located in Guatemala. The existing and projected technical assistance requirements of the GREMIAL are such that the contract team will be fully utilized while focusing approximately 25-30% of its time on the needs of the GREMIAL and Guatemalan producers and exporters. The infrastructural base of Guatemala, the institutional capacity of the GREMIAL and the potential for fast development of non-traditional export products, will allow the contract team to gain time in orienting themselves to working in the CA/P region and in addressing the primary constraints to increased export development.

Although the team will try to evenly distribute its technical expertise among the four major federations, slightly more time will be spent in the first year of the project in fully developing the production, handling, marketing, training and informational capacities of the GREMIAL, its membership and of other Guatemalan entrepreneurs. After initial project objectives have been achieved through the GREMIAL federation, the team will be moved, at minimal transfer cost, to another more appropriate location. The expected new location of the team will most likely be the CAAP federation in Costa Rica, which has shown good growth potential to assist in developing export entrepreneurs and increasing export production of non-traditional products.

1. Project Support for Export Federations

Honduras

FEPROEXAH is a private export federation made up of 13 associations of producers of a variety of traditional and non-traditional agricultural products. These products include vegetables and flowers, honey, plantains, cocoa, bananas, citrus, coffee, tobacco, and a variety of animal products. Together, FEPROEXAH's member associations represent approximately 60,000 producers and exporters.

FEPROEXAH's immediate technical requirements include assistance in post-harvest handling, transport and storage and a need to develop training courses aimed at diffusing technical information to FEPROEXAH's membership. FEPROEXAH also requires help in organizing producer associations (in coordination with the efforts of VITA), and in identifying and developing potential entrepreneurs and channel captains which can benefit from use of the federation's resources. The fee for service schedule and enhancing FEPROEXAH's revenue generating capabilities are other ways in which the project technical team can provide valuable assistance. It is expected that the Chief of Party, and the Post-Harvest and Transport Specialist will contribute significantly to strengthening the services offered by FEPROEXAH.

USAID/Honduras has an ongoing Export Development and Services project in which FEPROEXAH is the institution responsible for promotion, technical assistance and the provision of services for agricultural export development. Under this project, FEPROEXAH will utilize AID grant funds of \$2.45 million and \$950,000 in counterpart funds to carry out research programs for the exportation of cacao and vegetable crops. To accomplish this, FEPROEXAH will employ two vegetable

productivity specialists and four extensionists to work on the project. A two-year contract with the Lewis Berger Consulting firm was recently signed to assist FEPROEXAH in developing production and marketing technical capabilities in non-traditional agricultural exports. In addition, the bilateral project will provide for a full time project liaison person.

The ROCAP project will directly complement the activities of FEPROEXAH and USAID Honduras by employing specialized assistance in post-harvest handling and technical aspects of export marketing and computer information sources which are areas not being adequately addressed by FEPROEXAH's existing programs. Other technical assistance provided under the project will be requested and utilized by FEPROEXAH as needed during the life of project.

The FEPROEXAH staff is comprised of four technical units, supported by an administrative office which includes accounting and legal services. The technical units incorporate finance, marketing (with two sub-units, transport and import/export), a center for productivity and an information center. The information center is supported by three additional staff members, and the productivity center has a staff of six. FEPROEXAH's information unit has one IBM-PC computer and a modem.

There is also great potential for the utilization of computer applications for agronomic research in non-traditional crops (e.g. cacao, vegetables and citrus) now being undertaken by the Hondureanan Federation for Agricultural Research (FHIA), which is working in collaboration with and close proximity to FEPROEXAH. FEPROEXAH also has ideal facilities for short-term training and seminars, and for bringing in potential U.S. investors for short periods of time. By having these capabilities, FEPROEXAH can readily show and demonstrate to both foreign and local investors and export managers the existing investment and export opportunities of the region. FEPROEXAH's location in San Pedro Sula is easily accessible to all parts of the region by air, and transport and shipping services and infrastructure are considered good.

Guatemala

The Guild (Gremial) of Exporters of Non-Traditional Products, is a trade committee legally assigned to the Chamber of Industry of Guatemala. It was founded in 1982 by Guatemalan businessmen for the purpose of representing the interests of exporters of non-traditional products to the Government of Guatemala (GOG), other private sector groups, and overseas

exporters and importers. It has over 160 members whose products include non-traditional agricultural exports emphasized under this project.

The Guild acts both as an interest and lobbying group to the GOG, and as a technical support service for member exporters. Due to a limited staff, the Guild has tended to concentrate on the former function. It has worked on such issues as international trade agreements, taxation policies, and international air transport arrangements. It has also sponsored and/or coordinated export training programs.

Despite the expressed intentions of the Guild, it will take additional support and involvement under the USAID Guatemala bilateral project and direct hands-on assistance provided by the ROCAP project, to ensure that the Guild can effectively carry out the responsibilities and provide the services of an export federation.

Currently, the Guild has 4 professional and 3 administrative personnel. With the assistance of the USAID/Guatemala Agribusiness project, three additional professionals were hired in 1985: a project coordinator, a market information systems specialist, and a specialist in export expansion and promotion of investments.

The bilateral project will provide direct assistance to the GREMIAL's existing and potential membership, in improving the productive, storage, processing, marketing and employment capabilities of high value non-traditional agricultural crops. A credit component will provide \$10.3 million to meet the financial needs of small farmers for production and marketing. Other activities contemplated in the bilateral project include data resource unit, a program for investment promotion, and studies and research focused on market search, transportation, export tax policy and foreign exchange incentives.

The ROCAP contract team will support and build upon these planned activities of the GREMIAL. For example, the marketing of Guatemalan non-traditional agricultural products will be strengthened through the relationships with U.S. or other buyers established and/or solidified by the contract team leader and the marketing specialist. The post-harvest handling and transportation specialist will fill a critical need in providing technical assistance in cold storage, pre-cooling and packaging techniques; skills which are not being provided by the bilateral project. The project computer specialist will provide outreach assistance in the application of computer technologies

and interpretation of market information. Training services provided by the specialist in this area will be an essential complement to the promotion, marketing and information systems planned by the GREMIAL and USAID/Guatemala.

The Guild does not presently have computer facilities, but with grant funds provided by the USAID/Guatemala Agribusiness Project the Guild will purchase one mini-computer, a microfilm machine, and will lease a telex and photocopy machine. The two micro-computers provided under the ROCAP project will be fully utilized in assisting entrepreneurs, producers and exporters in accessing data sources designed to provide market intelligence for non-traditional agricultural products.

Costa Rica

In June 1985, a new organization, the Private Industrial and Agricultural Council of Costa Rica (CAAP) was created to complement the work of the USAID supported Camara Nacional de Agricultura y Agroindustria (CNAA), and provide greater attention and a more focused effort on developing support mechanisms for the export of non-traditional agricultural products.

CAAP has plans to develop close working relationships with the Coalición Costarricense de Iniciativas de Desarrollo (CINDE), the umbrella organization of both CNAA and CAAP, and with other AID supported private financial institutions such as PIC, BANEX, COFISA and BANCOOP. Both directors of CNAA and CINDE serve on the Board of Directors of CAAP. The principal functions of CAAP are: 1) serve as a lobbying group to initiate policy reform and promote policy dialogue with the various GOCR institutions within the agricultural sector which directly or indirectly influence agricultural production, exports and investment activities; 2) promote selected agricultural and agribusiness export and investment projects until financing is secured; 3) design and implement an export and investment promotion strategy (in Costa Rica, the U.S. and other selected countries) aimed at achieving increased levels of foreign exchange earnings, employment, and agricultural/agro-industry exports; and 4) establish and manage a development fund to finance policy studies, product feasibility studies, and institutional studies which foster agricultural development and exports.

The ROCAP project will focus on working with CAAP personnel and its membership in developing hard skills related to the production of diversified crops, post-harvest handling

and packaging, transportation and distribution, marketing and computer information accessibility.

CAAP presently has a staff in place to implement and monitor the tasks authorized by the Council. This unit acts as an executive secretariat for the council and includes a General Manager, two technicians, one accountant and an administrative support staff.

As an affiliate of the CNAA, CAAP will count on support from many of CNAA's members or clients. Presently, CNAA's 161 active members represent 30,000 producers and agribusinessmen nationwide. CNAA's management estimates that future expansion activities will boost membership at least three-fold within the next two years.

El Salvador

ASPENT was established in August, 1985, as an autonomous organization with its own Board of Directors and an initial membership comprised of three large producer associations. ASPENT currently has secured total sales agreements of \$2.3 million for the export of melons, and is in the process of arranging for other export sales contracts with producers of vegetables, shrimp and tropical fruits.

One of ASPENT's primary objectives is to improve the export management and administrative capabilities of member associations and individual producers so as to increase their efficiency and production; which is vital to competing in the export market. The ROCAP technical team will assist ASPENT in accomplishing this objective by providing technical skills to Salvadorean entrepreneurs, exporters and producers, which will allow them to successfully compete in international markets.

At present, ASPENT has a staff of 5, consisting of a manager, two professionals with MBA degrees and an administrative support staff. The producer associations for vegetables, melons and shrimp are members of ASPENT, with each association consisting of 50-100 members.

Although independent of FUSADES, which is the broadly based private sector organization for social and economic development in El Salvador, ASPENT benefits from a good working relationship with FUSADES and a regular exchange of ideas and information regarding export expansion for non-traditional products.

By assisting in the coordination of project activities, and by making available to project participants a substantial body of technical information and expertise, FUSADES can play a major role in strengthening ASPENT as a service oriented export institution.

FUSADES currently has 215 paid-in members serviced by a staff of 31 which includes both administrative and professional personnel. A list of FUSADES' projects which the bilateral mission is supporting include:

- 1) Trade and Investment Promotion Services (TIPS). This project functions as an information and promotion network for export trade and investment in El Salvador. It has now established an office in the United States to develop contacts with buyers and investors. The project contributes funding for technical assistance, feasibility and marketing studies and cost analyses on viable export opportunities.
- 2) Agricultural Diversification Program. The goal of this project is to promote exports of agricultural products and to encourage the production of agricultural inputs in the country.
- 3) Association Strengthening Activities (ASA). The objective of this project is to enhance the internal organization of business associations in El Salvador, to improve the effectiveness of their services to their members, and to foster export production.
- 4) Economic and Social Research. This project has been designed to analyze the macroeconomic and social situation of El Salvador, so that interactions within the different sectors of the economy can be studied and solutions can be found to major problems.

Panama

Although the participation of a Panamanian Export Federation has not been defined as yet, the type of federation and degree of linkage with the project, if any, will be dependent upon an in-country review of existing needs to be done in close cooperation with USAID/Panamá. It is understood that a less structured participation by Panamanian export organizations (i.e. participation only in the proposed regional seminars and utilization of the short-term technical assistance resources on an ad hoc basis) may be desirable during the early years of the project.

There are, however, two agricultural producers' organizations in northern Panama that could be incorporated into the ROCAP project, pending the development of a more structured national organization. The first of these possibilities is the Union de Productores de Chiriqui (UPC), located in the David

Province of Chiriqui, which consists of six producer associations and six cooperatives, all dedicated to producing a mix of primarily non-traditional vegetables and fruits. Some of the UPC members, such as the Coopertiva Hortícola de Mercadeo, Boquete (CHMB), have impressive production/sales records over the past five years. CHMB's 1984/1985 sales projection exceeds US\$ 4 million. Most of the UPC groups are expanding and some wish to participate in the U.S. export market, given the competitive quality of their product. Nevertheless, they are reluctant to do so for the following reasons:

- . insufficient access to market and investor information and intelligence;
- . lack of assistance with new/improved agronomic technology for competitive production; and
- . inadequate skills and/or knowledge in such areas as post-harvest technology, costing and cost analysis, computer usage, packing systems, and improved materials.

The second organization considered for participation under the project is La Union de Cooperativas Agrícolas de Panama para la Exportación (UCAPE), located at Chitre (Province of Herrera)--approximately half way between Panama City and Chiriqui. UCAPE consists of six cooperatives and one independent vegetable producers organization. There are presently 174 producers and associations which are members, representing over 1,300 individual members. The producers are organized for the principal purpose of producing cantaloupes, honeydew melon, cucumber and watermelon for sale to the Panama Agro-Export Company, SA, which is a packing/marketing group from the U.S. It supplies to UCAPE packing house facilities and limited production and technical assistance by former USDA employees experienced in fresh fruit production and marketing.

Belize

The inclusion of Belize as a project participant was not considered during the early stages of project design due to the lack of an appropriate export organization. Subsequently, the Belize Agri-Business Company (BABCO) was established with support from USAID/Belize. The design of this bilateral project is to assist the agricultural sector to diversify away from sugar production to mixed farms producing vegetables, oilseeds and grains. The project will address several of the constraints to diversified agricultural production, including the small and sometimes oversupplied Belize domestic market; limited information on export marketing; limited information on production factors; a lack of adequate infrastructure for processing, packaging, storage; and limited research capabilities.

To the extent that BABCO may request technical assistance and training from the ROCAP project team (most likely through participation of BABCO staff and members in the planned regional training activities), BABCO, as an export federation/company, will be eligible for participation in the project.

D. Relationship to AID Policy and Projects

1. Relationship to NBCCA Plan/Regional CDSS

The National Bipartisan Commission on Central America (NBCCA) report noted in its discussion of a medium and long-term program for Central America that "rapid...economic growth requires increased foreign exchange earnings" and recommended that the Central American countries "broaden their export bases both in agricultural and manufactured goods". The report concluded that "more diversified exports would help to insulate the region from some of the swings in the international economy." The report specifically recommends "technical and financial support for export promotion efforts".

The Non-Traditional Agricultural Export Support Project will contribute to the objective of increasing non-traditional agricultural exports by creating an institutional capability within the region to provide production, marketing, and technical information services, and technical assistance and training to exporters of non-traditional agricultural products. The institutional capacity will reside within a newly emerging group of private sector, member-supported, agricultural export federations.

2. Relationship to Bilateral USAID Projects in the Region

Each of the USAID Missions in the region has developed or has begun to develop an agricultural production or marketing export project. This reflects not only the urgent need for foreign exchange earnings in the region, but also the need to broaden the agricultural base to include the production of more non-traditional crops. There have also been widespread efforts to create the preconditions for small farmer and farm cooperative participation in the export market.

The USAID bilateral projects related to the ROCAP project are as follows:

a. Guatemala

The Agribusiness Development Project (520-0276) was authorized on 11/27/84. The project will address small farmer marketing constraints by expanding private investment in agribusiness enterprises. This project supplements four existing USAID/G small farmer projects plus a World Bank Credit Project. The goal of the project is to increase rural family incomes through improved productive, storage, processing, marketing and employment opportunities for high-value crops. The sub-goal is to expand and diversify Guatemala's export of non-traditional agricultural products.

The project is financed by \$10.3 million in AID Loan and grant funds, plus \$7.55 million in private capital (local). The bulk of these monies will go to supplying credit needs. There will also be funds to provide technical assistance for credit administration. A total of \$1.09 million will be provided for small farmer cooperatives including technical assistance for improved production, packing and storing techniques.

Lastly, there will be grants to the GREMIAL of \$50,000 for a statistical data system, \$80,000 for a documentation center, \$350,000 for export and investment promotion activity including market research, and \$80,000 for policy studies on such issues as transportation and export tax and foreign exchange incentives.

It is anticipated that in addition to working with the GREMIAL, the ROCAP contract team will provide some complementary assistance for activities of financial institutions such as the Foundation of Entrepreneurial Development and External Trade (FUNDECOEX). FUNDECOEX currently provides training to entrepreneurs and coordinates activities directly with the GREMIAL, to provide technical assistance to small farmer cooperatives for extending their production of non-traditional products destined for export.

b. Honduras

The Export Development and Services Project (520-0207), approved August 30, 1984, provides \$23.5 million in AID grant and loan funds plus an \$8.1 million equivalent in local currency from host country sources over a five year period, to promote economic growth and employment through the development of non-traditional exports. The project contains four elements: (1) Export Policy and Promotion; (2) Export Development; (3) Financial Services; and (4) AID Project Management

The Export Development segment totals \$10.7 million of AID funds and \$4.7 million of counterpart contribution. Of this total, \$4.3 million of AID funds and \$950,000 in counterpart are provided for agricultural exports. FEPROEXAH will have the prime promotional, technical assistance and service responsibility in this activity.

USAID/H is providing assistance to the National Vegetable and Flower Growers Association (AHFAH), which is within the scope of the ROCAP project. AHFAH is a member of FEPROEXAH. The USAID/H project paper contemplates that FEPROEXAH will hire two vegetable productivity advisors and four extensionists to work on this project, while AID will fund a Vegetable Development Specialist for the five year period, and two person months of short-term assistance.

Lastly, the AID Project Management Component of \$1.2 million provides for a Project Liaison Officer and related support costs for the entire five year period.

c. El Salvador

The USAID/ES Industrial Stabilization and Recovery project (\$9.45 million) will help develop the capacity of the private and public sector to provide policy support and technical assistance, and transfer technology and training services to Salvadorean exporters of non-traditional products. The objectives of this project will be carried out through FUSADES.

FUSADES will create a Trade and Promotion Service (TIPS) to provide technical expertise at the entrepreneurial level for specific export projects involving non-traditional products. In addition, FUSADES will provide export related information and technical assistance to businessmen.

A grant to TIPS will support both the organizational local costs and Salvadorean professional staff costs, and the contracting of a U.S.-based support team. U.S. long-term advisors will be provided to both groups as well as short-term technical assistance specialists. Approximately 20-30 seminars and workshops, and well as short term technical assistance will be provided by FUSADES to business associations.

d. Costa Rica

The Training for Private Sector Development project includes funding of \$5 million in AID grant

funding, plus \$2.593 million in ESF counterpart and \$5.777 million in Costa Rican counterpart monies. This five year project is designed to stimulate growth in the production and exporting of non-traditional goods and services. It will do so by up-grading the general level of private entrepreneurs through training programs in the U.S. and Costa Rica. Some of this training will involve producers and exporters in specific operations related to non-traditional agricultural.

USAID/CR has selected CINDE as the primary organization to channel these funds. AID grant funds will finance a project implementation unit within CINDE, which will include the contracting of a Project Advisor. In carrying out this training project CINDE will utilize other training and assistance institutions such as INCAE and the University of Costa Rica, as well as professional and business associations experienced in improving private sector development and export oriented skills.

3. Relationship to the Private Sector

This project focuses squarely on the provision of technical assistance and training to the private sector. It will foster private sector export federations as the principal vehicle for the transfer of information, as well as provide training and technical assistance to private producers and exporters of non-traditional goods. The dues-paying members of these federations - the farm co-op members, producers, processors, exporters and shippers, will also be the direct beneficiaries of the project activities.

It is designed to assist the participating federations to become self-supporting and independent in terms of production, post-harvest, marketing and technical information capabilities, while enhancing their ability to provide key services in these areas to their members. Thus, the project will improve the federation's institutional capacity by creating a strong service function of real value to exporters in the region.

As the project evolves, the individual federations will institute a fee for service scheme necessary for project activities to continue on a self-supporting basis beyond the life of the project.

Lastly, the training and technical assistance activities planned for the project will not only involve private sector consultants from the region but will also serve to increase the number of qualified individuals able to work in

this area of private sector activity. This new pool of talent is an indispensable human resource for private sector growth in the production and marketing of non-traditional agricultural products.

4. Justification for a Regional Approach

A basic premise of the project is that each USAID bilateral program in the region has planned, or already has underway, a non-traditional agricultural export production or marketing project which is linked in some way to an export development federation. The ROCAP project is designed to enhance the activities of export federations and producers/entrepreneurs through specific applications of specialized technical assistance and training that are not being fully provided under USAID bilateral and other assistance programs. At the same time the project will undertake new activities involving outreach and hands-on assistance to members of export federations and non-member producer associations, cooperatives and individual entrepreneurs. The services proposed under the project can be carried out most effectively on a regional basis given the economies of scale gained in the provision of technical assistance and training, and by addressing project constraints that are shared by producers and exporters of non-traditional products throughout the CA/P region.

By locating the contract team in the region, initial courses and technical programs presented in one country may be easily followed upon by the team at a later date. This approach will allow producers, entrepreneurs and exporters to experience for themselves the "how-to" practical applications of production, marketing and computer information sources provided under the project. As more individualized and complex problems arise, the contract team will be poised and ready to provide quick follow-up assistance with minimal travel time and related expenses. The regional team will also serve as a collective, valuable resource of experience and information gained from, and to be utilized by, each federation and project participant in the region.

III. PROJECT DESCRIPTION

A. Goal, Purpose and Beneficiaries

The goal of the project is to contribute to long term economic growth through the expansion of non-traditional agricultural exports from Central America and Panama.

The purpose of the project is to create and/or strengthen private sector capabilities in the provision of hands-on training and technical assistance in skills related to production and marketing technologies for non-traditional agricultural exports.

The project direct beneficiaries will include a wide-ranging group of individuals and organizations involved in developing and increasing non-traditional agricultural exports within the CA/P region. The primary beneficiary, however, will be that individual or firm who, as a result of the project, can successfully carry out the responsibilities of a channel captain. This function includes the planning, coordinating and management of the entire export process, from on-farm production to marketing and final product delivery. In addition to the channel captain, the project beneficiary population will incorporate the individual producers and producer representatives who will not perform the role of channel captain yet will benefit greatly from the training, technical assistance and informational resources provided through the CA/P export federations. The federations themselves will also benefit from an on-going capacity, developed under the project, to access, analyze and disseminate information, and train individuals in the use of production, marketing, historical and technical data which is key to the decision-making needs of diversified agricultural product producers and exporters. Lastly, the project will serve to benefit both directly and indirectly a broad base of people involved in a part of the overall export process. Among these will be individual private and public sector export agents, farmers, transport, receiving, shipping, handling and marketing personnel, as well as buyers and consumers.

B. Project Components

The two major project components consist of the following:

1. Federation Strengthening:

The intent of the federation strengthening component is to provide training and on-the-job experience to a corps of professional staff within each export federation. The primary emphasis will be to establish an institutional capacity in the export federation so it can better provide a variety of on-going services in the project's technical areas of production; post-harvest handling; transportation; marketing assistance; and computer information, access, retrieval and appropriate applications.

The computer information activities will focus initially on assisting each participating federation in developing the most appropriate data and informational resources related to diversified agricultural exports. Once the informational framework is established, project assistance will help in the design of an appropriate software package as well as provide two micro-computers to each federation and continuing technical and maintenance services.

2. Technical Assistance and Training:

The project team will be responsible for providing direct assistance and training to various persons and groups involved in the production and export of non-traditional agricultural products. This component will incorporate the participation of entrepreneurs, individual producers and export brokers, producer associations and cooperatives. Regional training programs will be included as an important part of the overall training assistance. A balanced approach will be employed so as to devote an equal amount of effort among the project's major technical areas (i.e. production, post-harvest handling, transportation, marketing and computer applications). Project assistance and follow-up training programs will enable the producers and exporters to become self-sufficient in employing current technologies and in competing for a share of the non-traditional agricultural export market.

C. Outputs/Activities

1. Federation Strengthening

- All participating export federation professional staff will undergo training programs in the following project areas: non-traditional agricultural production techniques; computer information application; export marketing; post-harvest handling and transportation; and they will also provide training courses in the above fields to federation memberships and other project participants.
- Each federation will develop work plans for providing services to its existing membership; and will formulate a plan to work with local cooperatives, producer associations and individual entrepreneurs who are not necessarily members of the federation.
- A training methodology will be developed by each federation, and a fee schedule incorporated for the cost of services charged to the federation's membership.
- Linkages will be made with regional training institutions and curriculums will be established for the proposed workshops and seminars to be financed under the project (two per year).
- Each federation will establish a data base of technical and marketing information together with the necessary equipment (hardware and software) to operate it. In addition, each federation will establish ties, where appropriate, with U.S. and other informational sources for non-traditional agricultural exports.
- Each federation will develop a publication policy and will have produced a set of publications involving export production, post-harvest handling, marketing and computer information. (The exact number will depend upon the need of each country and federation).
- Micro-computers, 2 per each of the four major federations, 1 for an additional federation and 1 for the contract team, and

appropriate software, will be purchased under the project. Each system will include printers and a modem. Each federation will also have at least two linkages to market data resources.

- Software programs financed under the project will include the basic programs now in existence (e. g Pro-Net, Fresh-Net); and these will be increased as new, more appropriate programs are developed and other outside informational sources are utilized during the life of project.
- Specialized courses will be offered in the interpretation of market and production data, accessed by computer facilities available through each federation.

The project is designed to expand non-traditional exports by increasing access to essential export information, by improving the productive, technical, marketing, and managerial abilities of existing and potential export entrepreneurs/risk-takers/channel captains, and of the staffs of the federations and associations serving them. It is important to recognize that what is to remain after project activities are completed is not just the improved capacity of a number of entrepreneurs/risk-takers and channel captains. Rather, it is the improved long-term capacity to provide the training and services necessary to continue to produce more effective entrepreneurs and create more channel captains after external project support has ceased.

The private sector entrepreneurs/risk-takers who will benefit from this project are either themselves actual or potential channel captains, employ channel captains, or depend on channel captains at some point for the marketing of non-traditional agricultural exports. The risk-taking entrepreneurs are producers or exporters who are, or are likely to become, members of the federations. They may also be members of associations which are likely to join the federations. Considerably more will join over the life of the project as the value of the services which the federations provide is demonstrated. In some countries, a three-fold increase in membership of the federation is anticipated.

The entrepreneur/channel captain must have effective knowledge of the entire production, storage, shipment, and marketing chain in order to both assess when and where risks are worth taking, and to influence improvements at weak points along the chain. The federation will offer an institutionalized

process for improving his or her knowledge. Improving the skills of channel captains in identifying weak points in the production and export process will also help ensure that training resources are effectively applied to those persons involved in only a part of the production and export process.

The lack of relevant current data is a central constraint to increasing non-traditional agricultural exports. The project will address this constraint by enabling channel captains and others to acquire, analyze, and utilize data at a decision-making level that facilitates successful risk-taking. To make the needed data readily available and facilitate this analysis, the project will employ a limited number of personal computers.

The team will work with the federations and their membership down to the level of the entrepreneur/risk-taker. Team members will provide not only the staffs of the federations and their membership organizations, but the channel captains, producers, and others with the skills to acquire data (principally from existing commercial data bases in the U.S.) and the ability to manipulate the data to carry out analyses that will improve their export capabilities.

2. Technical Assistance and Training

- The exact number of courses and attendees will be developed after the arrival of the ROCAP contract team. However, at least 2 courses per month will be held in the first year to 18 months of the project. Moreover, there will be a series of short (1-3 day) courses provided on an as needed basis to each participating federation. Two regional seminars per year will be conducted. The number of individual members who are assisted in gaining "hands on" technical experience in the development of non-traditional agricultural exports will be at least 50 per federation during the first 1 1/2 yrs. of the project, and will increase each year thereafter.
- Special emphasis will be placed on in-the-field training and assisting potential channel captains and other entrepreneurs in developing fully their skills in project-related areas.
- The numbers and specific content of the T.A. courses, workshops and seminars will be developed

in collaboration with the federation's management and staff after the arrival of the contract team specialists. Likewise, the exact number of additional courses or course improvements in the regional training institutions will be developed after the arrival of the team and the development of a work plan between the federations and regional training institutions. It is contemplated that these additional courses will cover, at a minimum, such topics as production technologies, post-harvest handling, transportation, distribution channels, market knowledge as well as additional courses on using computerized data services and telecommunications systems.

- Specialized courses will be developed for public sector personnel desiring to participate in the project. These courses will be developed together with the regional training institutions and will consist of export management, export economics, market information, transportation, post-harvest handling and distribution channels. The courses may be offered on a regional basis and/or together with selected federation training programs. It is anticipated that fees for these courses will not be charged until sufficient demand has been demonstrated. Once the value of these courses are realized fees will be applied to offset a portion of the federation's or institution's operational expense.
- A Project Liaison Officer will also be hired under the project for five years. This individual will be responsible for project implementation and will serve as the administrative and technical liaison to ROCAP and the bilateral USAIDs.

Each team member will arrange a variety of training courses, workshops, on-site observations and participant visits. These training and technical assistance programs will be problem-solving specific and of short duration in order to attract those already active in the business or those who seriously want to become active. The training programs will address production problems such as selection of appropriate crop varieties, seed selection, land preparation and planting techniques, fertilizer, pest control, harvesting, on-farm and post-harvest protection, temperature control, internal shipping, warehousing, sorting and grading, packing and

crating, separation for fresh export, international shipping, various processing alternatives and sale on the local market.

On the marketing side these programs will provide opportunities to understand how import markets function in the U.S. and elsewhere, and what is expected of the products they receive and from the importers who receive them. This is in addition to the computer information assistance of learning how to "dial into" price, quantity, broker rating and shipping information available through the extensive and growing number of commercial computerized data base systems. Efforts to increase knowledge of the practical and essential produce production and handling techniques will be a key part of the technical assistance package.

To improve the abilities of existing and potential channel captains, the project will undertake a series of workshops and seminars, and provide specialized short training sessions to improve channel captain capabilities in areas where needs are identified during the course of the project (e.g., export financing techniques, negotiating trade deals, how to counter-trade effectively, and new packaging systems and their proper use).

The team advisors will be able to call upon short-term specialists to support their training and technical assistance whenever the need arises. A total of 120 person-months of short-term consultation is being budgeted, i.e. an average of two short-term advisors working at all times.

A selected member of the contract team will be assigned a portable microcomputer, as fully compatible as possible with the federation's systems. This will permit uninterrupted usage for the team's own continuous learning, new software testing in creating databases to support their particular responsibilities, and in facilitating both the training and demonstration of their technical specializations to producers in the field.

Each computer unit made available to a federation will include a modem (the computer's telephone) and will allow immediate access to data contained in commercial and other data networks, as well as the transfer of data between the team members and their home office, and between federations. In order to permit team members to explore useful data sources with a wide range of growers, packers, processors and brokers, funds will be available to subscribe to selected data networks.

D. End of Project Status

The project components and activities are expected to result in the following:

- export federations in four of the CA/P countries have developed an on-going capability to provide technical assistance and train channel captains and grower/exporter members and non-members in market intelligence and production technology skills;
- export federation staff demonstrate a capability to professionally access, analyze, disseminate and train individuals in the use of market, historical and technical data pertinent to the decision-making needs of their membership;
- in four of the CA/P countries, the number of channel captains and the volume of non-traditional exports will have been increased substantially. These figures will be estimated and translated into performance criteria for the contract team once initial baseline data is established;
- a significant increase in the number of entrepreneurs making new or expanding existing investments of non-traditional agriculture products;
- export federations have developed linkages with regional and extra-regional training institutions and are arranging and coordinating training activities for their members in the field of export marketing and management;
- significant improvement will have been documented in the production and post-harvest handling of non-traditional crops, including the packaging, distribution and transportation of product for export markets;
- new windows of opportunity for the export market will be identified, which will allow for increased production and export of agriculture products that will meet U.S. and other market demand; and
- market intelligence information regarding the price, quantity and quality and seasonal demand for non-traditional agricultural exports, is being accessed

and interpreted by producers and entrepreneurs for the purpose of minimizing the risks involved in export decision making.

- significant decreases in post-harvest losses reported by targeted channel captains and exporters;
- significant reductions in the cost and time involved in obtaining information and services related to the export process;
- significant increases in the volume of export quality produce by targeted producers; and
- an improved mechanism developed by which producers can obtain results on applied research for improved needs and cultivation practices for export crops.

By the end of the project, through the application of intensive agriculture production and post harvest practices for non-traditional crops; by having better access to, and analyses of, marketing information; with the implementation of a sustained and systematic program for the development of export entrepreneurs; and by strengthening and coordinating the skills and services of export federations in the region; it is anticipated that by the end of the project diversified agricultural exports will be significantly expanded in Central America and Panama. This is true not only for land holders who are currently undertaking diversified agricultural production, but also for those subsistence level farmers and large farmer operations willing to diversify their crop lands into non-traditional agricultural production , thereby taking advantage of the existing export and income opportunities.

IV. FINANCIAL PLAN AND ANALYSIS

A. Summary Financial Plan

The proposed project will total \$9.6 million dollars, \$8.0 million in grant funds, and \$1.6 million in counterpart contributions. The project funding will start in April of 1986 and terminate in March of 1991. Table 2, presents the project budget by component, and source and year of funding.

Total project funding by summary component activity is as follows:

<u>COMPONENT ACTIVITY</u>	<u>ROCAP</u>	<u>COUNTERPART</u>	<u>TOTAL</u>
Management and Chief of Party	\$ 782.0	\$165.0	\$ 947.0
Training & Tech. Assist.	3,344.8	605.0	3,949.8
Computer Information Activities	209.8	175.0	384.8
Short-Term Tech. Assist.	1,825.0	160.0	1,985.0
Miscellaneous	762.0	485.0	1,247.0
Contingencies (7%)	484.6	-.-	484.6
Inflation (8%)	591.8	-.-	591.8
TOTALS	\$8,000.0	1,590.0	9,590.0

B. Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amount (U.S. \$000)</u>
Direct contract with Profit-making Contractor	Direct Pay/ Reimbursement	7,448.0
Mission contracted PSC	Direct Pay	552.0
Total Project		\$8,000.0

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT

TABLE 2

	Year 1		Year 2		Project Budget Year 3		Year 4		Year 5		SUMMARY TOTALS		
	AID	COUNT.	AID.	COUNT.	AID	COUNT.	AID	COUNT.	AID	COUNT.	AID	COUNT.	TOTAL
	A. Management												
Chief of Party & Assoc.Dev.Spec.	150,000	30,000	132,000	30,000	139,000	30,000	132,000	30,000	150,000	30,000	703,000	150,000	853,000
CA/P Travel & Per d.	10,800	---	10,800	---	10,800	---	10,800	---	10,800	---	54,000	---	54,000
Int'l travel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	5,000	5,000	10,000
Communications	4,000	2,000	4,000	2,000	4,000	2,000	4,000	2,000	4,000	2,000	20,000	10,000	30,000
B. Training & Tech.Asst.													
Long term Specs.													
Production Spec.	135,000	15,000	117,000	15,000	125,000	15,000	117,000	15,000	135,000	15,000	629,000	75,000	704,000
Post Harvest Spec.	135,000	15,000	117,000	15,000	125,000	15,000	117,000	15,000	135,000	15,000	629,000	75,000	704,000
Marketing Spec.	135,000	15,000	117,000	15,000	125,000	15,000	135,000	15,000	---	15,000	512,000	75,000	587,000
Computer Spec.	135,000	15,000	117,000	15,000	125,000	15,000	135,000	15,000	---	15,000	512,000	75,000	587,000
Training Spec.	135,000	15,000	135,000	15,000	---	15,000	---	15,000	---	15,000	270,000	75,000	345,000
Workshops Seminars	77,000	9,500	82,000	14,300	62,000	19,000	62,000	28,600	62,000	28,600	345,000	100,000	445,000
Mgt. Courses	50,000	20,000	50,000	20,000	50,000	20,000	50,000	20,000	50,000	20,000	250,000	100,000	350,000
Travel & Per d.CA/P	10,300	---	10,300	---	10,300	---	10,300	---	---	---	41,200	---	41,200
Travel & Per d.CA/P	39,600	---	39,600	---	29,700	---	29,700	---	18,000	---	156,600	---	156,600
Int'l Travel	---	6,000	---	6,000	---	6,000	---	6,000	---	6,000	---	30,000	30,000
C. Computer Information Activities													
Equip. Purchase	72,000	60,000	---	---	48,000	40,000	---	---	---	---	120,000	100,000	220,000
Maintenance	---	---	4,000	2,500	4,000	2,500	4,000	2,500	---	2,500	12,000	10,000	22,000
Workshops Seminars	18,800	5,800	17,700	7,500	15,100	10,000	12,600	12,500	---	14,200	64,200	50,000	114,200
Materials	2,400	2,000	2,400	2,000	2,400	2,000	2,400	2,000	---	2,000	9,600	10,000	19,600
Int'l Travel	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	---	1,000	4,000	5,000	9,000
D. Short-Term Technical Assistance													
120 person month	360,000	30,000	360,000	30,000	360,000	30,000	360,000	30,000	360,000	30,000	1,800,000	150,000	1,950,000
Materia. & Public.	5,000	2,000	5,000	2,000	5,000	2,000	5,000	2,000	5,000	2,000	25,000	10,000	35,000
E. Miscellaneous													
Vehicle	11,500	281,500	---	23,500	3,500	23,500	---	23,500	---	23,000	15,000	375,000	390,000
Team Transfer	---	---	---	---	60,000	10,000	---	---	---	---	60,000	10,000	70,000
Office Expenses	25,000	10,000	25,000	10,000	25,000	10,000	25,000	10,000	25,000	10,000	125,000	50,000	175,000
U.S. Trade Conf.	2,000	10,000	2,000	10,000	2,000	10,000	2,000	10,000	2,000	10,000	10,000	50,000	60,000
Liaison Officer	120,000	---	102,000	---	108,000	---	102,000	---	120,000	---	552,000	---	552,000
SUB-TOTAL	1,635,400	545,800	1,451,800	236,800	1,440,800	294,000	1,317,800	256,100	1,077,800	257,300	6,923,600	1,590,000	8,513,600
Contingency (7%)	114,500	---	101,600	---	100,800	---	92,100	---	75,600	---	484,600	---	484,600
SUB-TOTAL	1,749,900	545,800	1,553,400	236,800	1,541,600	294,000	1,409,900	256,100	1,153,400	257,300	7,408,200	1,590,000	8,998,200
Inflation (8%)	140,000	---	124,200	---	123,200	---	112,700	---	91,700	---	591,800	---	591,800
TOTAL COSTS	1,889,900	545,800	1,677,600	236,800	1,664,800	294,000	1,522,600	256,100	1,245,100	257,300	8,000,000	1,590,000	9,590,000

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C. Counterpart Funding

The federations and counterpart organizations do not presently have large income generating programs. However, it is expected that their capacity to collect dues and fees for services rendered will improve throughout the life of the project.

Counterpart personnel from the staff of each of the federations will be provided for the Chief of Party and Trade Association Development Specialist, the Computer Utilization Specialist, the Training Specialist, the Marketing Specialist, the Production Specialist, and the Transportation-Post Harvest Specialist on a part-time basis in each of the countries. The sum of these part-time counterpart activities is provided in Table 2.

In addition to the salary component of counterpart personnel (with their associated support costs), counterpart funding will cover part of the training activities. For example, it is expected that approximately \$100,000 will be provided as counterpart over the life of the contract in supporting management training short courses and seminars at INCAE, IFAIM, or other regional institutions. This amount will be paid for specific training programs provided for the participants of this activity. Since the regional workshops and seminars will be directed at topics of interest to member associations, it is expected that after the early years of the project some of the travel and per diem costs will be picked-up by the associations or the individuals themselves. This is indicated in the annual budget. Personnel and facilities already in place at such institutions represent a considerable contribution in terms of counterpart funding, even though it is not a contractual obligation under this project. As a means of quantifying counterpart inputs to the project, support for training activities (workshops, seminars, counterpart costs) are estimated at \$150,000.

In order to assure compliance with the counterpart funding levels provided by the various federations and counterpart organizations, the Mission will obtain covenants in writing prior to execution of the contract.

D. Replicability

Project replicability will be guaranteed in future years by the ability of each Export Federation to maintain an adequate staff of professionals, in relation to their

memberships, once the project has ended. It is expected that by the PACD the need for each Federation to utilize technical assistance and training resources provided under the project will no longer be required. By the end of the project, all of the ongoing courses, seminars and individual technical assistance activities carried out by the contract team will be fully transferred to the staffs of the respective Export Federations. Income generated from the technical services provided by each federation to its membership, and additional support from bi-lateral AID local currency programs and limited assistance from other donors, will enable agricultural export technical assistance programs to continue beyond the life of the project.

E. Evaluation

The Mission will provide project development and support funds for an independent evaluation after the second year of project activity. A final project evaluation is scheduled before the PACD of March 31, 1991. The total cost of both evaluations has been estimated at \$75,000. (For a discussion of the Evaluation Plan see Section VI. B.)

The results of the evaluation will be considered before renewal of the assistance contract.

F. Personnel Costs

With the exception of a PSC Liaison Officer who will be directly contracted by the Mission, the project will be obligated through a direct contract with a U.S. profit making firm. Costs will be reimbursed to the contractor on an actual expense basis. It is expected that an overhead of approximately 50% to be paid on direct salaries. Twenty five man years of technical assistance will be provided as follows:

	<u>ANNUAL SALARY</u>	<u>NO. OF YEARS</u>
Chief of Party	\$65,000	5
Production Specialist	55,000	5
Post Harvest Specialist	55,000	5
Marketing Specialist	55,000	4
Computer Specialist	55,000	4
Training Specialist	55,000	2

Total costs for the above personnel as provided in the project budget include salaries, post differential, post

assignment travel and freight, R&R travel, quarters and educational allowances, shipment of POV, storage of household effects, home leave travel and freight, miscellaneous costs, and an overhead of 50% of the direct salaries. For those team members providing four or five years of assistance, one home leave and two R&R trips have been budgeted. For the two year Training Specialist, one R&R has been budgeted. In all cases an employee with three dependents has been assumed.

Estimated AID expenditures for the life-of-project by fiscal year are as follows:

<u>FISCAL YEAR</u>	<u>AMOUNT IN</u> <u>(\$000)</u>
1986	1,889.9
1987	1,677.6
1988	1,664.8
1989	1,522.6
1990	<u>1,245.1</u>
TOTAL	8,000.0

V. SUMMARY PROJECT ANALYSES

A. Technical Analysis

1. Training and Technical Assistance

a. Overview

The key constraint addressed by this project is the shortage, in each country of the CA/P region, of export entrepreneurs who have the experience and skills to become "channel captains", and the need to develop several hundred more channel captains in order for the non-traditional agricultural export sector to play a significant role in leading the CA/P economies onto higher growth paths. Non-traditional agricultural exports must grow if they are to fulfill their role as replacements for the stagnating and declining traditional exports, but this will happen only if export entrepreneurs reach their full potential. The training and technical assistance component of this project aims to develop new export entrepreneurs/managers, and to institutionalize the process that develops these future channel captains. Accordingly, the project staff will work with exporters and private federations, helping them to be more effective, and will also seek to systematize their continued development.

An initial project analysis was carried out by Kelly Harrison and Associates in November, 1984. The study identified many export opportunities that could be capitalized upon by CA/P region producers and exporters of non-traditional agricultural products. The study showed that seasonal markets in the U.S. and year-round demand for fresh fruits and vegetables were potentially profitable markets not being adequately supplied by Mexican and other producers.

The DEVRES consulting firm was contracted in April, 1985, to do a project feasibility study that provided technical documentation needed for development of the ROCAP Project Paper. The team made an assessment of the institutional capabilities and technical needs of the major export federations of the region, and also held interviews with many exporters and entrepreneurs involved in diversified agricultural export products in order to establish the primary constraints of non-traditional agricultural export development.

Based on these analyses, the project is designed to meet the needs of exporters for more and better access to production, post-harvest handling, transport,

marketing and computer information technologies. Without such skills and access to technologies, many entrepreneurs who have been successful in other businesses cannot successfully diversify into non-traditional exports. Likewise, existing exporters now experiencing difficulties will be able to overcome these problems through a better transfer of information, training and technical assistance.

b. Technical Analyses

The interviews conducted by the DEVRES team support the above findings. For example, a Honduran melon export project would have been successful if it had had access to an expert in packing fruit for export shipment. One group of Honduran exporters of melons and cucumbers needed more timely and reliable reports of market conditions in U.S. terminal markets during the period from December, 1984 to March, 1985. At the same time, the directors of a plantain export project were trying to teach growers how to prevent crown rot. This disease was lowering the value of their plantains in the Miami market.

A primary need, according to many interviewed, is for better information regarding target markets. Interviewees expressed this point in various ways. For example, one said that he could not find out what the price of his product was in U.S. terminal markets until long after the information was useful. Several others said they did not trust their brokers, and could not find a way of getting independent verification that the prices paid were comparable to true export marketing prices.

There is also evidence from field interviews that indicate a need for training, technical assistance and information in a broader range of subject areas. For example, several exporters did not know that shipping varieties are different from varieties destined for the local market. These interviewees seemed to think they could export produce they would otherwise send to local open-air markets. They thought they could ship local varieties to New York via Miami and get the price quoted in the New York terminal market. Furthermore, if they did not get the price quoted, the explanation was their broker had cheated them. They did not understand clearly that the U.S. consumer expects to see only certain varieties, and they did not know that the quoted price applies only to those varieties of produce considered to be in excellent condition.

Few interviewees seemed to understand fully how many different facets there are to successfully exporting

perishable products. For example, exporters felt comfortable with current levels of support for the agricultural sciences. They felt that growers were in possession of all the technology they needed to produce quality fruits, vegetables, and cut flowers. Yet field visits showed that cultivation practices were not uniformly superior; on the contrary, they were inconsistent and poorly implemented. Nevertheless, exporters expressed that their most acute training, technical assistance and information deficiencies were not in the area of agronomic practices. They said that with more agricultural credit and lower shipping and air freight rates, and some help in marketing their produce, they would be successful.

There appears to be merit in some of their complaints. Agricultural credit, for example, is insufficient, and only short term credit is currently available. Their complaints about the cost and reliability of transport were also well-founded. It does not follow, however, that their only training needs are in the area of export marketing.

It is easy to see why interviewees thought that their chief need was for training in export marketing. Based on their experience in CA/P local markets, they thought they were producing excellent quality, selecting rigorously, holding to an absolute minimum the time between harvest and arrival in the U.S. terminal market, and in general, doing everything they were supposed to be doing except making money. Several interviewees asserted that what they needed was a representative in Miami to make sure they receive fair prices for the goods they ship. The perception that they were losing money due to factors beyond their control, or because brokers were giving them poor service, was widespread and is also largely incorrect.

Farm visits revealed two basic agronomic characteristics of non-traditional crops. First, much of the production for export has been coming from cooperatives whose members are primarily medium and small size farmers. Second, while the majority of these farmers are following some systematic agronomic practices, many have not been following the most appropriate and correct practices. A recent plantain project provides an example of the importance of achieving 100 percent compliance with recommended practices.

A 3,000 acre zone in the CA/P region suffers from endemic Black Sigatoka, a disease which makes plantains ripen early. Plantains from infected groves ripen enroute and are worthless when they reach Miami. Worse, plantains emit ethylene gas while they are ripening, and this gas hastens the

ripening of all the fruit in the trailer. Thus, a few boxes of fruit affected by Black Sigatoka in a trailer can ruin the entire trailer. Fruit from infected trees looks good when harvested and looks terrible when it reaches Miami. This fact makes the Central American producers think their brokers are cheating them, and it makes U.S. buyers think that Central American producers ship poor quality fruit. Finally, it did not appear possible to discipline or throw out recalcitrant members of producer cooperatives. Small holders who do not spray against Black Sigatoka are allowed to keep exporting fruit. Agronomists regularly visit members who do not follow the recommended practices and try to convince them to change, but the agronomists do not appear to have either the authority or the will to prevent these members from sending their fruit to the Miami market. If this situation persists, it is doubtful whether producer cooperatives will be able to ship fruit which will consistently arrive in good condition. If the cooperative's fruit arrives in poor condition, it will not attract good prices, and the members may incorrectly blame the broker.

Surveys in Central America indicated there are currently two types of channel captains at work in the region: those who produce themselves (grower-shippers) and those who do not (packer-shippers). Both are likely to use some kind of agreement or contract to obtain supplies from growers. While such agreements vary from informal, non-specific verbal agreements to very rigid and detailed written contracts, the most common are called: (1) fixed acreage-fixed price contracts, and (2) fixed acreage variable price contracts.

Under the fixed acreage-fixed price contract, the shipper negotiates on the basis of a fixed acreage at a specific price with the crop to be planted on a specific schedule, with seeds and close production supervision supplied by the buyer's representative. The grower delivers the harvested product according to buyer specifications and is paid only for the product that is actually packed for export.

Several situations have been identified where this type of contract is used. For example, one packer-shipper has a contract with growers at a fixed price of \$1.75 per carton. Another packer-shipper in another country is contracting to pay \$5.20 per box. Such a large contract price difference is difficult to explain, yet due to differences in local conditions, differences in grower expertise, bargaining power, and other factors, expected grading behavior may explain the large price differences. Growers state that some fixed price contractors will set a fairly high base quality standard.

When prices are good they will accept product below that standard. When prices soften they go back to strict enforcement of the standard. If prices go down still further they may impose even stiffer standards, and if the bottom falls out of the market altogether, some less reputable shippers will stop accepting product.

Fixed acreage - fixed price contracting is risky for the buyer. Marketing costs remain the same and are high regardless of final sales price variation. Produce prices can drop to a level below costs of marketing for relatively long periods. To protect against this risk the packer-shipper is likely to strive for a very low fixed price to the grower, with some cost of production plus a reasonable return on investment as the basis for calculating the packer-shipper's risk.

Because growers may be aware that prices in U.S. markets are at times much higher than their production costs, a more common occurrence is for the grower to attempt to ship directly (become a grower-shipper) or, if that is not feasible, to arrange with another grower-shipper or packer-shipper to plant a certain acreage according to an agreed upon schedule, and then market the produce through the shipper. The farmer is therefore paid for product actually sold in the U.S. The grower-shipper may collect a commission for marketing or a flat fee, with all of the price and quality risk borne by the grower.

Both the packer-shipper and the grower-shipper are likely to have some kind of arrangement with a U.S. produce broker or marketing firm to receive the product, arrange sales, arrange transportation and collect payment. In some cases, the shippers have their own U.S. offices to perform these functions. However, in all cases, the U.S. buyer pays only for product which he regards as acceptable quality. Very rarely are full shipments rejected because of low grade. Usually such catastrophes are caused by inexperienced Central American exporters that have apparently done a poor job of grading, packing, load positioning and pre-cooling - setting up conditions for rapid product deterioration en route.

A more common occurrence is for the buyer to reject a few cartons out of a load, or for the entire shipment to be rejected but sold at a discount to some other buyer. The broker or marketing agent can help his client greatly by avoiding these problems, but if they do occur, a good broker or marketing agent will also be helpful in minimizing losses.

In cases involving a fixed acreage-variable price contract, U.S. brokers, packers or other businessman will do the above analysis and conclude there is a profitable opportunity, at a certain time of year, for growers to supply a particular product. They may offer firm forward price contracts to growers for a specific number of acres. In this case, they usually require the grower to purchase the appropriate seed varieties from their own supply stock. They may also provide technical assistance to the grower with respect to the proper use of insecticides, fertilizers, irrigation, fungicides and harvesting methods. The contract will usually specify that payment will be made for delivery of graded and packed product only. However, the contract buyer is usually responsible for sorting, grading and packing the product, with payment made within 7-30 days after delivery by the farmer to the packing shed.

c. Training and technical assistance needs

1. Crop Production and Agricultural Science

Although technical assistance is being provided to CA/P region growers through USAID bilateral and other internationally funded projects, much remains to be done in the area of diversified agricultural production. Limited production, and production which does not comply with quality specifications required in U.S. and European markets, are commonly attributable to agronomic problems. Appropriate growing periods, fertilizer applications, seed varieties and agronomic trials, are all areas which will receive close attention by means of project-funded technical assistance and training.

2. Post-Harvest handling

Less successful exporters do not fully appreciate the importance of post-harvest handling, pre-cooling, proper packaging, and strategically located cold storage warehouses. Technical assistance and training in these areas will be key to the accomplishment of project objectives.

3. Transportation and Distribution Channels

Few exporters understand well the economic functions performed by customs agents, freight forwarders, brokers, freight consolidators, wholesalers, terminal markets, etc. Many exporters see these participants as people who are grossly overpaid for the minimal services they perform. Many interviewees aspired to have their own captive broker in Miami, to work exclusively for them and presumably

free them from the grip of these "channel sharks." A captive broker, they argue, will give better service for less money. In some cases this may be true, but most Central American efforts to set up captive brokerage operations in Miami have not worked as well as the sponsors had hoped. In some cases the captive broker has merely sold to other brokers, and has become nothing more than another middleman between the producer and the consumer. If the "captive broker" operates on lower quality standards than competitors, then he will not survive.

Many exporters and potential exporters do not know how important it is to have guaranteed space on ships and airplanes, and how important it is for transport to arrive and depart on schedule. All of these aspects of transportation and distribution will be effectively addressed under project technical training activities.

4. Knowledge of the Market

Growers and exporters do not know enough about the markets they are trying to serve (i.e. U.S., Canadian, and European markets), they do not know enough about consumers demand or about the people who shop in these markets. Many exporters think U.S. families send their maids to open-air markets in New York and Washington, D.C. to buy fresh produce. Because they do not know very much about the shopping and consumption patterns in these foreign markets, they have little chance of guessing what these foreign consumers will buy. For instance, only small papayas can be sold in the U.S., whereas large papayas sell better than small ones in Central America. This is because average household size is small in the U. S. and large in Central America. The U.S. shopper will not buy a large papaya because, though it may be fresh when he buys it, it will go bad in the refrigerator before other members of the household can finish it. In contrast, the Central American shopper will buy a large papaya so there will be enough fruit for everyone in the household.

Less successful exporters do not know how competitive international markets work, or how selective and demanding U.S. consumers can be. In Central America, produce of indifferent quality can be sold, at a discount, compared to top quality produce. In the U.S., indifferent quality produce cannot be sold at all because next to it in the display case is a competing product of prime quality. Brokers know this as well as produce managers in supermarkets, and, therefore, brokers will reject all shipments of sub-quality produce.

5. Computer Utilization

Few Central American or Panamanian exporters fully appreciate how important or how useful good data communications and telecommunications services can be. Utilization of computers comprises one aspect of this project, not only for their use as repositories of agricultural databases, but more importantly for their use as facilitators of skills development in the acquisition, processing and dissemination of data and information. External databases and other sources of statistics and analyses are constantly changing. This project will develop the abilities of the private export federations, federation members and existing and potential entrepreneurs, to separate essential, useful information contained in existing data sources from that information which may not be relevant to diversified agricultural exports.

This project will avoid the creation of databases from the top down, where experts on the team or in the federations make decisions on behalf of those who eventually take the risks. With proper use, computers can be used to create databases and manipulate data in areas of immediate concern to individual food producers and exporters. A bottom-up approach will permit experiences within an export federation that can be shared throughout the region. The extent to which databases, regional data standards, and/or collective data purchases are shared will be based on the success of particular computer applications as they relate to the project's technical areas of production, post-harvest handling, transportation and marketing. It is anticipated that "hard-copy" documents will be shared amongst the federations and stored at a future date in a regional repository of information.

2. Export Product/Market Analysis

a. Background:

The U.S. food marketing system is a complex and demanding one, especially in the area of fresh produce. It is made up of thousands of small and medium sized firms. Statistics are scarce as to the exact nature and make-up of the U.S. fresh produce distribution system, but it is known that there are approximately 30,000 firms that make up this marketing chain. Individual firms fill a combination of functions and often operate differently, depending upon the supplier, product and time of year. Marketing costs, which could skyrocket, are kept down by a self enforcement of product standards.

The U.S. consumer expects high quality and varied produce to be available both in and out of season. The bulk of this fresh produce is produced at some distance from the

ultimate consumers home base and only at certain times of the year, and thus is increasingly being imported into the U.S. The highest volume of this fresh and processed produce (about 75%), is delivered to the consumer through retail supermarkets which in turn are supplied from a regional warehouse. The warehouse is kept supplied through a network of brokers, packers or grower-shippers. Independent farmers usually produce for this market under a contractual arrangement specifying the variety, grade, packing standards and delivery dates.

Another large outlet for fresh and processed produce in the U.S. is the institutional food market; i.e. schools, hospitals, restaurants. These are usually supplied by wholesalers, who gather produce from various other brokers as needed to satisfy their individual institutional clients needs.

A small percentage of the daily volume of fresh and processed produce ultimately finds its way to small retail stores and fruit stands. The U.S. market for fresh produce has been increasing at a rapid pace. This is not only true for the traditional fruits and vegetables, but for the more exotic types of product such as tropical fruits and vegetables or products that fall into the ethnic food category. This demand is also due to population increase, increased emphasis on health and proper diet, increased popularity on eating out where salad bars are featured and the strong desire to have year-round availability of all fresh fruits and vegetables.

In order to compete in the U.S. market, a producer, shipper, wholesaler or broker needs to have a source of high quality, consistently dependable produce and be able to deliver it in a timely manner at current market prices. Much of this business is conducted by telephone or telex (and increasingly by computers), with no formal contracts. Therefore, mutual trust and integrity are essential to this type of negotiation.

b. U.S. Market in Relation to CA/P

The market of choice for Central America is the U.S. This market has steadily increased its consumption of fresh fruits and vegetables, both on a total and per capita basis. Along with this increased consumption, the total of fresh fruit and vegetable imports have increased. In 1983, 10 countries 4/ provided approximately 98 percent (by weight) of

4/ Mexico, Costa Rica, Honduras, Ecuador, Colombia, Canada, Panama, Guatemala, Chile, Nicaragua.

the total amount of fresh produce imported into the U.S. México supplied the largest volume. Over 51 kinds and classifications of fruits and vegetables were imported.

Products for the U.S. market are obtained from different regions: The Bahamas, Central America, the West Indies, Puerto Rico, México, South America and other countries. Volume of imports from these regions are increasing at different rates, and sometimes fluctuate widely from season to season. The fresh produce imports of greatest volume are: banana, tomato, cucumber, grapes, onion, watermelon, cantaloupe, peppers, pineapple, squash, melons, and others.

Mexico is the largest exporter of fresh produce into the U.S. During the 1983 U.S. winter vegetable market season (December through May), México exported 77.5 percent of the total import volume. The items of greatest volume that year were: tomato, cucumber, cantaloupe, onion and bell pepper.

The produce presently being exported from the CA/P region is varied, but consists predominantly of cantaloupes, cucumbers, melons, peppers, cut flowers and ornamental plants. Small quantities of other products such as tropical fruits, macadamia nuts, black pepper as well as processed vegetables, including frozen cauliflower, snow peas, broccoli and okra are currently being shipped.

There has been a slow but steady increase in the exports of the cucurbitaceous crops, notably cantaloupes, melons and cucumbers, and for certain tree crops, principally mangos and limes. While the percentage of the total U.S. import market remains the same (the total tends to increase as the market demand increases), nevertheless, the region's share of melon, cucumber and cantaloupe import markets shows a discernable increase. (See Table 3)

c. Agronomic Trials

Agronomic trials of various kinds will be required for most of the indicated non-traditional crops. Some of the necessary agronomic information is available from data bases at U.S. agricultural colleges and universities. The Produce Marketers Association (PMA), the Fresh Fruit and Vegetable Associations, and similar organizations are other sources. Additionally, local (Central American) institutions such as CATIE at Turrialba, Costa Rica, and the Honduran Agricultural Research Foundation (FHIA) at La Lima, Honduras, have accumulated technical data and are staffed by highly

TABLE 3

U.S. FRESH FRUIT AND VEGETABLE IMPORTS BY COUNTRY AND YEAR*

<u>COUNTRY</u>	1,000 CWT					<u>% OF TOTAL</u>
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>AVE</u>	
Argentina	2	12	11	77	26	0.03%
Australia	99	139	48	98	96	0.11%
Bahamas	135	192	170	187	171	0.19%
Belgium	15	14	22	33	32	0.02%
Brazil	0	2	55	139	49	0.06%
Canada	5,408	6,901	7,931	7,291	6,883	7.85%
Central America	35,750	35,939	35,504	37,765	35,740	40.74%**
Chile	1,252	1,596	2,299	3,388	2,134	2.43%
Colombia	4,652	6,774	8,604	8,282	7,078	8.07%
Ecuador	11,564	11,677	13,250	9,851	11,586	13.21%
France	66	81	86	191	106	0.12%
Greece	0	0	1	2	1	.00%
Israel	6	14	40	49	27	0.03%
India	0	0	0	2	1	.00%
Italy	5	3	13	20	10	0.01%
Ivory Coast	0	3	0	0	1	.00%
Japan	25	21	26	39	28	0.03%
Mexico	23,134	18,795	22,583	25,448	22,490	25.63%
Morocco	1	4	4	15	6	0.01%
Netherlands	84	3	84	35	52	0.06%
New Zealand	299	332	279	398	327	0.37%
Peru	11	4	3	1	5	0.01%
South Africa	210	189	318	269	247	0.28%
Spain	21	26	217	60	81	0.09%
Taiwan	0	12	24	0	9	0.01%
Venezuela	8	4	18	32	16	0.02%
West Indies	436	602	548	596	546	0.62%
Total	83,183	83,339	92,138	92,268	87,732	100.0%

*From: USDA/AMS/F&V

** Includes Banana and pineapple.

qualified scientists and technicians with years of experience in conducting tropical agronomic trials and evaluations.

CATIE has carried out research on such non-traditional crops as heart of palm, garlic, peppers, and citrus in addition to work on coffee and cocoa. FHIA has been recently established, with AID support, and many of their technical support personnel are formerly of the United Brands' research staff. Together, these two institutions can provide a strong capacity to carry out the kind of research which will be needed by producers and entrepreneurs.

The project's Production Specialist, together with the Training Specialist, will direct and/or train selected federation staff members in:

- Establishing criteria for determining areas in which research is most needed;
- Identifying available sources of agronomic information;
- Identifying sources of qualified technical and scientific assistance for conducting required trials; and
- Organizing joint participation in agronomic trials.

The team will contact research institutions early in the project. The team will help the federations identify the specific kinds of research needed and help define the parameters of problems to be investigated. As the need for specific agronomic trials are identified, project funds will assist in contracting with CATIE or FHIA to carry out the needed research. The Production Specialist will identify appropriate trials needed; and the Training Specialist will assist in organizing such trials. Such factors as production cost determination and the use, cost, and effectiveness of agro-chemicals and/or other means of plant protection and fertilization will be components of such trials. Production methods for particular crops will be periodically examined and improved on the basis of new trials.

While initial trials on specific topics will be carried out, most likely on a contractual basis by CATIE and FHIA, eventually, potential entrepreneurs and federations will be expected to absorb the bulk of the costs involved in initiating such trials. Potential joint-ventures, for example, would find it useful to contract for research with CATIE or FHIA on a number of crops in which

they had interest, to determine which crops and technologies showed the greatest potential.

- The nature and extent of the trials;
- The extent of the research institutions' responsibility and need to keep detailed records of a given set of variables;
- The location of the trials (on-farm or on-station);
- The management of the trials (researcher-managed or farmer-managed);
- The novelty of the crop;
- The distance of the research site from the research station; and
- The extent of the producer's in-kind contribution to the research effort.

It is conceivable that a fund could be set up such that costs for research which developed successful, cost-effective technologies would be paid for in part by those producer associations/federations requesting the trials, or by those who adopt the proven technologies within a specified period following their development.

For ease in analysis of the products, the 20 commodities have been grouped into four major categories:

- Squash (cucurbit family)-includes honeydews, cantaloupes, cucumbers, watermelons, and chayotes. These products are grown at lower elevations and generally shipped by sea;
- Brassica family-includes cauliflower, broccoli and brussel sprouts. These are grown at higher elevations, are generally shipped by sea, and have potential for reaching other markets for frozen vegetables;
- Specialty Vegetables and cut flowers include snowpeas, okra, berries and asparagus. These are delicate and are shipped by air. All but okra are grown at higher elevations; and
- Hanging fruits and live plants include mangoes, papayas, plantains, limes, pineapples, root crops (yuca, malanga, etc.). These are grown in lowland areas, and are shipped by sea.

d. Squash (cucurbit) family

Within each of the four groups of export commodities there exist similarities and differences according to the product's respective region and country. The first group of commodities (squash family) are grown for export in all five countries. There is a good local market only in Panama, and to a lesser degree, in Costa Rica and Guatemala, with virtually no local markets in Honduras and El Salvador. Selling to domestic markets can reduce losses due to low quality product, and enable a producer to continue in business during a temporary period of low export market prices.

The more successful operations in this commodity group have had the advantage of joint-venture participation and support. Where important country buyers have invested time and capital in a project, there has tended to be better follow-through and greater reliability. Where channel captains regularly report to importers and their technicians (and then implement their directives in production, selection, and handling), quality problems are reduced and rejections are minimized.

To improve the production and marketing of cucumbers and all types of melons it will be necessary to test and develop varieties with improved disease resistance and shelf life. Tests will also have to be made using modified atmosphere transit technology to reduce excessive losses. Most important will be rapid and efficient post-harvest cooling from the field before packing. Once packed, the product must be shipped within 72 hours to arrive at distant markets in good condition.

Price information is also important for producers in such countries as Costa Rica and Panama which have local markets to absorb production. When prices in the U.S. are depressed, for example, shippers may want to export only a select amount of cucumbers and sell the lower grades locally.

With cost analyses, market volume potential, and price information they will better know whether or not to enter into production and if so, how much to produce. With help from the transportation/post-harvest control specialist, they will be able to place a much better product on the market.

Increased exports of cucurbits should take place after instruction from short term production specialists helps growers improve their quality. If cantaloupes and cucumbers arrive in cartons which are not partially crushed, and the product inside is uniformly packed and free from excessive blemishes and disease, demand for this produce will increase.

With the help of project-sponsored computer services, exporters will know daily price fluctuations in the markets to which they have access. With this information, shippers will be able to secure a higher return for their product.

e. Brassica Family

The most striking similarity among the five CA/P region countries in production of the brassica group, is the limited exploitation to date of these crops. Some variety trials have been conducted in Guatemala, the only country of the five which exports fresh cauliflower. There is a year-round market for this product and a very strong market for fresh brussels sprouts during the summer months, yet only the frozen product is currently being exported.

All of these products can be exported in sea containers, but, as in the other groups, there is little understanding of packing and appearance requirements. Much lower standards of quality in such aspects as color and compactness of the flower head, and degree of spotting, are acceptable in domestic markets.

Some quantities of all three products are being shipped frozen to the U.S. A fresh operation combined with freezing is now in production in Guatemala. This enables the producer to process culls and to stay in the export market only when it is most beneficial.

Growers will also need to know effects of fertilizers and irrigation, and how to spot deficiency symptoms, insect, and disease problems. They will need appropriate pre-cooling facilities as well. Experimental projects should be initiated in highland areas which are most suitable for growing these crops. Investigations must also be made into the potential for frozen cauliflower and brussels sprouts so they can continue producing during periods when fresh supplies are excessive in the U.S. market.

Achieving the initial goals of knowing production costs, yields and which varieties are most suitable will take at least nine months from the time the first seeds are set out. Three crops can be harvested per year but there will be variations with each crop due to changes in temperature and rainfall.

In order to determine whether to ship fresh or frozen, shippers will need daily access to price

information. This will be easy to achieve once they are linked with data sources that provide this information. Once basic costs are known, potential markets defined, and knowledge obtained of how to produce quality vegetables, exports will increase markedly. Once growers and packers understand, for example, that brussels sprouts should be trimmed and then packed in 10 ounce cups, 12 per tray, they will gain easier entry into U.S. and European markets. The above information will be available from the long-term post-harvest and short term specialists. With installation of freezing facilities and contracts for joint ventures in frozen products, producers will be able to expand from production for fresh markets into outputs of processed foods.

f. Specialty vegetables and cut flowers

Specialty vegetables and cut flowers offer the greatest advantage in profit because, when scarce, they command high prices. Restaurants in the U.S. simply must have these vegetables year-round and will pay exorbitant prices, if necessary. Similarly, near holiday time, the floral industry needs large quantities of certain flowers. The principal flowers exported in descending order of importance are carnations, mini-carnations, mums, roses and gypsophila.

All of this group are highly perishable, need excellent post harvest cooling procedures, must be shipped by air and must meet rigid quality standards. Berry and asparagus export production is very limited or non-existent in all five countries. On the other hand, snowpea and okra production is more advanced in Guatemala than in the other countries.

The most common problem with these crops is the lack of reliable and frequent air transport. The cost is not prohibitive, but since most of these products must be harvested at least every other day and each has a very brief storage period, losses can be staggering without reliable and frequent means of transport. Furthermore, a receiver, in order to keep local markets supplied regularly, must be supplied frequently.

There are also some advantages, however, to producing specialty vegetables and cut flowers. Some of the culled vegetables (e.g., strawberries and asparagus) can be distributed for good profits in the local market, and all lend themselves to processing through freezing or canning.

Growers of these products must understand integrated pest management principles. They must be able to

recognize pests and potential pest outbreaks so that they can determine when, how much, and what to spray. To achieve goals of pest management, short-term courses must be offered to producers so that they will be able to make correct management decisions. Crop management courses must also be given with emphasis on post-harvest storage and treatment of products for proper quality maintenance.

Because these products fluctuate greatly in price from one week to the next, growers will need to secure price information on a daily basis. This will be particularly useful for growers in Costa Rica and Guatemala who have access to European and U.S. markets.

Once growers learn how to increase production through proper soil preparation, fertilization, use of drip irrigation, how to get a cleaner berry by using plastic mulch, how to properly select and pack fruit attractively, which overseas market to increase their shipment to (according to market price), and who to ship berries to for processing, they will be better prepared for larger scale production.

Cut flower exports should increase considerably as the industry expands. From courses given by the short-term specialist, growers will be able to produce high quality flowers (carnations, mums, roses) which command better prices. Producers and investors will be able to more intelligently decide whether or not to enter the enterprise once they become aware of production costs, returns, and potential volume at different times of the year. Through marketing information and visits from brokers and buyers they will know which flowers and varieties command better prices and will be able to program higher volume production of certain flowers to coincide with peak demand periods.

Once charter aircraft are permitted entry into Guatemala, growers of all the products in this category will be able to expand production. Less expensive, more reliable air transport will help the producers in other countries as well.

g. Hanging fruits and live plants

The hanging fruits and live plants group is the most under-exploited, partly because these require longer-term capital investments. Interest rates are high, credit is difficult to secure, and the risk of devaluation or political instability is too high to warrant serious interest in this category. Many of the items in this category have a

significant and growing demand in the Hispanic market, the largest ethnic market in the U.S. Growers in Central America have successfully penetrated this market. Crops such as malanga, yuca and plantains are shipped regularly to Latin American brokers in the U.S., and the largest volume of these products comes from Costa Rica and Honduras.

The greatest success in plantains has come when marketing and technical assistance have been provided by multinational firms. For example, United Brands sprays fungicides on plantains on 3000 acres for producers in Honduras, and gives them a guaranteed price per box. By spraying the entire block of plantains for nearly 300 growers, the importer is more certain of quality and the exporter can thus expand production with greater confidence that a strong market exists.

Mangoes and papayas and specialty fruits such as cherimoya, carambola, zapote, sapodilla, lychee, rambutan, and mangosteen all offer export potential, but are presently restricted because of their exposure to fruit flies. At present, limited quantities of these specialty fruits can be found in Honduras and Costa Rica. Large plantings of mangoes and papayas can be found in Costa Rica, with the majority of these harvests destined for export to the U.S. and Europe.

There is very little understanding of the requirements for mangoes and papayas, such as how to spray and what to spray for disease-free fruit. Market preference is little understood by local producers. For example, local mango producers may take pride in the flavor of domestic varieties, but most important in exporting are appearance and shelf life. Therefore, a good shipping variety has to have an attractive external color, be disease-resistant, and have some fiber so that it will hold its shape when ripe.

Live plants are the last item in this category. Currently these are being exported from Honduras, Guatemala, and Costa Rica. This area offers great potential and has been developed through joint ventures with American companies and in Costa Rica through cooperatives which employ a domestic firm to market their production. Cane of the corn plant (*dracaena massangeana*), and yucca plants (or Spanish bayonet) are the most common exports, typically to restaurants and for apartment and office ornamental purposes in the U.S. They are native to the area and therefore tend to be easier to grow. Costa Rican cooperatives estimate that they will ship nearly 200 sea containers of ornamental plants this year alone.

There is a dearth of knowledge among CA/P producers about improved techniques and cultural practices used to produce these items. For example, mango trees grow too tall to reach top fruit. Mango and lime growers need to know how to top and hedge trees so as to facilitate spraying and harvest. The kinds of equipment used by U.S. growers and how to secure them will be useful to producers. Other improved agronomic practices such as use of correct planting distance would increase yields. Here again, project supported activities through agronomic research institutions such as FHIA, VITA and CATIE, will provide for longer-term support services in production trials.

Experts in tropical fruit management will be able to educate growers on insect and disease control, pruning, harvesting, and packing equipment and practices. Week long short courses can be given during different times of the season. For example, for a mango educational program, a course in spraying would be given in November when the crop is flowering, one in packing in April just prior to harvest, and one in pruning in August after harvest.

Live plant producers are greatly in need of market information and quality standards. They need access to producers in the U.S. who grow or "finish off" tip cuttings and ornamental cane. In addition, members of cooperatives need an opportunity to visit these producers to better understand what the market wants and to arrange joint ventures.

Although mangoes, limes, papayas and pineapples have been growing in CA/P for many years, only pineapples have been exported in significant quantities. Through courses from long- and short-term specialists, producers will begin exporting more desirable varieties of mangos--those with better color and longer shelf life.

Courses in papaya production will encourage producers to begin planting the Solo variety which U.S. and European markets demand. After courses in pineapple production, they will understand which varieties are best suited to shipping, what distances to plant to avoid sunburn damage, how to use hormones to initiate flowering to get production year round if desired, what fungicides to use in order to prevent internal disease, and how to pack properly.

Similarly with live plants, once instruction is provided and there is an exchange of visits between buyers and producers, growers will know how to produce and what volume the market will take. This industry should increase substantially.

B. Economic Analysis

1. Introduction

There can be little doubt that CA/P countries have the resource endowment to compete effectively for non-traditional exports to US/Canadian markets. Good soils, frost-free climate the year round, irrigation facilities, and abundant low priced labor are important advantages. Numerous studies have shown that low production costs characterize various crops in CA/P countries. Comparative advantage, as it relates to competition between supplying countries for a single set of markets, should be analyzed in the long run context where all variable constraints are removed. Consequently, references to lack of storage, packing and shipping facilities, or unfavorable exchange rates, or export taxes, or managerial capacity, do not have any bearing on true comparative advantage. These factors can be changed, and any long run program to promote a production-export program should not be postponed because of such constraints.

The main competitors for winter fresh vegetables at present are Florida and Mexico. Florida suffers from frequent losses due to freezers and high labor costs. Mexico is far enough north that climate affects the timing of crops. For example, Mexico does not produce melons in significant quantities until late March. Mexico also suffers from rising labor costs and period of cold, cloudy weather that affect yields. Transport requirements should not disadvantage CA/P countries with Atlantic ports because distance to the East coast markets are comparable to distances from Mexico. Florida, of course, has transport advantages to the East Coast, but production problems in Florida should nullify any transport.

Given this comparative advantage, it is not surprising that producers in Central America have enjoyed high financial rates of returns in the production and export of non-traditional agricultural commodities. These rates of return have ranged between 16 and 25%. If the calculations were to be adjusted for the shadow prices of labor (perhaps 20-30% below nominal wages) and of foreign exchange (perhaps 10-15% above the regions overvalued exchange rates) the resulting economic rates of return could be in the range of 25-30%, well above the opportunity cost of capital in the region, estimated to be between 12-15%.

These calculations have only factored in producers costs and do not include the sum of all resumes that

society will apply to the target sector. In addition to producers costs there are costs borne by the counterpart institutions, costs incurred by each Central American country (such as extension services and any subsidize credit lines), costs incurred by the bilateral USAIDs and, of course, the US\$8 million that will be spent by ROCAP. But the economic rates of return to these activities are so high that, even if these other costs were factored in the resultant rate of return on the activities of the large sector would be well above the opportunity cost of capital in the region.

2. Cost Effectiveness Analysis

a. Long-term technicians

Beyond the issue of economic viability the project can be shown to be cost effective: (1) the cost effectiveness of the regional approach to human capital investment compared to the traditional alternative of bilateral assistance efforts on a country by country basis; and (2) the increase in quality of training due to sharing of experiences in the various countries. It will also be shown in this section that the regional approach minimizes duplication of activities, capitalizes on the commonality of problems between countries and provides a range of services which are not feasible on a bilateral basis. It will be shown that the major components of this regional project--the provision of long term advisors, technical assistance and training programs, and regional workshops, --are more cost effective than the individual country approach.

The project contemplates equally distributing the services of six long term specialists over the export activities of four or five countries. Given that many of the export problems in the region are common to all countries and that some products are produced and exported from more than one country, the use of specialists to cover more one country is cost effective. In fact, it would not be feasible to duplicate all of the services provided in this project in all countries. The regional approach provides a wider range of technical assistance services than could be provided by bilateral assistance efforts.

Each long-term technician is expected to travel 35 percent of the time. This implies 17 weeks of travel each year, or about a month in each country per year, apart from the country where the long-term specialist resides. Of course, some countries will require more time than others during certain

stages of the project, and others less. Such a travel schedule would spread services too thinly to be effective if the technician had broad responsibilities covering all aspects of production, marketing, plant management and finance. However, the size of the group of long-term technicians in this project plus the services of short-termers (120 months of short-termers) allows responsibilities to be specifically defined, so that effective coverage of the five countries is feasible given the commonality of problems and products in the CA/P region.

For example, the computer specialist can effectively discharge his responsibilities with a series of short visits to each country. The transportation and post-harvest handling specialists can resolve problems in pre-cooling, temporary storage, and ripening control with short follow-up visits, and with the help of workshops and short-term contractors. Problems to be resolved are likely to be similar in all countries. Given that bilateral assistance programs are already in place--or will be in place--the ROCAP project of overlaying specialized technical assistance in selected areas is complementary and cost-effective. The alternative of having bilateral programs duplicate the objectives of this project in each country would be extremely costly. Conceivably, the functions of the marketing specialist and the computer specialist could be combined. The training functions could also be divided among other positions; however, such broadening of responsibilities would reduce the effectiveness of the program. Three positions in each country would be required at a minimum, and this implies three positions each in five countries for five years, or 75 person years, compared with the 25 person years provided under the ROCAP project.

b. Workshops and training seminars

The export of non-traditional crops requires a great deal of expertise in many high technology areas. Since the managers and producer association technicians are not expected to possess expertise in all of the necessary technology areas, workshops and seminars will accomplish a large training function. Workshops will bring in high-technology people from the US and other places for periods of three days to a week (possibly longer in some cases), to present the latest information in their area of expertise. It is visualized that the following topics, plus others, would be candidates for workshops:

1. Post-harvest technology
2. Packaging-materials and economies of transport
3. Market analysis
4. US consumer demands
5. Packing plant design and management
6. Integrated pest management
7. Soil fumigation
8. Use of plastic in production
9. Pooling, rebates and cooperative financing
10. Member relations
11. Trace elements and product quality
12. Plant diseases

Many of these topics will be of interest to firms in all countries, and thus are suitable for regional workshops. The cost savings from regional workshops, compared to duplicating such activities in each of the five countries, are substantial. Furthermore, the workshops will focus on more specific topics since larger audiences from which to draw are available. If individual workshops were to be held in each country, the topical coverage might have to be broadened to attract a minimum number of participants, with resulting dilution of the subject matter and reduction in educational content.

Workshops and seminars will be geared to 15-30 participants. In addition to participants from export agencies, specialists from INCAE and CATIE might attend where interests would so indicate.

The following cost comparisons are based on (model) regional workshops of 30 participants, with two invited specialists from the US, as compared to five individual country workshops with six participants each.

Costs of a 3-Day Regional Workshop:

Participant Travel	
2 roundtrips to a central site	\$ 4,000
10 within-country trips	1,000
90 days per diem (30 participants/3 days)	4,500
Travel for 2 US specialists Airfare	1,500
10 days per diem (\$60 per day)	600
Honoraria (10 days at \$250 per day)	2,500
Miscellaneous (materials, rent conference room, etc.)	1,000

Estimated Total	\$15,100
	=====

Costs for a (model) regional workshop are estimated at \$15,100.

Costs for an individual Country 3-Day Workshop:

Participant travel	
6 within-country trips	\$ 600
18 days per diem	900
Travel of 2 U.S. specialists	1,500
10 days per diem	600
Honoraria	2,500
Miscellaneous (materials, rent conf. space, etc.)	1,000

Estimated Total	\$ 7,100
	=====

Multiplying the individual workshop figure by five, the total cost for regional workshop coverage would be \$35,500. Thus, the use of regional workshops implies a savings of more than 50 percent. Assuming 10 workshops per year, the savings would be \$204,000 per year.

Another alternative would be to have the visiting US specialists give a workshop in all five countries during one trip from the US. A budget for this arrangement is presented below:

Participant travel:

Within-country trips (30 at \$100 per trip)	3,000
Per diem (90 days at \$50 per day)	4,500

Travel for U.S. specialists

Airfare	2,300
Per diem (50 days at \$60 per day)	3,000
Honorarium (40 days at \$260 per day)	10,000
Miscellaneous	5,000

Estimated Total \$ 27,800
=====

The total for this alternative is \$27,800, less than the individual country workshops, but still nearly double the regional workshop alternative.

c. Effectiveness of training programs

The process of repeat visits to different countries by the same advisors and technicians affords the opportunity to share experiences, to gain a broader knowledge about the problems in non-traditional exports, and to enhance the effectiveness of the advisors. There is greater opportunity to apply "whatever works" in one country to other countries. It is difficult to quantify these benefits, but the increased effectiveness of the advisors will be transmitted to association representatives and down to operating personnel, with greater benefits than if advisors concentrated their efforts on a single association or country.

C. Social Analysis

1. Introduction

The agricultural sector of CA/P countries is characterized largely by small, traditional farmers employing low technology production methods. Use of credit for investment is limited, and production is heavily weighed toward traditional grains, sugar, cotton, bananas, and coffee. Declining traditional commodity prices have resulted in deteriorating incomes at the farm level, and declining agricultural growth and hard currency reserves at the national level. Unemployment and underemployment range from 25-40 percent (ROCAP, "Country Development Strategy Statement, FY 1986", April, 1984.) and rural poverty is forcing more workers to urban areas. Living standards have fallen since 1978, as GDP contracted by 4.2 percent in real terms while population increased by 18 percent.

Expansion of non-traditional exports can help alleviate the unemployment and low income problems in rural areas, as well as earn foreign exchange. Development of such programs, however, requires technologies which at present are poorly understood by farmers, producer associations and top level managers. Producer associations are the ideal private sector organization to expand non-traditional exports, since they are traditionally strong in most countries. Yet top level managers have to be trained in order to transmit required technological information to member associations and down to farm levels. Equally important, training methods have to be developed that include "bottom up" participation and stimulation of demand to ensure that the training offered is indeed appropriate and perceived as useful by those intended beneficiaries.

The analysis of social soundness of this project includes three main components:

- Identification of the direct beneficiaries, and their relation to the social and agricultural structure;
- Identification of diffusion effects, leading to indirect benefit distribution; and
- Distribution of overall benefits, both indirect and direct.

2. Direct Beneficiaries of the Project

The target population of this project are actual and potential producers and exporters of non-traditional agro-export crops and products, leaders and managers of producer associations and cooperatives, leaders of export federations or agricultural associations. This group of entrepreneurs and their association's leadership will receive training and technical assistance which will enable them to understand the technological requirements of non-traditional markets, how to obtain current and historical market information, how to establish and maintain market contacts, and how to adapt local production to market needs.

The benefits will be a better understanding of non-traditional technologies, enhanced capability to successfully manage their producer organizations and firms, and increased success in exporting their products.

3. Diffusion of Indirect Benefits

a. Benefits to producers

Producer associations are ideal mechanisms through which to disseminate information. Expanding the capacity of producer organizations to provide information and training for members will help ensure that a wide range of producers and entrepreneurs is given opportunities to profitably produce and/or export agricultural commodities than has been the case previously. Given good management practices producers readily identify with their producer associations. Individual farmers will find their income potential increasing as their venture into high technology crops expands. Their family welfare will improve and less pressure to seek non-farm employment will result. They will spend their increased income on better family nutrition and for productive equipment.

b. Benefits to society

(1) Increased employment in rural areas

Since non-traditional agricultural exports are labor intensive, the expansion of such production will increase employment in rural areas and retard the flow of workers to urban areas, thus helping to preserve rural family structure and reducing the demand for urban employment and services.

(2) Increased employment for women

Non-traditional agricultural products require extensive sorting and packing of produce, a job normally accomplished by women. Expansion of rural employment for women will also increase rural family income.

(3) Improvement in technological practices

Non-traditional exports require high technologies including fertilization and chemical pest control. The existence of high technology groups in a region tends to have spill-over effects on other crops and stimulates better input use on traditional crops. As input distribution systems become better developed, and as fertilization and input use becomes accepted as a potentially profitably production practice throughout the region, technological practices tend to improve throughout the region.

(4) Benefits for the small farmer

Non-traditional exports are particularly suited to small and medium sized farms. The heavy use of hand labor precludes significant economies of scale. Society will therefore benefit from preservation of the small family farm tradition, and the distribution of income to the small farmer will improve.

(5) Stimulation of collateral manufacturing industries

Expansion of non-traditional agricultural exports will stimulate the development of collateral manufacturing industries such as package materials, pallets, paper liners, etc. Forward and backward linkages are important in agricultural industries, producing a strong multiplier effect within the economy.

4. Overall Distribution of Benefits

It can be seen that the benefits to the direct participants in the project will soon be diffused throughout the agricultural sector. The leadership structure has already been identified in the producer federations and associations through which the dissemination of information and technology will be accomplished. This will strengthen the producer-association relationship and stimulate a more effective private sector initiative. Society will benefit through increased employment opportunities, improved income distribution in the agricultural sector and increased balance of payments.

VI. IMPLEMENTATION ARRANGEMENTS

A. Implementation Plan

This project is to be implemented over a five year period. The major implementing document will be a contract between ROCAP and the firm or consortium of firms that will provide the training and technical assistance in production, post-harvest, transportation, marketing and computer applications. The one major ROCAP project expenditure that is to be made outside of the TA contract is for the PSC Project Liaison Officer. ROCAP will directly pay this contractor and provide for his or her support costs. The Project Liaison Officer will be hired immediately after the signing of the long-term contract.

Solicitation of the contract team can take place after authorization of the project. It is estimated that approximately 6 months will be required to review the technical proposals, select a firm, negotiate and sign a contract, and for the Chief of Party to arrive in-country.

Before the project contract is signed, each participating export federation will sign a memorandum of understanding which defines the participation and role of each federation, and describes in detail the amount and type of counterpart contribution to be made by each export organization.

A first year and long-term work plan will be developed by the contract team in conjunction with the federations. Allowance will be made for the subsequent participation of Panama and Belize. The Project Liaison Officer and the project team will insure that participation by these federations or export entities is in accordance with the bilateral USAID programs and priorities.

The Chief of Party, in consultation with ROCAP, will develop a schedule of the equipment and supplies required to establish and maintain the team office. This will include one vehicle, a local secretary and driver.

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT
TABLE 4

Illustrative Schedule for Technical Assistance

<u>Project Staff Positions</u>	<u>Year One</u>				<u>Year Two</u>				<u>Year Three</u>				<u>Year Four</u>				<u>Year Five</u>				<u>Number of Person/Months</u>
	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	
<u>Long-Term Specialist</u>																					
Chief of Party/Trade Association Development Specialist	_____																				60
Production Specialist	_____																				60
Transportation and Postharvest Specialist	_____																				60
Computer Utilization Specialist	_____																				60
Marketing Specialist	_____																				48
Training Specialist	_____																				48
	_____																				24
Subtotal, Long-Term Specialist																					300
<u>Short-Term Specialists</u>																					
Computer Utilization Specialists	_____																				3
Training Specialist	_____																				3
Transportation and Postharvest Specialist	_____																				18
Marketing Specialist	_____																				24
Production Specialist	_____																				72
Subtotal, Short-Term Specialist																					120
TOTAL, All Project Staff																					420
																					==

- 70 -

Key: _____ Full-Time Long-Term Specialists
 _____ Intermittently as needed throughout the life of the project.

B. Evaluation Plan

The project's goal is to increase the export of non-traditional agricultural products in the CA/P region. A comprehensive evaluation will not only measure the increase in exports of these commodities, but also provide some judgement, if not quantifiable measure, of the extent to which the activities undertaken were responsible for the increase in exports. The contract team will assist in establishing initial baseline data, in conjunction with the federations and ROCAP technical personnel, to be used as benchmark criteria for each evaluation.

The initial requirement is to know, by product, what current production and exports are and have been at the enterprise level. If possible, federation members and non-members production will be disaggregated, and statistical comparisons can then be made at the end of year two and at the PACD. Data on whether or not those who increase their exports are federation members and, if so, were participants in project activities, will serve as other indications of the project's success.

These data, together with more subjective judgement and analyses will be the basis for project evaluation. The statistical data will be reviewed with representative exporters and they in turn will offer explanations and specific examples of how the activities carried out under the project enabled them to increase exports. They will also indicate the nature and effect of other factors, apart from the project activities, that encouraged or impeded exports. The project is to last for five years, and the mid-term evaluation will take place at the end of the second year. These are relatively short time periods to evaluate an increase in exports and to reach conclusions with respect to causal relationships. However, useful, informed qualitative judgements, substantiated by comparisons between baseline data and subsequent developments, should be possible.

In addition, informal evaluations will occur during the life of the project by the contract team, ROCAP, the federations and the bilateral USAIDs.

C. Procurement Plan

The acquisition of goods and services under the ROCAP project will be carried out through a cost reimbursable AID direct contract with a private concern or consortium of firms. The bulk of the project costs will be for the professional services of long and short term advisors employed or contracted

by the firm. In-country support and travel costs, as well as the firm's overhead and backstop cost, will be funded under the contract.

Regional training programs will be provided through established training institutions such as INCAE and IFAIN. Initially, such training will be contracted on an as needed basis. The ROCAP contract team, with assistance from ROCAP project management, will make arrangements with these institutions and the costs will be covered to a large extent under the contract. The costs of travel and per diem will be the responsibility of the project participants and the sponsoring federations.

The project will provide for 10 micro-computers and appropriate software. All of the countries involved have a number of computer dealerships and service organizations available. The equipment purchases will be made through local dealers. A longer term objective of the project is to induce individual producers and export members to acquire their own data management capability as the size and complexity of their operations so warrant. Also, by foregoing the taxes and import duties and shipment time associated with an international procurement, purchases from local dealers will not unduly increase costs. AID indigenous procurement procedures will be followed for all local currency procurements made by the project. Under these purchases, the contract team will enter the market place and secure at least three pro-forma invoices for each procurement.

There will also be audio visual and training materials that the contract team will purchase, to be used by the federations in their training programs.

Lastly, there will be local support costs for the contract team. These will include office space, furnishings and supplies, a vehicle, a local secretary, a driver and intra-regional travel. These expenditures will be made directly by the contract team.

D. Waivers

Sub-contracting of project technical assistance by the project's contract team may require the technical services and teaching capabilities of Spanish speaking individuals who are not readily available from Code 941 countries or the U.S. It is anticipated, however, that any necessary waiver of Source/Origin Code 000 or 941, for the contracting of project technical assistance, will be addressed on a case by case basis and will be authorized by the ROCAP Mission Director as warranted.

E. Conditions and Covenants

The counterpart organizations of the technical assistance and training team contemplated under this project are the individual country federations that include associations, cooperatives and individual producers and exporters of non-traditional agricultural products and their membership. These federations are receiving support and funds from the bilateral USAIDs in their respective countries. For these countries, Guatemala, Honduras, Costa Rica and El Salvador, the choice of federations with whom the project is to work is clear. In these four federations, counterpart funds and staff are already being employed or are firmly scheduled. It is anticipated that the local costs of the ROCAP program be progressively funded by the participants and the federations themselves as the value and impact of these programs are demonstrated. The counterpart funding required in each federation will help to assure funding of the federation's staff and its activities once the ROCAP project has ended.

A precondition of disbursement of funds to finance the ROCAP training and technical assistance activities is for each federation to sign a memorandum of understanding, which details their commitment of counterpart funding and extent of participation in the project.

F. Gray Amendment Opportunities

The principal Gray Amendment opportunities under the project will be for minority and small business consulting firms to participate as technical assistance contractors and/or short-term consulting assignments as specified in the project description. These contracts will include a variety of assignments related to non-traditional agricultural exports. The RFP for these actions will be drafted by ROCAP so as to assure that both small business and minority firms are given the maximum practical consideration for contracting opportunities.

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ACTION AID INFO AMB DCM ROCAP YCON CHPON/5

ANNEX A
Page 1 of 15

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CHRG: AID
DIST: AID

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ACTION PDO
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H.C. 12353: 1/2
SUBJECT: NON-TRADITIONAL AG EXPORT SUPPORT PID 596-3103

REF: (A) GUATEMALA 01240
- (B) GUATEMALA 002327

1. USAID/AF CONGRATULATES ROCAP FOR ITS INITIATIVE ON THE NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT PROJECT (596-0103). THE METHODOLOGY APPLIED TO DESIGN THIS PID, FOCUSED ON WAYS TO COMPLEMENT AND SUPPORT USAID'S COUNTRY SPECIFIC PROJECTS AUGURS A USEFUL AND EFFECTIVE IMPLEMENTATION. ITS MARKET DRIVEN, PRIVATE SECTOR APPROACH BUILDS ON THE MOST DYNAMIC FORCES IN THE REGION.

2. SEVERAL CONCEPTS SHOULD BE ENHANCED OR EXPLICITLY INCLUDED IN THE PP:

- (A) AN ASSESSMENT (I.E. DIAGNOSIS AND RECOMMENDATIONS)
 - ON INTERNATIONAL TRANSPORTATION (BOTH MARITIME AND AIR FREIGHT). CONFERENCE RATES, SERVICE
 - RELIABILITY, NEGOTIATIONS PROCEDURES, OF SHIPPING LINES CURRENTLY SERVICING THE REGION CONTINUE TO PLAGUE AND UNDERMINE EXPORT EFFORTS, SPECIALLY IN PERISHABLE COMMODITIES.

- (B) ANALYSIS OF THE FUTURE FOR TRADITIONAL COMMODITIES. RECENT PROPOSED LEGISLATION (E.G. PAMA BILLS, IF ENACTED INTO LAW, COULD HAVE A DEGRADING IMPACT ON SUGAR EXPORTS TO THE PROTECTED U.S. MARKET. QUOTAS EFFECTIVELY LIMIT COFFEE EXPANSION. BEFF EXPORTS, COTTON AND BANANAS, ARE ALL FACING "MATURE" MARKETS WITH LITTLE TO NO-EXPANSION EXPECTED IN THEIR EFFECTIVE DEMAND. CURRENT AGROENTREPRENEURS INVOLVED IN THESE OPERATIONS COULD BE TARGETED FOR A FAST START-UP INTO NEW AGRIBUSINESS VENTURES IN FRUIT AND HIGH VALUE EXPORTS.

- (C) PP DESIGN SHOULD INCLUDE A REVIEW OF PREVIOUS EXPERIENCES. CENTRAL AMERICA IS A BURIAL GROUND FOR MANY CARCASSES OF FAILED AGRICULTURAL DIVERSIFICATION EFFORTS, SEVERAL OF THEM ATTEMPTING NEW AGROEXPORTS. WHAT LESSONS HAVE

Best Available Document

74 185

- BEEN LEARNED FROM THESE FAILURES AS WELL AS FROM
- THOSE WHICH SUCCEEDED? (E.G. WHAT IS A REALISTIC
- LEVEL OF EFFORT IN TERMS OF FUNDING AND TIME
- REQUIRED TO CARRY OUT SUCCESSFUL AGRIBUSINESS
- VENTURES?)

111

- (D) SPECIAL ATTENTION SHOULD BE GIVEN TO THOSE NEW
- CROPS ALREADY BEING EXPORTED OR AT AN ADVANCED
 - PRE-COMMERCIAL STAGE. GIVEN SEASONALITY (E.G.
 - MELONS, CUCUMBERS) OR SHALLOW MARKETS (E.G.
 - SNOW-PEAS), A PRODUCTION BOOM IN ALL COUNTRIES
 - COULD DESTROY THE MARKET. THIS PROJECT SHOULD
 - CONSIDER THE ESTABLISHMENT OF ADEQUATE MECHANISMS
 - TO MINIMIZE THESE RISKS THROUGH THE IDENTIFICATION
 - OF INTENTIONS TO PRODUCE, DESTINATION AND
 - POTENTIAL SATURATION OF KEY CLEARING MARKETS, AND
 - BETTER OVERALL AWARENESS OF THE SINERGISM BETWEEN
 - THE U.S. MARKET AND CENTRAL AMERICAN PRODUCERS.

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- (E) MANY NATIONAL ORGANIZATIONS HAVE EXPRESSED A
- STRONG DESIRE TO STUDY THE U.S. MARKET FOR
 - SPECIFIC COMMODITIES. IT WOULD BE WASTEFUL TO
 - STUDY THE SAME MARKET FOR DIFFERENT COUNTRIES. PP
 - SHOULD CONSIDER STRESSING THIS SERVICE IN A WAY
 - THAT ALL COUNTRIES BENEFIT FROM A SINGLE STUDY.

- (F) ANOTHER PP ELEMENT COULD EXPLORE THE ESTABLISHMENT
- OF AN INFORMAL NETWORK AMONG PRIVATE SECTOR
 - ORGANIZATIONS PROMOTING AGROEXPORTS FROM
 - CENTRAL AMERICA. DO KEEP IT INFORMAL AND FLUID;
 - HIGHLY ORGANIZED REGIONAL "UMBRELLAS" MAY NOT BE
 - APPROPRIATE AT THE BEGINNING OF THIS PROJECT.

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- (G) PUBLIC SECTOR AGENCIES SHOULD NOT BE LEFT-OUT.
- THE PRIVATE SECTOR CANNOT MOVE IF GOVERNMENT
 - AGENCIES FAIL TO COLLABORATE.

- (H) A MARKET-DRIVEN PROCESS IS NECESSARY, BUT NOT
- SUFFICIENT. FRUITS AND VEGETABLES IN CENTRAL
 - AMERICA DO NOT HAVE A RESEARCH AND TECHNOLOGY
 - NETWORK ANALOGOUS TO THAT SUPPLIED IN BASIC GRAINS
 - BY NATIONAL AND INTERNATIONAL CENTERS (E.G.
 - CIMMYT, CIAT). HOW ARE PRODUCTION AND QUALITY
 - ASSURANCE NOW-HOW TO BE ACCESSED?, WHO WILL BE

114

75

- DOING PRE-COMMERCIAL RESEARCH ON VARIETY TRIALS,
- RESPONSE TO AGROCHEMICALS. POST-HARVEST
- PROCESSES? THESE ISSUES MAY TRANSCEND PROPOSED
- PROJECT, BUT SHOULD BE TAKEN INTO ACCOUNT AND
- ADDRESSED DURING PP DESIGN.

- (I) THE POLICY ENVIRONMENT DETERMINES COMMERCIAL
- VIABILITY FOR NEW EXPORTS. COMPARATIVE ANALYSIS
 - OF FISCAL, MONETARY AND FOREIGN POLICIES IN EACH
 - CENTRAL AMERICAN COUNTRY, SUPPORTING OR IMPEDING
 - AGROEXPORTS SHOULD BE CONSIDERED FOR THE EARLY
 - PHASES OF PP IMPLEMENTATION.

- (J) INTEREST RATES, EXISTING IMPERFECTION IN FINANCIAL
- MARKETS, AND THE ABSENCE OF LONG TERM LOAN AND
 - EQUITY AVAILABILITY, ACT AS FORMIDABLE BARRIERS TO
 - NEW ENTRANTS OR EXPANSION OF AGROENTREPRENEURS IN
 - NON-TRADITIONAL AGRIBUSINESS EXPORT. LENDERS WANT
 - TO COVER THE RISKS PROPERLY PERCEIVED FROM SOCIAL,
 - POLITICAL, ECONOMIC AND ARMED CONFLICTS. CAN
 - CENTRAL AMERICA REALLY COMPETE IN U.S. AND WORLD
 - MARKETS WHEN LOANS FOR THEIR HIGH RISK AGROEXPORT
 - VENTURES MUST ALSO COVER A REGIONAL "PREMIUM" NOT
 - RELATED TO ECONOMIC EFFICIENCY, BUT DETERMINED BY
 - A HIGH RISK SOCIOPOLITICAL ENVIRONMENT?
 - SMALL AND MEDIUM AGROENTREPRENEURS DO NOT HAVE
 - COLLATERALS DEMANDED AS GUARANTEES, USUALLY IN
 - URBAN REAL ESTATE. BANKING CLUES TEND TO BEHAVE
 - AS FINANCIAL CARTELS AND FOR THE BENEFIT OF THEIR
 - STATUS QUO ASSOCIATES. HOW WILL THE DESIGN TEAM
 - COPE WITH THESE CONSTRAINTS DURING PP DEVELOPMENT?

5. USAID/USA CONSIDERS MEETING ON MARCH 2 AND 26 AM

BEST IDEAS, AND WILL FUND THREE PARTICIPANTS:

FELIPE MANTUEGA, CHIEF, COMMERCIAL AGRICULTURE

DIVISION; FRANC BENDANA, AGROEXPORT ADVISOR, AND

RICHARD CLAR, ACDI MARKETING ADVISOR FOR COOPS. THE

HONDURAN FEDERATION OF AGRICULTURAL AND AGROINDUSTRIAL

PRODUCERS AND EXPORTERS (FEPROXAH) WILL BE

REPRESENTED BY ITS EXECUTIVE SECRETARY, ARMANDO

BOQUIN. FLIP CHARTS AND VIDEO (BETA SYSTEM) WILL BE

REQUIRED FOR MR. BOQUIN'S PRESENTATION. BOQUIN,

BENDANA AND MANTUEGA ETC IN EVENING, MARCH 23.

NEGROPO...
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NAME

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ADM AID

FOR LAC/DR

E.O. 12356: N.A.

SUBJECT: ROCAP PID FOR NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT

REF: LETTER ^{From} CHARLES COSTELLO ^{To} JOHN EYRE DATED JAN. 11, 1985

1. SUMMARY: MISSION FINDS PID GENERALLY WELL THOUGHT OUT, COHESIVE AND VERY SUPPORTIVE OF AID/GUATEMALA AGRIBUSINESS DEVELOPMENT PROJECT. WE COMMEND ROCAP FOR EXCELLENT COLLABORATIVE EFFORT WITH US IN ALL STAGES OF DEVELOPMENT OF PID. THERE ARE DEFINITE ECONOMIES OF SCALE TO BE ACHIEVED IN EXPORT PROMOTION THROUGHOUT CA/P WITH THIS PROJECT. CONSEQUENTLY, MISSION GIVES STRONG SUPPORT TO THIS PROJECT AND ENCOURAGES CONTINUED CLOSE COLLABORATION WITH US ON DEVELOPMENT OF PP.

2. CONDITIONS EXPRESSED ABOUT CA/P COUNTRIES IN PID ARE VERY ACCURATE CONCERNING GEOGRAPHIC PROXIMITY TO U.S. MARKETS; POTENTIAL COMPARATIVE ADVANTAGE IN FRUITS AND WINTER VEGETABLES; LOW EFFICIENCY LEVELS RESULTING IN HIGH PER UNIT COSTS OF PRODUCTION; AVAILABLE LABOR FORCE AT VERY REASONABLE WAGE RATES; DEPENDENCE UPON LIMITED NUMBER OF BROKERS AND BUYERS RESULTING IN RESTRICTED ACCESS TO MARKETS; AND SERIOUS DEFICIENCY OF ACCURATE AND RELIABLE MARKET AND TECHNICAL INFORMATION RESULTING IN MYRIAD OF LOST EXPORTING OPPORTUNITIES OR LOWER THAN EXPECTED RETURNS. ALL OF THESE CONDITIONS PROVIDE STRONG RATIONALE FOR PROPOSED ROCAP INTERVENTION AT CA/P LEVEL, SINCE ALL PARTICIPATING COUNTRIES ARE EXPERIENCING THESE CONDITIONS.

3. NATIONAL PRIVATE SECTOR EXPORT PROMOTION ASSOCIATIONS ARE DEFINITELY APPROPRIATE ORGANIZATIONS TO STRENGTHEN THROUGH INSTITUTIONALIZATION EFFORT, ESPECIALLY IN RELATION TO COLLECTION, COMPUTARIZATION, ANALYSIS AND DISSEMINATION OF MARKET INFORMATION. THIS EFFORT WOULD SUPPORT ALREADY-EXISTING OR UPCOMING AGRICULTURAL EXPORT PROMOTION PROJECTS IMPLEMENTED BY INDIVIDUAL USAID MISSIONS.

4. BECAUSE NATIONAL ASSOCIATIONS ARE ALREADY OPERATIONAL IN EACH PARTICIPATING COUNTRY AND MOST USAID MISSIONS HAVE EXISTING EFFORTS TO STRENGTHEN THEM, PROPOSED ROCAP PROJECT SHOULD BE AN INTENSIVE EFFORT OVER THREE REPEAT

File
 ANNEX A

Page 4 of 15.

CLASS: UNCLASSIFIED

CHRG: AID 2/19/85

APPRV: DIR:CECOSTELLO

DRFTD: ORD:HEWING:BAR

CLEAR: 1.RBURKE:PRM

2.EBAKER:PDSO

3.PKOLAR:DDLE

DISTR: AMB DCM ALE

ECON ROCAP

~~Mr. DeLaney~~ for inclusion in project

THREE YEARS, NOT FIVE YEARS AS RECOMMENDED IN PID. WE THINK INSTITUTIONALIZATION EFFORT CAN BE ADEQUATELY ACCOMPLISHED OVER THIS SHORT TIME PERIOD AS WELL AS PLACING EMPHASIS ON URGENCY OF IMPLEMENTING MEASURES DESCRIBED IN PID.

5. BUDGET OF 8 MILLION SEEMS TO BE EXCESSIVE FOR PROPOSED ACTIVITIES, ESPECIALLY GIVEN LACK OF JUSTIFICATION FOR FIVE-MAN, LONG-TERM TECHNICAL ASSISTANCE TEAM (WHY NOT THREE?) AND 40 PERCENT INFLATION FACTOR IN BUDGET (MOST COSTS ARE OFF-SHORE IN FAIRLY CONSTANT U.S. DOLLARS).

6. AS MENTIONED IN PID, IFAIN IN COSTA RICA IS NOT ONLY NATIONAL INSTITUTION CAPABLE OF PROVIDING MIDDLE-LEVEL EXECUTIVE TRAINING AND CONCERTED EFFORT IN PP DEVELOPMENT SHOULD BE UNDERTAKEN TO IDENTIFY ADDITIONAL NATIONAL INSTITUTIONS (E.G. INTECAP, RAFAEL LANDIVAR AND FRANCISCO MARROQUIN UNIVERSITIES IN GUATEMALA).

7. IN UNDERTAKING ECONOMIC ANALYSIS FOR PP ONE OR MORE CASE STUDIES SHOULD BE DONE TO SHOW HOW BEGIN QUOTE IMPROVEMENTS IN MANAGERIAL SKILLS WILL LEAD TO BETTER FIRM-LEVEL EFFICIENCY, LOWER PER UNIT PRODUCTION COSTS, AND GREATER COMPETITIVENESS IN WORLD MARKETS END QUOTE. WE MIGHT SUGGEST CIUSA IN GUATEMALA.

8. TWO TOPICS THAT SHOULD BE CONSIDERED AS ISSUES IN PP ARE: (A) HOW WILL MARKET INFORMATION BE DISSEMINATED BEYOND NATIONAL ASSOCIATIONS TO INDIVIDUAL PRODUCERS AND FARMER GROUPS? SHOULD THIS DISTRIBUTIONAL CAPACITY BE BUILT INTO PROJECT? (B) SINCE FREEZING, CANNING AND DEHYDRATION ARE EXTREMELY IMPORTANT BACK-UPS FOR FRESH EXPORTS BECAUSE OF LIMITED FRESH WINDOWS OF OPPORTUNITY, SHOULD SUPPORT IN PROJECT BE ALSO PROVIDED FOR THIS PROCESSING SIDE? PIEDRA

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REF: LETTER ^{From} ~~IN~~ CHARLES COSTELLO ^{To} ~~FROM~~ JOHN EYRE DATED
 JAN. 11, 1985

~~Mr. DeLoach~~ ^{File}
 ANNEX A
 Page 6 of 15
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 APPRV: DIR:CECOSTELLO
 DRFTD: ORD:HEWING:BAE
 CLEAR: 1. BURKE:PRM
 2. EBAKER:PDSO
 3. PKOLAR:DDJ
 DISTR: AMB DCM ALL
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THREE YEARS, NOT FIVE YEARS AS RECOMMENDED IN PID. WE THINK INSTITUTIONALIZATION EFFORT CAN BE ADEQUATELY ACCOMPLISHED OVER THIS SHORT TIME PERIOD AS WELL AS PLACING EMPHASIS ON URGENCY OF IMPLEMENTING MEASURES DESCRIBED IN PID.

5. BUDGET OF 8 MILLION SEEMS TO BE EXCESSIVE FOR PROPOSED ACTIVITIES, ESPECIALLY GIVEN LACK OF JUSTIFICATION FOR FIVE-MAN, LONG-TERM TECHNICAL ASSISTANCE TEAM (WHY NOT THREE?) AND 40 PERCENT INFLATION FACTOR IN BUDGET (MOST COSTS ARE OFF-SHORE IN FAIRLY CONSTANT U.S. DOLLARS).

6. AS MENTIONED IN PID, IFAIN IN COSTA RICA IS NOT ONLY NATIONAL INSTITUTION CAPABLE OF PROVIDING MIDDLE-LEVEL EXECUTIVE TRAINING AND CONCERTED EFFORT IN PP DEVELOPMENT SHOULD BE UNDERTAKEN TO IDENTIFY ADDITIONAL NATIONAL INSTITUTIONS (E.G. INTECAP, RAFAEL LANDIVAR AND FRANCISCO MARROQUIN UNIVERSITIES IN GUATEMALA).

7. IN UNDERTAKING ECONOMIC ANALYSIS FOR PP ONE OR MORE CASE STUDIES SHOULD BE DONE TO SHOW HOW BEGIN QUOTE IMPROVEMENTS IN MANAGERIAL SKILLS WILL LEAD TO BETTER. FIRM-LEVEL EFFICIENCY, LOWER PER UNIT PRODUCTION COSTS, AND GREATER COMPETITIVENESS IN WORLD MARKETS. END QUOTE. WE MIGHT SUGGEST CIUSA IN GUATEMALA.

8. TWO TOPICS THAT SHOULD BE CONSIDERED AS ISSUES IN PP ARE: (A) HOW WILL MARKET INFORMATION BE DISSEMINATED BEYOND NATIONAL ASSOCIATIONS TO INDIVIDUAL PRODUCERS AND FARMER GROUPS? SHOULD THIS DISTRIBUTIONAL CAPACITY BE BUILT INTO PROJECT? (B) SINCE FREEZING, CANNING AND DEHYDRATION ARE EXTREMELY IMPORTANT BACK-UPS FOR FRESH EXPORTS BECAUSE OF LIMITED FRESH WINDOWS OF OPPORTUNITY, SHOULD SUPPORT IN PROJECT BE ALSO PROVIDED FOR THIS PROCESSING SIDE? PIEDRA

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 PF RUEHC
 DE RUEHGT #2312/01 067 **
 ZNR UUUUU ZZH
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 FM AMEMBASSY GUATEMALA
 TC SECSTATE WASHDC PRICRIFY 6987
 PT
 UNCLAS GUATEMALA 02312

ANNEX A
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CLASS: UNCLASSIFIED
 CHRG: ROCP 03/08/85
 APPRV: ADIR:JEYRE
 DRFTD: P:RDELANEY:GEC
 CLEAR: 1. PDO:MDEALY 2
 O:NFGNG
 DISTR: ~~ROCAP~~ AMB DCM
 ECON CHERN AID

AIDAC

ROCAP

FOR M. BROWN, DAA/LAC AND P. ASKIN, LAC/CEN

F.O. 12356: N/A
 SUBJECT: ROCAP NON-TRADITIONAL AGRICULTURAL EXPORT
 SUPPORT PROJECT

1. THE FOLLOWING BRIEF DESCRIPTION OF SUBJECT PROJECT IS INTENDED TO DISPELL SOME OF THE CONFUSION ABOUT THE NATURE OF THE ACTIVITY AND ITS COMPONENT PARTS. THE CONFUSION MAY BE A RESULT OF BRIEFINGS ON ROCAP EXPORT SUPPORT AND USAID/G AGRIBUSINESS DEVELOPMENT PROJECTS WHICH TOOK PLACE ON THE SAME DAY.

2. THE PURPOSE OF THE ROCAP PROJECT WILL BE TO:

A) STRENGTHEN THE CAPABILITIES OF NATIONAL EXPORT PROMOTION ASSOCIATIONS TO COLLECT AND ANALYZE MARKET INTELLIGENCE AND TECHNICAL INFORMATION RELATED TO THE EXPORT OF NON-TRADITIONAL FRESH FRUITS AND VEGETABLES.

B) CREATE REGIONAL TRAINING CAPABILITIES IN NON-TRADITIONAL EXPORT PROMOTION, MARKETING AND AGRIBUSINESS MANAGEMENT.

PROJECT WILL BEGIN IN FY 1985 AND END IN FY 1990. PROPOSED LOP FUNDING IS \$2 MILLION. NOTE: NO FINANCING OF EXPORTS IS CONTEMPLATED IN THIS ACTIVITY. IT AIMS EXCLUSIVELY AT THE PROVISION OF MARKET INFORMATION AND ANALYSIS, TECHNICAL ASSISTANCE AND TRAINING.

3. THE PROJECT RESPONDS DIRECTLY TO THE REGION'S NEED OUTLINED IN THE NBCCA REPORT TO DEVELOP NON-TRADITIONAL EXPORTS AND SUPPORTS THE VARIOUS USAID EXPORT PROMOTION PROJECTS EITHER PROPOSED OR UNDER WAY. ALL FIVE USAIDS HAVE RESPONDED FAVORABLY TO THE PROJECT EITHER FORMALLY OR INFORMALLY. CABLED COMMENTS ON THE PID WERE REQUESTED BY FEBRUARY 15. TO DATE GUATEMALA AND PANAMA USAIDS HAVE RESPONDED. USAID/GUATEMALA HAD THE FOLLOWING COMMENTS ON THE PID:

QUOTE GENERALLY WELL THOUGHT OUT, COHESIVE AND VERY SUPPORTIVE OF AID/GUATEMALA AGRIBUSINESS DEVELOPMENT PROJECT. THERE ARE DEFINITE ECONOMIES OF SCALE TO BE ACHIEVED IN EXPORT PROMOTION THROUGHOUT CENTRAL AMERICA

AND PANAMA WITH THIS PROJECT.

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CONSEQUENTLY, MISSION GIVES STRONG SUPPORT TO THIS PROJECT AND ENCOURAGES CONTINUED CLOSE COLLABORATION WITH US ON DEVELOPMENT OF PP.

CONDITIONS EXPRESSED ABOUT CA/P COUNTRIES IN PID ARE VERY ACCURATE CONCERNING GEOGRAPHIC PROXIMITY TO U.S. MARKETS; POTENTIAL COMPARATIVE ADVANTAGE IN FRUITS AND WINTER VEGETABLES; LOW EFFICIENCY LEVELS RESULTING IN HIGH PER UNIT COSTS OF PRODUCTION; AVAILABLE LABOR FORCE AT VERY REASONABLE WAGE RATES; DEPENDENCE UPON LIMITED NUMBER OF BROKERS AND BUYERS RESULTING IN RESTRICTED ACCESS TO MARKETS; AND SERIOUS DEFICIENCY OF ACCURATE AND RELIABLE MARKET AND TECHNICAL INFORMATION RESULTING IN MYRIAD OF LOST EXPORTING OPPORTUNITIES OR LOWER THAN EXPECTED RETURNS. ALL OF THESE CONDITIONS PROVIDE STRONG RATIONALE FOR PROPOSED ROCAP INTERVENTION AT CA/P LEVEL, SINCE ALL PARTICIPATING COUNTRIES ARE EXPERIENCING THESE CONDITIONS.

NATIONAL PRIVATE SECTOR EXPORT PROMOTION ASSOCIATIONS ARE DEFINITELY APPROPRIATE ORGANIZATIONS TO STRENGTHEN THROUGH INSTITUTIONALIZATION EFFORT, ESPECIALLY IN RELATION TO COLLECTION, COMPUTARIZATION, ANALYSIS AND DISSEMINATION OF MARKET INFORMATION. THIS EFFORT WOULD SUPPORT ALREADY-EXISTING OR UPCOMING AGRICULTURAL EXPORT PROMOTION PROJECTS IMPLEMENTED BY INDIVIDUAL USAID MISSIONS. UNQUOTE.

4. USAID/PANAMA COMMENTS WERE AS FOLLOWS:

QUOTE MISSIONS CONCURS IN SUBJECT PID AND CONGRATULATES ROCAP PID TEAM FOR INCORPORATING COUNTRY SPECIFIC LINKAGES. USAID/PANAMA AGRICULTURAL OFFICE LOOKS FORWARD TO PARTICIPATING IN PP DESIGN. UNQUOTE

5. THE MARKET INTELLIGENCE AND TECHNICAL INFORMATION WILL BE PROVIDED TO EXPORT PROMOTION ASSOCIATIONS BY A CONTRACT TEAM. THE TRAINING TO BE ACHIEVED UNDER THE PROJECT WILL BE DIRECTED TO: (1) EXPORT PROGRAM MANAGEMENT FOR ENTREPRENEURS, AND (2) ON-THE-JOB TECHNICAL TRAINING FOR LINE MANAGERS AND KEY TECHNICAL

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PERSONNEL. THE CENTRAL AMERICAN BUSINESS
ADMINISTRATION SCHOOL (INCAE) WILL BE ONE OF THE
PARTICIPATING TRAINING INSTITUTIONS. EYRE ACTING
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GUATEMALA 2312

ACTION ~~ALL~~ INFO AMB DCM ROCAP ECON CHRON/5

ANNEX A
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VZCZCGT0288
OO RUEHGT
DE RUEHSN #3687/01 084203Z
ZNR UUUUU ZZH
O 252031Z MAR 85
FM AMEMBASSY SAN SALVADOR
TO RUEHGT/AMEMBASSY GUATEMALA IMMEDIATE 5242
INFO RUEHC/SECSTATE WASHDC 3791
BT
UNCLAS SAN SALVADOR 03687

25-MAR-85
TOR: 20:35
CN: 05836
CHRG: AID
DIST: AID

AIDAC

ACTION: PDO
INFO: RURAL DEV PROGRAM

FOR LAC/DR/PRE; GUATEMALA FOR ROCAP

E.O. 12356: N/A
SUBJECT: NON-TRADITIONAL AG. EXPORT SUPPORT PID
- (596-0108)

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USAID/GUATEMALA

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1. USAID/ES COMMENTS ON THE SUBJECT PID ARE PROVIDED BELOW. IN GENERAL, THE MISSION FINDS THE PROJECT CONCEPT TO BE CONSISTENT WITH OUR OBJECTIVE OF INCREASING THE AMOUNT OF NON-TRADITIONAL AGRICULTURAL PRODUCTS EXPORTED OUTSIDE THE CACM REGION.

2. ERNESTO ALTSCHUL WILL HANDCARRY THE AMPLIFIED PROJECT DESCRIPTIONS OF THE INDUSTRIAL STABILIZATION/RECOVERY PROJECT (AID NO.519-0287) AND THE AGRICULTURAL DIVERSIFICATION PROGRAM (AID NO.519-0265-G-SS-5123-00) ON 3/25/85. WE HOPE THAT THESE DESCRIPTIONS WILL HELP YOU AND YOUR STAFF CONCEPTUALIZE THE NEEDED COOPERATION AND COORDINATION IN YOUR EFFORT TO PREPARE THE PROJECT PAPER.

3. SECTION II.B - THE PROBLEM

EL SALVADOR'S DEPENDENCE ON THE TRADITIONAL EXPORT CROPS (COFFEE, COTTON, SUGAR CANE) HAS PRODUCED A VAST AMOUNT OF PRODUCTION, POST-HARVEST AND MARKETING KNOW-HOW IN THESE CROPS. HOWEVER, AS EL SALVADOR MOVES GRADUALLY AWAY FROM THESE CROPS INTO NEW PRODUCTS, THE LACK OF PRODUCT SPECIFIC KNOW-HOW IS A SEVERE CONSTRAINT TO THE CONSISTENT DEVELOPMENT OF NEW AGRICULTURAL COMMODITIES FOR EXPORT. IT IS, THEREFORE, IMPORTANT TO RECOGNIZE THIS CONSTRAINT IN THE PROBLEM DEFINITION.

4. ADDITIONALLY, THE DEVELOPMENT OF EXTRAREGIONAL MARKET CHANNELS WILL FOLLOW A LEARNING CURVE PROCESS AND THEREFORE, THE ROLE OF BROKERS, AGENTS AND OTHER DISTRIBUTION AGENTS WILL PLAY A MAJOR ROLE IN THE BEGINNING, BECOMING LESS PREDOMINANT AS THE EXPERTISE DEVELOPS IN HOUSE. WE AGREE COMPLETELY WITH YOUR ASSESSMENT THAT TECHNICAL ASSISTANCE IS THE EVER PRESENT NEED IN EL SALVADOR, BUT, THE T/A MUST BE PRODUCT SPECIFIC.

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5. SECTION II.C.1 - PROJECT STRATEGY

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WE AGREE WITH THE SELECTION OF FUSADES AS THE IMPLEMENTING INSTITUTION IN EL SALVADOR. HOWEVER, THERE IS AN URGENT NEED TO INFORM FUSADES OF THEIR POTENTIAL SELECTION, IN ORDER FOR FUSADES TO INCORPORATE THIS ACTIVITY IN THEIR PLANNING FUNCTION.

6. TO PROVIDE ROCAP WITH MORE COMPLETE INFORMATION ON THE EL SALVADOR PROGRAM, WILL FORWARD A DESCRIPTION OF ALL THE PROGRAMS IN FUSADES AND THEIR LOP FUNDING.

7. SECTION II.C.5 - RELATIONSHIP TO THE PRIVATE SECTOR

WE CONGRATULATE YOU ON THE PRIVATE SECTOR FOCUS OF THE PROJECT. WE BELIEVE THAT ANY MAJOR DEVELOPMENT IN THIS AREA WILL LARGELY DEPEND ON PRIVATE SECTOR INITIATIVES.

8. THE TRAINING AND TECHNICAL ASSISTANCE TO BE PROVIDED UNDER THE PROJECT SHOULD INCLUDE, TO THE EXTENT POSSIBLE, PARTICIPATION OF ACTIVE COMPANIES OR INDIVIDUALS THAT HAVE QUOTE HANDS ON UNQUOTE EXPERIENCE IN THE FIELD.

9. SECTION III.B - PROJECT OBJECTIVES

DURING INTENSIVE REVIEW FOR THE PREPARATION OF THE PP FOR QUOTE INDUSTRIAL STABILIZATION/RECOVERY UNQUOTE PROJECT, AID NO.519-3287, USAID/ES DISCUSSED AT LENGTH WHETHER THE TRADE AND INVESTMENT PROMOTION SERVICE (TIPS) TO BE ESTABLISHED UNDER THE PROJECT BY FUSADES SHOULD HAVE AS AN OBJECTIVE TO BECOME SELF-SUFFICIENT. OUR FINAL DETERMINATION WAS THAT IT WAS MORE IMPORTANT TO ESTABLISH CREDIBILITY AND EXPERTISE IN TIPS, THAN CHARGE FEES FOR SERVICES THAT- WITH NO PROVEN TRACK RECORD (WHICH COULD PREVENT AGGRESSIVE UTILIZATION BY THE TARGET GROUP).

10. SECTION III-C- PROJECT ACTIVITIES

WE QUESTION WHETHER A FIVE PERSON TECHNICAL/IMPLEMENTATION TEAM WOULD BE SUFFICIENT TO BACK STOP 5 COUNTRIES. OUR FUSADES TRADE AND
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INVESTMENT PROMOTION SERVICE WILL HAVE A FIVE/SIX PERSON TEAM IN ELSALVADOR COMPLEMENTED BY A THREE PERSON TEAM IN THE U.S.

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SECTION II.C.3.A. - SHORT TERM CONSULTANTS

WE AGREE WITH THE NEED FOR A FUND TO PROVIDE SHORT TERM, HIGHLY SPECIALIZED CONSULTANTS TO PROVIDE ASSISTANCE THROUGH THE PROJECT. HOWEVER, WE WANT TO STRESS THE NEED FOR QUOTE HANDS ON UNQUOTE EXPERIENCE IN THE FIELD; FOR EXAMPLE, WE BROUGHT A MELON GROWER FROM CALIFORNIA TO PROVIDE ASSISTANCE TO A PRIVATE SECTOR COMPANY ON HOW TO GROW MELONS FOR EXPORT. IN THEORY, A COLLEGE PROFESSOR OR A GOOD CONSULTANT COULD HAVE PROVIDED THE ASSISTANCE, BUT THE MELON GROWER DERIVES HIS INCOME FROM THE TRADE AND HAS A MUCH BETTER FEEL FOR THE COST/BENEFIT RATIO THAN OTHER INDIVIDUALS.

SECTION III.C.3.B. - WORKSHOPS

THE MISSION FEELS THAT DURING THE FIRST YEAR, MORE THAN ONE WORKSHOP MAY BE NECESSARY FOR THE PARTICIPATING ORGANIZATIONS UNTIL THE START-UP PHASE IS COMPLETED.

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ACTION ROCP INFO AME DCM AID ECON CHRON/5

VZCZCGT0857
RR RUEHGT
DE RUEHZP #1484 0391522
ZNR UUUUU ZZH
R 081521Z FEB 85
FM AMEMBASSY PANAMA
TO RUEHGT/AMEMBASSY GUATEMALA 7636
INFO RUEHSN/AMEMBASSY SAN SALVADOR 7054
RUEHSJ/AMEMBASSY SAN JOSE 9033
RUEHTG/AMEMBASSY TEGUCIGALPA 7173
BT
INCLAS PANAMA 01484

ACTION. PDO
INFO. RADO

08-FEB-85
TOR: 15:24
CN: 62695
CHRG: ROCP
DIST: ROCP

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GUATEMALA FOR ROCAP

E.O. 12356: N/A
SUBJECT: NON-TRADITIONAL AGRICULTURAL EXPORT
SUPPORT PID

ACTION COPY	
THIS COPY MUST BE RETURNED TO CENTRAL FILE INDICATING THE ACTION TAKEN AND DATE.	
ACTION TAKEN _____	
DATE	INITIALS

1. MISSION CONCURS IN SUBJECT PID AND CONGRATULATES ROCAP PID TEAM FOR INCORPORATING COUNTRY SPECIFIC LINKAGES. USAID/PANAMA AGRICULTURAL OFFICE LOOKS FORWARD TO PARTICIPATING IN PP DESIGN AND HOPEFULLY WILL HAVE RESOLVED TWO ISSUES DISCUSSED BELOW.

2. THE PRINCIPAL AND MUCH-NEEDED COMPONENT OF THE ROCAP PROJECT IS THE MARKET INTELLIGENCE AND TECHNICAL INFORMATION SYSTEM. IN PANAMA, WE BELIEVE TWO COMPONENTS NEED TO BE IN PLACE FOR THIS SYSTEM TO BE EFFECTIVELY UTILIZED: (A) TERM CREDIT AT REASONABLE LENDING RATES, AND (B) ORGANIZED PRODUCER (USER) ASSOCIATIONS. WITHOUT THE LATTER, AN EFFECTIVE MECHANISM FOR COUNTRYWIDE INFORMATION GATHERING, DISTRIBUTION AND FEEDBACK WILL NOT EXIST. WITHOUT TERM CREDIT AT REASONABLE RATES, THE ANTICIPATED DEMAND GENERATED THROUGH THE MARKET INTELLIGENCE SYSTEM MAY NOT BE ACCOMMODATED AND NEW INVESTMENT OPPORTUNITIES MAY NOT BE REALIZED.

3. IN PANAMA, THE AGRIBUSINESS PROMOTION PID WHICH WOULD ESTABLISH THREE REGIONAL AGRIBUSINESS PROMOTION CENTERS AND A LEAD TYPE AGRIBUSINESS FINANCE CORPORATION IS IN FINAL DRAFT. ISSUES TO BE CLARIFIED INCLUDE: WHETHER OR NOT A SINGLE SOURCE FINANCE CORPORATION FOR AGRIBUSINESS CREDIT IS JUSTIFIABLE IN PANAMA; (B) WHAT SHOULD BE THE SIZE AND SCOPE OF THAT INSTITUTION, AND (C) WHETHER OR NOT AID/W WILL BE ABLE TO PROVIDE SOFT LOANS (5 OR 6 PER CENT) TO A PRIVATE AGRIBUSINESS DEVELOPMENT FINANCE INSTITUTION GIVEN CURRENT AID POLICY TOWARD INTERMEDIATE FINANCIAL INSTITUTIONS.

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USAID/GUATEMALA
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4. WE ANTICIPATE THAT THESE ISSUES WILL BE
RESOLVED IN A MANNER RESPONSIVE TO THE
AGRI-BUSINESS POTENTIAL IN PANAMA AND THE
ANTICIPATED ROCAP PROJECT. BRIGGS

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY86 to FY91
Total U.S. Funding \$8 Million

PROJECT TITLE: NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Goal	Measures of goal achievement	Means of Verification	Assumptions for achieving goal targets
Contribute to long-term economic growth through the expansion of nontraditional agricultural exports from Central America and Panama (CA/P).	<ol style="list-style-type: none"> 1. Individual country production and export statistics for nontraditional agricultural commodities show steady upward trends. 2. Increased number of entrepreneurs making new or expanding existing investments of nontraditional products. 3. Export data of the CA/P countries shows that CA/P countries are increasing their share of the market relative to others of the region. 4. Employment and wage data show steady increases as a result of project activities. 5. Number and/or value of joint ventures, buyer contracts, and foreign investment in processing facilities in the CA/P countries show steady increases. 	<ol style="list-style-type: none"> 1. Individual country government statistics on production, exports, employment, wages and related factors. 2. Records kept by each country's federations, associations and individual production units. 3. Trade data obtainable from the US and other importers. 4. Individual country data on joint ventures, foreign investment in production and processing operations, and buyer contracts. 5. Published international trade data. 	<ol style="list-style-type: none"> 1. Sufficient political, social and military stability exists to permit the expansion of new economic activity and additional risk-taking. 2. The anticipated comparative advantage of the CA/P in terms of climatic, soil and labor conditions are of sufficient significance to justify added investment. 3. The Hispanic "ethnic" market in the US continues to grow. 4. Local and/or foreign capital is available and will be invested in the production and processing of nontraditional agricultural products if better market information and appropriate technical assistance are available. 5. The CA/P governments can and will expeditiously undertake appropriate steps to facilitate nontraditional agricultural imports, e.g., reduce bureaucratic procedures, not levy unreasonable export taxes; make foreign exchange available for purchasing necessary imports and services; not insist on the use of inefficient, unreliable, high-cost state-owned transportation facilities.

6. The number of "channel captains" in the nontraditional agriculture export market significantly increases.

6. Domestic physical infrastructure of road, transport, storing, etc., is adequate to meet the demanding standards required for the export of these commodities. If not, timely investments can and will be made to keep pace with increased production for export. Necessary foreign exchange and other resources will be available to carry out these programs.

7. As the export trade increases, the demand for back haul cargo will increase in order to keep international transportation costs competitive.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS TRANSPORTATION costs competitive.
Purpose	Conditions that will indicate purpose has been achieved: (End of project status)	Means of Verification	Assumptions for achieving purpose
1. Create and/or strengthen private sector capabilities in the provision of hands-on training and technical assistance in skills related to production technologies and market intelligence for non-traditional agricultural exports.	1. National federations in four of the CA/P countries have developed an on-going capability to provide technical assistance and train channel captains and grower/exporter membership in market intelligence and production technology skills.	1. The federations must keep logs on computer use by staff and members. They must review and set EOP standards for the training programs prepared and carried out on computer use and analysis by federation staff and members.	1. The lack of data and inadequate analytical skills in utilizing data is a significant constraint to entering and prospering in nontraditional agricultural exports. The acquisition of these skills will remove a major constraint to export promotion.
	2. National federation staff demonstrate a capability to professionally access, analyze, disseminate and train individuals in the use of market, historical and technical data pertinent to the decision-making needs of their membership.	2. Evaluate federation computer staff competence and knowledge of the data requirements for export promotion of nontraditional agricultural products. Set EOP goals in this area.	2. The federations will be prepared to develop a data management training program that involves active membership participation and continued utilization of federations data management equipment.
	3. The number of channel captains in the CA/P countries increases by ten each and the volume of non-traditional exports will have reached \$5 million/year per new channel captain.	3. Interviews with member users and ascertain over the life of the project what percentage of exporters are members of the federation and utilize its data services.	3. Have the flexibility to add new programs and as necessary, to increase the "practical" content of their training. It is intended that the major emphasis is for them to use their facilities and experience gained to date to provide needed practical training to practitioners now in the field. Institutional support is only an ancillary goal of this project.

4. Increased number of entrepreneurs making new or expanding existing investments of non-traditional ag. products.

4. Examine records of training courses given in each of the federations as to number, subject matter area, course content and participants.

4. The regional institutions will continue to receive their major financial support from the sources they have developed to date.

Visit training sessions and technical assistance program in session.

Conduct systematic review with the membership of the federations to ascertain their estimation of the usefulness of the program and their willingness to pay for future programs.

5. National Federations have developed linkages to regional and extra-regional training institutions and are arranging and coordinating training activities in export marketing and management for their members.

5. Operating entrepreneurs and their professional and technical staff will be able to free themselves to attend institutional courses given in another country.

6. There are specific technical shortfalls in production, handling, impede the export of nontraditional agricultural products that can be overcome by training courses for entrepreneurs/risk takers and their technical personnel.

7. Potential and actual entrepreneurs will attend programs and as they realize the benefits will be prepared increasingly to pay for future services.

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Assumptions below apply to both outputs 1 and 2.

1. Export federations exist or early on will be created to further the export of nontraditional agricultural products. These federations may have other goals and activities but the export promotion function of these organizations will be clearly defined and sufficiently separated to enable them to carry out support for the purpose of the project at a national level.
2. The export federations of the five CA/P countries and their membership view the advantage of regional cooperation to be sufficiently great so as to participate in joint training programs and technical data sharing.
3. The federations and their membership will finance the necessary local federation staff to support the data training and technical assistance activities. This means that the membership increasingly recognizes the value of the services rendered and is prepared to pay the cost not financed by ROCAP.
4. The government of the five CA/P countries support and facilitate the existence and continuation of the federations and their data and training activities.
5. ROCAP and the bilateral USAIDs coordinate their activities so as to mutually support the program and not put conflicting pressures on the federations.

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PROJECT OUTPUTS

1. Federation Strengthening

Federation Staff Training

Training will be provided to federation staff in order that they will become proficient in providing the following services to members, and non-members.

-Being able to effectively train federation members in the latest technologies involving production, post-harvest handling and transportation, marketing and data intelligence as they relate to non-traditional agric. exports.

-The use of computers for acquiring and analyzing market data.

-Market information management and dissemination.

-Enabling users to identify relevant market information.

MAGNITUDE OF OUTPUTS

- All participating export federation professional staff will undergo training programs in the following project areas: computer information application, export marketing, post-harvest handling and transportation; non-traditional agricultural production techniques; and will also provide training courses in the above fields to federation memberships and other project participants.

- Each federation will develop work plans for providing services to its existing membership; and will formulate a plan to work with local cooperatives, producer associations and individual entrepreneurs who are not necessarily members of the federation.

- A training methodology will be developed by each federation, and a fee schedule incorporated for the cost of services to the federation's membership.

- Linkages will be made with regional training institutions and curriculums will be established for the proposed workshops and seminars to be financed under the project, (two per year).

MEANS OF VERIFICATION

Number of trained professional staff can be counted as well as the number of training sessions in groups and through individual assistance.

ASSUMPTIONS FOR ACHIEVING OUTPUTS

The federations will agree to supply and finance the needed staff and will be able to honor their agreements.

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- Each federation will establish a data base of technical and marketing information together with the necessary equipment (hardware and software) to operate it. In addition, each federation will establish ties with, as appropriate, with U.S. and other informational sources for non-traditional agricultural exports.
- Each Federation will develop a publication policy and will have produced a set of publications involving export production, post-harvest handling, marketing and computer information. (The exact number will depend upon the need of each country and federation).
- High- capacity micro-computers, 2 per federation, and 1 for the contract team, and appropriate software, will be purchased. Each system will include printers and a modem. Each federation will also have at least two linkages to market data resources.
- Software programs financed under the project will include the basic programs now in existence (e.g. Pro-Net, Fresh-Net); and these will be increased as new, more appropriate programs are developed during the life of project.
- Specialized courses will be offered in the interpretation of market and production data, accessed by computer facilities available in each federation.

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2. TECHNICAL ASSISTANCE AND TRAINING

Technical Assistance and training to Private Sector Individuals and Associations, Cooperatives and Public Sector export agents.

-Project team will be responsible for providing direct training to various persons and groups involved in the production and export of non-traditional ag. products. Regional training programs will be included as an important part of the overall training assistance. Short-term technicians will supplement the work of the contract team.

MAGNITUDE OF OUTPUTS

The exact number of courses and attendees will be developed after the arrival of the ROCAP Contract team. However, at least 2 courses per month will be held in the first year to 18 months of the project. Moreover, there will be a series of short (1-3 day) courses provided on an as needed basis to each participating federation. Two regional seminars per year will be conducted. The number of individual members who are assisted in gaining "hands on" technical experience in the development of non-traditional agricultural exports will be at least 50 per federation during the first 1 1/2 yrs. of the project, and will increase each year thereafter.

- Special emphasis will be placed on in-the-field training and assisting potential channel captains and other entrepreneurs in developing fully their skills in project-related areas.
- The number and specific content of the T.A. courses, workshops and seminars will be developed in collaboration with the federation's management and staff after the arrival of ROCAP specialists. Likewise, the exact number of additional courses or course improvements in the regional training institutions will be developed after the arrival of the ROCAP specialists and the development of a work plan between the federations and regional training institutions.

MEANS OF VERIFICATION

Number of trained channel captains, and producers and entrepreneurs who perform a part of the role of a channel captain, can be counted as well as the number of training sessions in groups and through individual assistance.

ASSUMPTIONS FOR ACHIEVING OUTPUTS

Adequate support will be supplied by the Federations and by regional support and educational institutions.

It is contemplated that these additional courses will cover at a minimum such topics as post-harvest handling, transportation, distribution channels, market knowledge, production technologies, as well as additional courses on using computerized data services and telecommunications systems.

- Specialized courses will be developed for public sector personnel desiring to participate in the project. These courses will be developed together with the regional training institutions and will consist of export management, export economics, market information, transportation, post-harvest handling and distribution channels. The courses may be offered on a regional basis and/or together with selected federation training programs. It is anticipated that fees for these courses will not be charged until sufficient demand has been demonstrated. Once the value of these courses are realized fees will be applied to offset a portion of the institution's/federation's operational expense.
- A project Liaison Officer will also be hired under the project for five years. This individual will assist in project implementation and serve as the administrative and technical liaison to ROCAP and the bilateral USAIDs for the project.

STATUATORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1984 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States government personnel or their dependents or from entering the United States unlawfully? N/A

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? N/A

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3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? N/A
4. FAA Sec. 532(c), 620(a), 620(f), 620D: FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No
5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981. No
6. FAA Sec. 620(f). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

7. FAA Sec. 620(1). Has the country failed to enter into an agreement with OPIC? No
8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? No
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(c); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No
10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into N/A

Consideration" memo:
"Yes, taken into account
by the Administrator at
time of approval of
Agency OYB." This
approval by the
Administrator of the
Operational Year Budget
can be the basis for an
affirmative answer during
the fiscal year unless
significant changes in
circumstances occur.)

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or

No

N/A

No

abetted, by granting
sanctuary from
prosecution to, any
individual or group which
has committed a war crime?

14. FAA Sec. 566. Does the
country object, on the
basis of race, religion,
national origin or sex,
to the presence of any
officer or employee of
the U.S. who is present
in such country to carry
out economic development
programs under the FAA? No
15. FAA Sec. 669, 670. Has
the country, after August
3, 1977, delivered or
received nuclear
enrichment or
reprocessing equipment,
materials, or technology,
without specified
arrangements or
safeguards? Has it
transferred a nuclear
explosive device to a
non-nuclear weapon state,
or if such a state,
either received or
detonated a nuclear
explosive device, after
August 3, 1977? (FAA
Sec. 620E permits a
special waiver of Sec.
669 for Pakistan.) No
16. ISDCA of 1981 Sec. 720.
Was the country
represented at the
Meeting of Ministers of
Foreign Affairs and Heads
of Delegations of the
Non-Aligned Countries to
the 36th General Session
of the General Assembly
of the U.N. of Sept. 25
and 28, 1981, and failed N/A

to disassociate itself from the
communiqué issued? If so, has the
President taken it into account?
(Reference may be made to the
Taking into Consideration memo.)

17. ISDCA of 1981 Sec. 721. See
special requirements for assistance
to Haiti.

18. FY 1984 Continuing Resolution. Has
the recipient country been
determined by the President to have
engaged in a consistent pattern of
opposition to the foreign policy of
the United States?

No

B. FUNDING SOURCE CRITERIA FOR COUNTRY
ELIGIBILITY

1. Development Assistance Country
Criteria

a. FAA Sec. 116. Has the
Department of State determined that
this government has engaged in a
consistent pattern of gross
violations of internationally
recognized human rights? If so,
can it be demonstrated that
contemplated assistance will
directly benefit the needy?

No

2. Economic Support Fund Country
Criteria

No

a. FAA Sec. 502B. Has it been
determined that the country has
engaged in a consistent pattern of
gross violations of internationally
recognized human rights? If so,
has the country made such
significant improvements in its
human rights record that furnishing
such assistance is in the national
interest?

N/A

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N/A

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESP.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(D).

(a) Describe how authorizing and appropriations committees 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 amount)?

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,00, will there be

Project was included in the FY1985 CP. New Congressional Notification will be made in FY1986.

- (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes
3. FAA Sec. 511(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? N/A
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A

6. FAA Sec. 209. Is project susceptible to 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. Yes
7. FAA Sec. 501(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; and (c) encourage development and use of cooperatives, and 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. Project will work through private sector Export Federations for the purpose of providing technical assistance and training to producer associations, cooperatives, and entrepreneurs to facilitate and increase Non-traditional agricultural exports.
8. FAA Sec. 601(b). Information and conclusions 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 enterprise). Ibid

9. FAA Sec. 612(b), 636(h);
FY 1982 Appropriation
Act Sec. 507. Describe
steps taken to assure
that, to the maximum
extent possible, the
country is contributing
local currencies to meet
the cost of contractual
and other services, and
foreign currencies owned
by the U.S. are utilized
in lieu of dollars. Export Federations will
make up host country
counterpart funding.
All ROCAP project funds
will be disbursed in U.S.
dollars.
10. 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
11. FAA Sec. 601(e). Will
the project utilize
competitive selection
procedures for the
awarding of contracts,
except where applicable
procurement rules allow
otherwise? Yes
12. FY 1982 Appropriation Act
Sec. 521. 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
13. FAA 118(c) and (d).
Does the project comply
with the environmental
procedures set forth in
AID Regulation 16? Does Yes

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the project or program take into consideration the problem of the destruction of tropical forests?

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N/A

B.. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). 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

Project beneficiaries will include small and medium size producers of non-traditional crops, and other rural poor.

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 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. Does the project fit the criteria for the type of funds (functional account) being used? Yes

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes

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 is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes

e. FAA Sec. 110(b).
Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

Yes

f. 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?

Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage

Project will strengthen the institutional capacity of Export Federations working with the private sector.

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institutional development;
and supports civil
education and training in
skills required for
effective participation in
governmental processes
essential to self-government.

2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, 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? N/A
- c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)? N/A

3. Economic Support Fund
Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic or political

N/A

stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities? N/A
- c. FAA Sec. 534. Will ESP funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives? N/A
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

- | | |
|---|-----|
| 1. <u>FAA Sec. 602.</u> Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? | Yes |
| 2. <u>FAA Sec. 604(a).</u> Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? | Yes |
| 3. <u>FAA Sec. 604(d).</u> If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? | Yes |
| 4. <u>FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a).</u> If offshore procurement of agricultural commodity or product is to be | N/A |

financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

5. FAA Sec. 604(a). Will construction or engineering services be procured from firms of countries otherwise ~ eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Yes

Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? N/A

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Yes
3. FAA Sec. 620(b). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family Yes

planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

d. FAA Sec. 662. For CIA activities? Yes

e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or Yes

adjusted service
compensation for military
personnel?

- g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues? Yes
- h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress? Yes

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

ANNEX D
Page 1 of 6

LAC/DR-IEE-85-17

ENVIRONMENTAL THRESHOLD DECISION

Project Location : ROCAP

Project Title and Number : Nontraditional Ag. Exports
: 596-0108

Funding : \$8,000,000 (G)

Life of Project : 5 years

IEE Prepared by : Frank Zadroga
ROCAP/San Jose

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concur with Recommendation

Comments : Subject to PP including practical recommendation on how technical assistance element can include pesticide advice compatible with Regulation 16.

Copy to : John R. Eyre, Director
ROCAP/Guatemala

Copy to : Frank Zadroga, ROCAP/San Jose

Copy to : LAC/DR/CEN, Lars Klassen

Copy to : IEE File

James S. Hester Date FEB - 4 1985

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

PROJECT LOCATION: Central America and Panama

PROJECT TITLE AND NUMBER: Non-Traditional Agricultural
Export Support (596-0108)

FUNDING: \$8 million

LIFE OF PROJECT: 5 years (FY 85 - FY 90)

IEE PREPARED BY: Frank Zadroga, REMS, ROCAP

RECOMMENDED TRESHOLD
DECISION: Negative Determination

CONCURRENCE:



John R. Eyre
Acting Director

1-14-85

Date

I. PROJECT DESCRIPTION

The project has the goal of promoting and increasing non-traditional agricultural exports from Central America and Panama.

The purpose of the project is to create national level capabilities in the collection and analysis of market and technical information and regional training capabilities in non-traditional export promotion, marketing and agribusiness management.

The project consists of three basic components which are: 1) Market intelligence and a technical information system; 2) education and training; and 3) technical assistance.

II. IDENTIFICATION AND EVALUATION (ENVIRONMENTAL IMPACTS

No significant impacts are expected since project actions are designed to develop local, regional or US-CA/P marketing capabilities, and will not directly affect physical or natural environments (See ANNEX II.A).

III. CONCLUSION AND RECOMMENDATIONS

After analyzing this PID and the proposed project strategy and activities in detail, the REMS concludes that this project will have no significant negative impact on the human environment nor on the physical/biological systems in the project's area of influence. A negative determination is recommended.

IMPACT AREAS AND SUB-AREAS

Impact Identification
and Evaluation^{1/}

A. LAND USE

1. Changing the character of the land through	
a. Increasing the population.....	<u> N </u>
b. Extracting natural resources.....	<u> N </u>
c. Land clearing.....	<u> N </u>
d. Changing soil character.....	<u> N </u>
2. Altering natural defenses.....	<u> N </u>
3. Foreclosing important uses.....	<u> N </u>
4. Jeopardizing man or his works.....	<u> N </u>
5. Other factors.....	<u> N </u>
_____	<u> </u>
_____	<u> </u>
_____	<u> </u>

B. WATER QUALITY

1. Physical state of water.....	<u> N </u>
2. Chemical and biological states.....	<u> N </u>
3. Ecological balance.....	<u> N </u>
4. Other factors.....	<u> N </u>
_____	<u> </u>
_____	<u> </u>
_____	<u> </u>

^{1/} N - No environmental impact
L - Little environmental impact
M - Moderate environmental impact
H - High environmental impact
U - Unknown environmental impact

C. ATMOSPHERIC

1. Air additives.....	N
2. Air pollution.....	N
3. Noise pollution.....	N
4. Other factors	
_____	_____
_____	_____
_____	_____

D. NATURAL RESOURCES

1. Diversion, altered use of water.....	N
2. Irreversible, inefficient commitments.....	N
3. Other factors	
_____	_____
_____	_____
_____	_____

E. CULTURAL

1. Altering physical symbols.....	N
2. Dillution of cultural traditions.....	N
3. Other factors	
_____	_____
_____	_____
_____	_____

F. SOCIO-ECONOMIC

1. Change in economic/employment patterns.....	L
2. Changes in population.....	N
3. Changes in cultural patterns.....	N
4. Other factors	
_____	_____
_____	_____
_____	_____

G. HEALTH

1. Changing a natural environment.....	N
2. Eliminating an ecosystem element.....	N
3. Other factors	
_____	_____
_____	_____
_____	_____

H. GENERAL

1. International impacts.....	<u>N</u>
2. Controversial impacts.....	<u>N</u>
3. Larger program impacts.....	<u>N</u>
4. Other factors	
_____	_____
_____	_____
_____	_____

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