

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



DEVELOPMENT ASSISTANCE PROGRAM

Strategy for Rural Development in Central America

ROCAP's DAP Supplement

**DEPARTMENT
OF
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ROCAP'S REGIONAL AGRICULTURAL ASSISTANCE

STRATEGY FOR RURAL DEVELOPMENT IN CENTRAL AMERICA

An Interim Action Statement

Presented by

ROCAP

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An Interim Action Statement

The Central American USAIDs and ROCAP have identified the rural sector as the priority for AID action in this region.

In November 1973, following the FY 1974 DAP reviews, the Mission Directors Coordinating Committee (MDCC) created a Subcommittee to develop a coordinated regional-national strategy for rural development in Central America. The Subcommittee prepared a preliminary assessment of rural conditions in Central America which the MDCC reviewed in July 1974. This review led to MDCC decisions on the regional objective, the target group and the appropriate roles for the five USAIDs and ROCAP in achieving the objective.

ROCAP's FY 1975 DAP was built on the conclusions of the preliminary assessment and the decisions of the MDCC. Coincident with the Assistant Administrator's Review of the ROCAP DAP in October 1974, the Agricultural Ministers of Central America approved the policy framework for regional cooperation in agriculture which they formalized in the "Agreement of San Jose". At the request of the Assistant Administrator, ROCAP then prepared a Rural Sector Supplement which compared the MDCC-approved ROCAP strategy and the "Agreement of San Jose".

The present paper is a further refinement of ROCAP DAP agricultural sector strategy in light of Central American cooperative action for dealing with rural problems. It is the underpinning for ROCAP's proposed agricultural activities for the next two to three fiscal years. By that time, a longer-term regional strategy will have been formulated based on the Tripartite Assessment of the Central American rural sector, being prepared by a working group made up of the IDB, IBRD and AID. In July 1973, the three organizations agreed to undertake this joint assessment in order to define a coordinated medium and long-term (three to ten year) assistance strategy and program.

Upon completion of Tripartite studies in each of the five countries by the fourth quarter of 1975, an overall regional assessment will be prepared. It is expected that the program recommendations flowing from this regional assessment will provide, no later than FY 1978, the policy and action framework for long-term cooperation by the three organizations for providing technical and financial assistance in support of Central American regional efforts to accelerate rural sector development.

A. The Central American Rural Problem and the Regional Response

The Central American Common Market (CACM), 1960-1972, was designed around trade, infrastructure and industrialization through import substitution. As detailed in Chapter I of the ROCAP DAP, considerable economic progress occurred; however, imbalances in the distribution of benefits among countries, economic sectors and income strata led to a re-evaluation of the appropriateness of this initial design.

The Decade Study sponsored by SIECA in 1972-73 identified the basic causes for continued underdevelopment in Central America as (1) rural backwardness; (2) widespread unemployment and underemployment, especially among the rural labor force; (3) lack of diversification of regional exports to extra-regional markets, with underutilization of the region's agricultural and agro-industrial potential; and (4) inadequate national and regional institutional reform, especially related to equitable participation by rural people in the development process. The rural sector emerges as a major bottleneck to development; 70% of the people are tied to agriculture and over 50% have an annual per capita income of less than \$74.00 per year. Moreover, rural unemployment annually averages 4% with sharp seasonal variations in each country. (See DAP Chapter I, Parts C and D for further discussion.)

The SIECA Decade Study triggered an in-depth review by the five countries of policies, operational experiences and institutional structures needed to reshape Central American regional cooperation. Personal representatives of the CA Presidents (the High Level Committee - HLC) were named to conduct a technical study and propose appropriate new dimensions for regional action for dealing with the causes for Central American underdevelopment.

In the HLC study, regional action for the rural sector gets priority attention: to identify the critical bottlenecks to rural growth -- with special attention to problems of the rural poor, to develop regional programs and services for overcoming these bottlenecks and problems, to increase their effective participation in the economy and political life of the region

and to facilitate their sharing more equitably in the benefits of development. A substantial segment of the proposed draft treaty, which the HLC plans to submit to the five governments by the fourth quarter of 1975, deals with agriculture and rural development.

However, recognizing that ratification of a new integration treaty will not be an easy or rapid process, especially in view of the still unresolved 1969 War between El Salvador and Honduras, the five countries have adopted immediate action programs since January 1974 for regional cooperation for agricultural and rural development, including:

1. An investment strategy for the Central American Bank of Economic Integration 1974-1980 which earmarks \$130 million in the agricultural sector for: (a) systematic agricultural policy analysis and formulation by SIECA; (b) development of national wholesale marketing systems and rural buying stations; (c) regional basic food crop stabilization and creation of a regional reserve of basic food crops; (d) plant and animal sanitation improvement; (e) agro-industries; (f) crop diversification; and (g) expansion of vocational agricultural education.

2. The establishment of the Agriculture Ministers' Coordinating Council as a permanent organ of the Common Market. The Ministers of Agriculture of Central America met for the first time since 1966 under the aegis of the integration movement in San Jose, Costa Rica, in October 1974 and again in April 1975. The Presidents of Central America in their meetings at Jalapa, Nicaragua in February 1975 and at Mi Flor, Costa Rica, in July 1975 ratified the decisions of their Ministers of Agriculture, expressly endorsed the program which their Ministers adopted at their first meeting and which is set forth in the "Agreement of San Jose" and have called for even greater regional cooperation to accelerate rural sector development.

In the December 1974 Rural Sector Supplement to the DAP, the "Agreement" was examined and compared with the proposed regional agricultural program. The "Agreement" sets as CA targets: (a) self-sufficiency in basic grains by 1980 and (b) improved efficiency in the distribution, and assured availability of adequate stocks, of food crops. To achieve these targets, special attention is given to the small farmer as the primary producer of basic grains, his need for better organization,

more effective participation, and the importance of improving employment opportunities for and income of the small grain producer. It calls for regional machinery for: purchasing abroad shortfalls in domestic production and essential inputs to increase production; establishing commercial practices and machinery to facilitate equitable trading in grains and food products through appropriate agricultural price stabilization agencies; and coordinating marketing, research, extension and information transfer activities in the five countries.

The "Agreement" specifies SIECA as the Permanent Secretariat for the Agriculture Ministers and assigns to SIECA the responsibility for formulating and recommending policies, priorities and action programs to achieve the objectives set. It sets up a special working committee of the Directors of national agricultural price stabilization agencies to formulate plans for grain production and marketing appropriate for achieving regional self-sufficiency in basic grains by 1980. It activated the Permanent Committee on Agricultural and Animal Research created in 1965 to stimulate problem-solving investigation and to recommend annual research programs.

The five Ministers of Agriculture, through the "Agreement of San Jose", emphasized the necessity and value of international financial and technical assistance in the agricultural sector. They noted the advisability of adopting regional criteria by which international technical and financial assistance can support regional projects or programs and emphasized the need for these to contribute in a significant way to the fulfillment of the agricultural policy objectives most important to the individual countries.

3. The short-term agricultural development strategy adopted by the Committee for Central American Economic Cooperation at its Tegucigalpa Meeting in May 1975. The Committee, made up of the Ministers of Economy of Central America and Panama, agreed upon a two to three-year program, to be coordinated by CEPAL and SIECA, which directly supports the "Agreement of San Jose" through coordinated actions with the Ministers of Agriculture.

The major actions taken by the Central Americans since the FY1975 ROCAP DAP Review to develop a regional rural sector program are set forth in Chart 1, on pages 5 and 6.

HIGHLIGHTS
OF
CENTRAL AMERICAN REGIONAL ACTIONS ON RURAL DEVELOPMENT
OCTOBER 1974-AUGUST 1975

- October 1974 Agreement of San Jose by Ministries of Agriculture:
- Defined basic grains and food production as priority for regional action, with desired goal of self-sufficiency by 1980;
 - Recognized need to integrate rural sector, especially the rural poor, into CA regional effort;
 - Identified priority policy, technical, marketing and service problems requiring regional action;
 - Named SIECA as Secretariat for Ministries of Agriculture and CATIE and INCAP as regional technical centers.
 - Established technical committees to develop five country coordinated action plan for grain marketing.
- February 1975 Jalapa communique of Central American Presidents:
- Ratified Agreement of San Jose;
 - Called for regional cooperation for agricultural research and information;
 - Approved basic grains and food production as priority for regional action in agriculture;
 - Focused on small farmer as primary beneficiary for regional action.
- April 1975 Second Meeting at San Jose of Agriculture Ministers:
- Institutionalized meeting of Agriculture Ministers as organ of CACM;
 - Reactivated Permanent Committee on Agriculture and Animal Research to prepare a coordinated program for food crop research.
 - Focused on needs of rural poor and instructed SIECA to prepare profile of their living conditions.
 - Set up working groups to prepare regional programs for basic grains and food production.

May 1975

Committee for Economic Cooperation in Central America,
made up of Ministers of Economy:

- Reaffirmed priority for basic grains and food production;
- adopted short-term (three-year) action plan to support Ministers of Agriculture in marketing, irrigation and agro-business;

Summer 1975

SIECA Implementation:

- Working groups on basic grains completing studies for technical review and submission to Agriculture Ministers at their October Meeting;
- Preparing profiles on rural poor;
- Working with IICA on program for Permanent Committee on Agricultural and Animal Research;
- Initiating agricultural sector policy analysis for future decision making.

CABEI

- Ministers of Economy approved agricultural investment plan for 1975-1980.

OIRSA

- Announced spread of Med Fly into Honduras, El Salvador and Guatemala;
- Developing plan for research and control of Med Fly in C.A.;
- Developing regional program for improving border control of plant and animal pests for presentation to Ministers of Agriculture of C.A., Mexico and Panama.

B. The ROCAP Agricultural Sector Strategy

ROCAP Agricultural programs until FY1972 reflected the low priority assigned this sector by the CACM. With the Decade Study and the MDCC decision in FY1973 to make rural development the focal point of Central American programs, ROCAP began systematically building up its activities in this sector.

ROCAP-financed agricultural studies in FY1973-74 and the work of the MDCC Subcommittee on Rural Development led to the preliminary assessment which the MDCC analyzed and approved at its July 1974 meeting. It confirmed SIECA's diagnosis of the critical importance of the rural sector to regional development as the source of 90% of extra-regional exports, 90% of the regional food supply and employer of 70% of the work force. It identified as the critical problems: (1) rural unemployment -- a work force growing 100,000 annually, with the majority farm laborers and unemployed; (2) rapid increase in rural population -- an annual birth rate of over 3.2%; and a regional labor force growing annually by 100,000; inequitable land ownership patterns in face of the demonstrated aspiration for land by the rural poor; (4) rapidly increasing income disparity between wealthy and poor in rural areas; (5) ineffective and inefficient public services for the rural poor -- only 10-15% have access to technical inputs, credit and knowledge; (6) primitive systems for rural education and development of manpower skills; (7) non-availability of critical market information for decision-making by small farmers; (8) agro-industry concentrated in larger cities with inadequate concern for labor-intensive factors and linkages to small producers. The Preliminary Assessment concluded that further analysis is required to refine AID regional objectives, policies and assistance. (See "A Preliminary Assessment of Rural Economic Development in Central America", 81 pages, submitted to AID/W in September 1974).

Based on the Preliminary Assessment, the MDCC established as the goal for the USAID and ROCAP rural sector programs:

The creation of the environment and the establishment of socio-economic conditions which will provide the majority of the rural population with opportunity for, and sustained participation in, the expanding benefits deriving from development.

The MDCC considered criteria for more precisely defining the "poorest majority" of Central America, including per capita income of rural people, the amount of land held or controlled,

the type of employment, the family status, geographic or ecological location and various combinations thereof. Each was found inappropriate because of (a) wide variations throughout CA in ecology, population density, educational level, type of agricultural enterprise, and (b) the inadequacy of reliable quantitative data having regional consistency. Hence, after considering these alternatives, the MDCC determined:

The phrase "poorest majority of rural dwellers" is the most practical definition which can generally be applied to identify the target group in the five Central American countries.

The MDCC then considered the appropriate role of USAIDs and ROCAP in the various technical areas: research and development networks; information systems; crop specific technological packages; delivery systems; credit to the target group; social services for the rural population, including, but not necessarily limited to education, farmers' organizations, health and family planning, nutrition, housing, community development and cultural and recreation facilities; agricultural marketing; labor intensive farm-to-market roads; input and raw product storage facilities; processing plants and agricultural input production, and others. The MDCC concluded that:

The USAIDs at the country level are the primary instruments for carrying out programs to directly reach the target group. ROCAP should orient its work to those country-support services which are needed by countries in carrying out their efforts directed at the target group.

The MDCC also agreed that increased contact between officials of the various Ministries of Agriculture was essential to improve coordination of rural sector efforts in the Isthmus. As a result, the MDCC suggested that:

ROCAP should provide for increased contacts and coordination among Ministry of Agriculture officials of the five Central American countries.

The MDCC then identified as primary areas for ROCAP attention:

1. Regional Institution Building, through technical and financial assistance to regional institutions for specific

policy, program and operational efforts aimed at the target group, and for improving linkage with national agencies in achieving program objectives. Regional institutional building is not seen by the MDCC as an end in itself but as a means for more effectively utilizing national and regional technical and financial resources.

2. Encouraging Regional Studies and Action Programs, through technical and financial support to regional institutions for studies and action programs on rural development problems related to the target group which are of common concern and interest to the five countries, lend themselves to joint or coordinated action and are of priority interest to AID.

3. Clearing House Function, through appropriate aid for creating a regional informational system on critical technical and marketing information needed by all five countries.

4. ROCAP Services to Other Missions in the areas of agricultural economics, engineering, delivery systems, inputs, farm management know-how and the backstopping of regional contracts. ROCAP also is charged with keeping the USAIDs informed of regional developments to facilitate USAID inputs into regional decisions and follow-up with national officials in building national support for AID-related activities.

C. The ROCAP Strategy

Within the MDCC July 1974 decision framework and based on the priority problems identified in the preliminary assessment, ROCAP set forth the strategy contained in pages 157-184 of the DAP. This strategy was developed prior to the October 1974 policy formulated by the Ministers of Agriculture in the "Agreement of San Jose". ROCAP illustrated the compatibility of its strategy with the "Agreement" in the December 1974 Rural Sector Supplement to its DAP.

In accordance with the DAP, the ROCAP strategy comprehends the following six action areas designed to implement the decisions and apply the criteria of the MDCC:

1. Improvement of Central American regional rural policy-making capacity. Recognizing that integration must be a Central American initiative directed and carried out by them, ROCAP is seeking to build up regional capability for analyzing the Central American situation and for designing programs and policies which (a) effect improvement in the social and economic

well-being of a significant portion of two million or more members of rural work force receiving less than the mean per capita income of the region's population as a whole, (b) improve target population income, through substantial percentage increases in the potential return per unit of land, (c) emphasize new remunerative on- and off-farm employment in the rural areas and (d) promote higher nutritional standards for the rural poor. In this process, special attention will be given to improving coordination between regional and national policy-making.

2. Increase regional capacity to develop and apply technology. Working with recognized regional research centers, ROCAP assistance will be concentrated on applied research to assist the five countries in understanding and dealing with the agricultural conditions and potentials of Central America, in coordinating their respective national programs and in sharing research and field results. ROCAP assistance will be keyed to the small farmer and his needs so that adapted and developed technology can be readily applied by national programs to solve his problems.

3. Organization of regional agricultural information systems. Working with the regional institutions concerned and linked to national action agencies, assistance will be provided to make available to small farmers in the five countries, through national outlets, the technological, marketing and crop forecasting information needed for timely decision-making on production and marketing. The information will be presented in a form appropriate for small farmer understanding and adapted to his use. A Central American system available and useful to all five countries will be created.

4. Expand regional capacity to mobilize Central American resources. Priority attention will be given to the design and installation of regional systems for stimulating small farmer production and marketing of basic grains and food products, which are the mainstay of production by more than two million small farmers. Building on more than three years of study by SIECA in collaboration with national grain stabilization and marketing entities, regional policies are evolving; and, ROCAP will provide (a) additional technical assistance to SIECA on operational policies and (b) seed capital loans to CABEI to install and test regional financial mechanisms which serve to mobilize Central American resources, in support of country efforts, to stabilize grain prices, rationalize marketing, broaden potential outlets through new agro-industries and attack

other critical bottlenecks to increased production and higher small farmer income. ROCAP's projects will emphasize a "whole-sale" relending and rediscounting role for CABEI, under which CABEI would assure liquidity for national programs carried out in accordance with agreed-upon regional policies.

5. Promoting regional efforts to expand employment opportunities. With substantial un- and underemployment in the rural areas and 100,000 new rural workers entering the labor force each year, the Central Americans are increasingly concerned about the incapacity of their economies to absorb available and potential manpower. ROCAP's emphasis is policy studies and discrete action programs to create new remunerative work opportunities in rural areas, through crop diversification and new production techniques to create on-farm jobs and by marketing, service and rural-located agro-industries for off-farm employment.

6. Improving the administrative capacity of Public Sector. The MDCC recognized that the poor quality planning and administration of public sector rural program in all five countries is a major obstacle to successful implementation of AID projects in Central America, especially those aimed at the rural poor. The MDCC identified the need for a coherent regional effort to make regional and national policy-makers aware of the deficiencies and to adapt advanced management systems and practices to public sector rural program administration. ROCAP and the MDCC will work with INCAE in designing and carrying out such an effort.

D. Activities in Each Action Area

As detailed in the December 1974 Rural Sector Supplement to the DAP, each of the activities proposed in the six action areas coincides and is consistent with the priorities established in the "Agreement of San Jose". The proposed activities provide meat for the bare bones of high purpose and deep concern which permeate the "Agreement". They follow closely the policy and norms set forth in the approved FY 1975 DAP, which together with its December 1974 Rural Sector Supplement is expressly incorporated into this paper.

1. Improvement of Central American Regional Policy-Making Capacity

Coinciding with the Article 1, page 3, of the "Agreement of San Jose", ROCAP will provide technical and financial support to regional institutions for upgrading their capacity to analyze rural sector problems, evaluate policy alternatives and recommend appropriate courses for regional policy and action programs

-- with emphasis on (a) basic grains and food policy and (b) incentives and systems for increasing low income farmers' share of the benefits of integration. Attention will be given to improving the quality of essential data and training needed specialists.

The primary counterpart for this activity will be SIECA; the vehicle for its implementation, a three-year contract between SIECA and the Brookings Institution or another US entity of equal capacity which will advise and assist the SIECA agriculture policy staff on standards, methodologies and procedures to be employed in policy studies, on coordinating regional agriculture planning and policy formulation with national bodies and on techniques and systems for translating SIECA findings into useful policy recommendations for regional and national decision-makers.

To optimize impact on policy formulation of the agricultural sector, these studies will be tied directly to priorities set by regional policy makers. Initially, special attention will be given to: basic grain policy; norms for determining the most appropriate location for food crops on the basis of economic, ecological, social and technical analyses; stimulation of food production and the related need for rural-based agro-industries; and development of increased agricultural-based exports to third countries.

This activity is emerging out of a SIECA-Brookings relationship which began in FY 1972. The focus of the initial three-year relationship was on the broader aspects of the costs, benefits and impact of integration on Central American development. In FY 1975, agricultural analyses were added to the scope of this contract; the FY 1975-76 assistance is aimed at laying the groundwork for the three-year program to begin in the interim or "fifth" quarter FY 1976. A PID has been submitted; the PRP and PP will be presented in the Fall 1975. The FY 1975-76 cost of the agriculture phase of the current SIECA-Brookings contract is \$425,000; the estimated cost of the new three-year activity will be \$1,430,000.

To meet the need for policy cooperation and coordination among the various Central American regional institutions working in this sector, under the Agriculture and Research Information System Project, a regional advisory group of all these institutions is to be established. SIECA and IICA have agreed that the group will not only consider specific research and information matters, but also review regional agriculture

policy proposals in general and serve as a technical arm of the Agriculture Ministers Coordinating Council. Seminars and workshops for regional and national agricultural policy-makers will be developed. Its costs are included in the work plan for the Agriculture and Research Information System (see point 3 below).

In addition, using technical support funds, ROCAP will participate in the regional assessment being made by the Tripartite group during FY 1976.

2. Increase Regional Capacity to Develop and Apply Technology

Article 9 of the "Agreement of San Jose" establishes as a regional responsibility, the coordination of national and regional agriculture and livestock research in Central America. It expressly recognizes CATIE and INCAP as Central American regional research centers and reactivated the Permanent Committee on Agriculture and Animal Research.

ROCAP projects are built around this decision by the Ministers of Agriculture and are aimed at: strengthening the research capability of CATIE, INCAP and the Permanent Committee; developing their outreach capabilities to serve the five national programs; orienting ag research to problem-solving through the development of technological packages applicable to mass media methods; forging cooperation among the CA agricultural research community; and developing regional service and training capacity to backstop country programs.

An important dimension to ROCAP's activities in this action area is strengthening the linkages among Central American research institutions to optimize their output and its value to the target group. These linkages will not be limited to strictly agricultural-based entities but extend to those engaged in relevant related activities. For example, ICAITI is engaged in research on food processing, forest products, animal feed, new uses of indigenous raw materials, recycling of wastes, food sanitation and product standards. LAAD is promoting new agro-industries to process food and commodities grown in the Isthmus. Feedback of ICAITI and LAAD results can stimulate new agricultural investigations and projects to expand small farmer output and to open up to him new market opportunities for his production.

The component projects include:

a. Small Farmer Cropping Systems. Supporting Article 4(h) of the "Agreement of San Jose" and under the PROP approved in FY 1975, a four-year program has been initiated with CATIE to devise cropping systems which can effectively increase farm production per unit of land, augment profits for small farmers, increase employment opportunities during low-employment work seasons and improve use and results of inputs.

ROCAP, during this four-year project period, will assist CATIE to strengthen its own research on cropping systems methodology and to improve national research in this new frontier of tropical agriculture. Special emphasis will be given within CATIE and at the national level toward developing inter-disciplinary research methods which can increase the effective utilization of Central America's limited research capability. Site selection for field testing in each country will be made on the density of small farms per area; and, resulting technological packages will be developed with special emphasis on their adaptability to mass media information transferring techniques.

In carrying out this program, CATIE and the national research institutions will draw upon specialized technical skills available through other Central American regional institutions such as INCAP in the nutrition area, IICA in agricultural marketing and agricultural research management, SIECA for the interpretation of policy decisions made by Central American Ministers of Agriculture, etc. USAID representatives in each country will be invited to participate on national committees to develop and program research activities and assist in integrating the small farm cropping systems program into national USAID action efforts.

This four-year research project approved by AID/W in FY 1975 at a total AID grant level of \$1.8 million will also generate an estimated \$2.4 million counterpart contribution by national governments and regional institutions.

b. Soil Fertility. Building on nearly ten years of work by North Carolina State University in soils analysis of Central America and responsive to the Agriculture Minister's concern about optimum results from use of fertilizer, ROCAP has initiated operations under the approved FY 1975 PROP to (1) institutionalize the already acquired soil data on the five countries in CATIE as the regional research center, (2)

develop CATIE's capacity to advise the Central American countries on and train in soils fertility, (3) facilitate CATIE's capability to conduct research and supervise field trials in cooperation with all five countries on the appropriate quantity and mix of chemical and natural fertilizers needed by small farmers to optimize their return per unit of land, and (4) continue necessary support for USAID programs in the countries where needed.

This three-year project will require \$881,000, with an estimated \$900,000 in counterpart contributions by national governments and regional institutions.

c. Agricultural and Research Information Systems. This activity will be directly coordinated with and support the newly reactivated Permanent Committee on Agricultural and Animal Research. Under the PROP approved in FY 1975, its objective is to draw together systematically the past quarter century of research in Central America and relevant investigations beyond the region and orient its use to practical problem-solving. It will seek to develop: (1) common standards, methodologies and procedures to facilitate the comparability and compatibility of research in the five countries; (2) climatological and soil analogs for Central America; (3) research results by interdisciplinary teams in forms capable of producing technological packages for use by small farmers. In support of the priority placed in the "Agreement of San Jose" on basic grains and food production, technological packages for basic food crops for the highest population density areas of the rural sector in Central America will be in preparation within two years.

In FY 1976 ROCAP will add to this activity specific inputs for research and development of priority diversification crops. Central America, given its climate and soil types as well as its close proximity to the US and Canada, has a unique opportunity to expand small farmer income by broadening its crop base and interrelating basic grain and speciality food production in appropriate cropping mixes, thereby generating new sources of farm income and employment. The funds needed for this activity are accounted for under action area (3).

d. Technical Support. During the next three years, ROCAP will continue to serve as the channel for providing USDA PASA technical expertise needed by the CA USAIDs. This mechanism which reduces the number of agreements required to service USAID-ROCAP needs for technical expertise from the U.S.

Department of Agriculture, has simplified and expedited region-wide tapping of USDA expertise and services. It has received the support of rural development officers and USAIDs in all five countries. USDA expertise and services will be concentrated in basic food crop marketing, grain storage and classification, crop estimation, food processing, land credit organization, land sale assessment, grain import marketing and product transportation. ROCAP, serving as a clearing house for USAID requests under this support function, will require approximately \$75,000 per year over the next three-year period.

e. Nutrition. "The Agreement of San Jose" calls for the formulation and implementation of national food and nutrition policies and programs; and, it recognizes INCAP as the regional expert in nutrition. To support this regional priority, ROCAP is now preparing a PP for a four-year project to build up INCAP's outreach capability to advise, work with and service the CA countries. The PP, to be submitted in the Fall 1975, stresses the design and testing of standard methodology and norms for regional and country analysis of nutrition problems, planning national interventions, carrying out programs and assessing their impact and validity.

Support to ICAITI under the Transfer of Technology Project will complement the five projects detailed above by continuing research on food technology, especially related to tropical products. In addition, ROCAP's agri-business projects will continue to develop markets for raw and processed agricultural products and to make available to food processors, packers, and shippers necessary technical guidelines on the care, handling and sanitation requirements of more developed countries.

3. Organization of Regional Information Systems

At their February 1975 meeting in Jalapa, Nicaragua, the Presidents of Central America, after ratifying the "Agreement of San Jose", cited the urgent need for an effective regional agricultural information and market news service. The Agriculture and Research Information Systems Project, whose PROP was approved in FY 1975, directly responds to this need.

IICA in FY 1975 completed an analysis of programs and requirements of 106 Central American regional and national institutions which produce, process and utilize agricultural information; and, the approved PROP drew on its conclusions as the basis for improving the quality and quantity of agricultural information. In FY 1976, IICA and ROCAP, working closely with

SIECA and the Agriculture Ministers Coordinating Council, will design the region-wide information system for the widespread systematic and sustained distribution in the region of agriculture data for use by public and private organizations. In FY 1977-79, the system will be installed, through national and regional training courses and technical assistance. At least 25 national institutions and over 250 national and regional technicians will be involved during the three-year effort to systematize available information on agriculture and make it readily available to policy-makers, farmers and other interested parties.

AID financial resources required for this activity are: \$1.4 million of grant funds during the FY 1975-78 period with a counterpart contribution through Central American regional and national institutions of \$827,000. As noted above, ROCAP will propose an additional \$475,000 for this project to strengthen the agricultural diversification focus of the information system and increase research and information development training for Central American national and regional technicians.

ROCAP will coordinate this activity with the five Central American USAIDs and their Agriculture units.

4. Expand Regional Capacity to Mobilize Central American Resources

The "Agreement of San Jose" and the decisions of CABEI's Assembly of Governors emphasize the mobilization of regional financial resources to supplement national funds needed for stimulating basic grains and food production, rationalizing the marketing system and incorporating small farmers into the national and regional economy. In support of this priority, ROCAP will work with SIECA on policy formulation and with CABEI on investment programs to implement approved policies. ROCAP projects will emphasize "wholesale" relending and rediscounting by CABEI to insure liquidity at the national level in marketing and processing of basic grains and other priority food crops. Four ROCAP loans will be considered:

a. Central American Regional Marketing System in Basic Grains. Basic grains are the cornerstone of production by over two million small farmers. Wide fluctuations in prices seriously limit the small producers' capability to use modern technology which requires increased capital expenditures; and, in periods of high prices, the impact on low-income consumers has often wiped out their capacity to save. The fluctuations create

uncertainly throughout the economy -- often forcing children of low-income families to enter the labor force before they are adequately educated or physically ready for work, thus limiting their productive capacity throughout their lifetimes.

ROCAP will work with SIECA and CABEI to prepare a PRP by November 1975 and a PP by May 1976 for a \$20 million loan for regional grain marketing. The ROCAP loan will be designed to set up a regional grain marketing system and to provide seed capital for its operations in purchasing grain stocks. Its analysis will include the feasibility of creating a regional reserve of basic grains, owned jointly by the five countries and available to them to meet emergencies and shortfalls in supply. It will not finance physical facilities since the IDB is completing negotiations with CABEI and national banks for the construction of required buying stations, central warehouse facilities and private storage facilities in the five countries. The ROCAP loan will draw on basic food crop and grain marketing studies made by SIECA and CABEI over the past three years, with ROCAP financial and technical assistance. It will be developed under the guidance of the Central American Grain Storage Committee, for which SIECA is the Secretariat.

b. Land Acquisition by Small Farmers. The desire for land was identified in the Preliminary Assessment as a primary aspiration of small farmers throughout Central America. Two CA USAIDs are considering proposals for loan projects involving land purchase for small farmers. As these loans are disbursed, in order to maintain liquidity within the national systems, additional capital will be required to rediscount mortgages held by national banking systems. ROCAP and CABEI during 1975 and 1976 will investigate existing land tenure patterns, the potential for land sales in each of the five Central American countries, the capability of low-income people to purchase land, credit mechanisms which may be utilized and the capacity of national and regional public and private agencies to administer such a program.

A technical analysis will be conducted during FY 1976 to estimate the optimum absorptive capacity for loan funds required to initiate this program. ROCAP estimates that, if the studies prove the activity feasible, an initial loan of approximately \$15 million by FY 1978 will be requested for seed capital to set up appropriate regional machinery in CABEI to support, and assure liquidity of national programs. Further capital inputs will be encouraged from other international donor sources and through the sale of bonds within Central America and in foreign capital markets, to complement the initial ROCAP loan investment.

During FY 1976 and 1977, ROCAP proposes a grant expenditure of approximately \$75,000 from its Technical Support funds to complement CABEI funds in order to conduct essential studies for the preparation of the PRP.

c. Regional Agribusiness Development. Directly related to the concern of the Ministers of Agriculture for more efficient mechanisms for storage and processing of food products, an FY 1977 loan to CABEI is proposed for agro-business in the rural areas of Central America.

Agribusiness located in rural areas can provide important alternate linkages between the farmer and existing marketing systems. The proposed program would permit the organization and financing of multi-product packaging and/or processing plants, transportation services, cold storage facilities, etc. in order to develop new market outlets for existing products or extend the storage life of those raw products presently in over-supply during certain seasons of the year. Since emphasis will be placed on non-traditional agriculture, the agri-business loan activity being contemplated will be supporting bilateral agricultural diversification and complement research presently in progress at ICAITI.

Priority will be given to financing new types of agri-business activities located in rural areas in order to create services needed by small farmers and expand rural employment possibilities. Loan funds will be utilized to strengthen the market system by providing alternate outlets for small farmer produce and increasing the availability of credit for new agri-business opportunities.

ROCAP will submit a \$15 million agri-business loan PRP in November 1975 and a PP for FY 1977. The funds would primarily be used for re-lending and re-discounting through the ICI's in the five Central American countries. This will not only provide financing for additional activities in agri-business but also enable CABEI to increase its role in wholesaling credit to ICI's as envisioned in the 1974 RCCAP DAP (page 132). The proposed \$15 million loan will be matched by an equal amount from CABEI.

d. Regional Wholesale Marketing Program. CABEI's Board of Directors through Resolution No. DI-143/74 dated September 18, 1974, formally established a Central American wholesale marketing program and declared it to be of major

regional importance. This decision was supported by decisions of the Ministers of Agriculture of Central America at their meetings of October 1974 and April 1975.

ROCAP proposes an FY 1977 \$15 million loan to CABEI for planning, setting policies for, construction and operation of a compatible and effective rural/urban wholesale market system in Central America. The project will focus on (a) reducing the excessively high spoilage of fruits and vegetables, which typifies the current market system in all five countries, (b) reducing marketing obstacles to increasing food production and (c) facilitating the efficient flow of agricultural trade within and among the five countries. It will involve setting regional marketing policies and standards and then improving physical facilities for wholesale food marketing. IICA's marketing specialists and Michigan State University who successfully completed a similar program in Colombia will be called upon as the principal program advisors in the design of the PRP and PP. ROCAP will submit a PRP on November 1975 and a PP in FY 1977.

5. Promoting Regional Efforts to Expand Employment Opportunities

Long before the CA Ministers of Economy focused their attention on the growing problem of unemployment in the rural and urban areas of Central America, SIECA began publishing studies calling attention to the need for new industrial and agricultural policies which effectively utilize the region's manpower. In the "Agreement of San Jose", the Ministers of Agriculture expressed their concern and called for policies to increase rural job opportunities.

While ROCAP has no specific expenditures budgeted against this action area, all of its projects in the agriculture sector focus on the employment problem in the rural areas. Each project from policy analysis to loan proposals has an employment dimension built in. In the policy analysis projects with SIECA, the SIECA Brookings unit is completing a major study of the impact of integration on employment. In the Small Farmer Cropping Systems Project and for Technological Packages, employment generation is a basic criterion in the analysis of the priority and utility of various commodity mixes in the different ecological and population density zones; preliminary analyses indicate that considerable progress can be made at the local level through the selection of commodity mixes and production systems which not only increase employment and profitability per area of land, but

also extend the production season and diversify farmer risk. Each of the four new loans, plus those made to LAAD, have substantial employment generation potential, both for off-farm and on-farm jobs.

Special attention under the FY 1976-78 SIECA-Brookings rural sector policy project will be directed to employment generation in the rural areas. Building on the on-going agricultural policy studies initiated in June 1975, SIECA will analyze rural development models of other LDC's to determine their relevance to Central America's problems, especially in relation to rural employment. This new analytical effort is expected to be a major contribution to advising Central American governments on regional and national policies, incentives and actions for attacking this critical bottleneck to sharing the benefits of development with the poorest majority of the people of this region.

6. Improving the Capability of Public Sector Managers to Plan and Administer Programs Directed at AID's Target Group

The MDCC has identified this action area as one of regional priority. The MDCC appointed a subcommittee in FY 1975 to study alternative possibilities for designing and carrying out a regional effort aimed at upgrading national and regional agricultural management systems. The MDCC determined that a program conducted by INCAE and aimed at the top management of regional and national agricultural institutions would be the appropriate approach for seeking to substantially raise the quality and effectiveness of rural program administration.

A PP in the amount of \$150,000 for the conduct of seminars and conferences organized by INCAE with the collaboration of the IICA Agricultural Management group is in preparation for submission to AID/W for October 1975 for FY 1976 financing. A minimum of 25 decision-makers from each Central American country will be trained during each of the two years of this program. The INCAE activity will be coordinated with and followed up by technical assistance from IICA and ICAP to install improved administrative systems identified and approved by regional and national leaders as a result of the INCAE program.

E. Project Areas Rejected

After analyzing the project alternatives available for regional action under the MDCC decisions and the "Agreement of San Jose", the following areas were rejected as inappropriate

for ROCAP assistance largely because of present or planned commitments by other donors:

1. Forestry Development. Central America has significant forestry resources which are unfortunately rapidly being decimated. While forestry offers considerable promise for rural employment and agro-industry, this option was deferred because of UNDP-FAO current and planned assistance.

2. Livestock Production. While livestock offers substantial opportunities for small farmers as part of mixed farming operations and integrated small farm production systems as well as for off-farm employment in, e.g. dairies, a discrete project was not considered at this time because Central America primarily orients its planning and programs to large-scale cattle-raising, with minimum attention to small-farmer approaches. Moreover, cattle-production is concentrated on land in which other productive enterprises having greater employment and income benefits might be undertaken; and, the cost per pound of protein from cattle is higher from plant sources; and, the nutritional impact on the rural poor is less likely to be positive than from projects promoting protein from plant sources. Then, too, the IDB and IBRD are heavily committed to this activity.

Small animal production, including swine, poultry, geese, etc. offer greater opportunities for the small farmer; however, national and regional institutions at this time do not appear equipped with the improved technology needed for rapid short-run expansion. Research on animal improvement in the public sector in Central America is insignificant. The International Research Centers at CIAT in Colombia (in cattle research, swine research and poultry) is expanding its research programs and proposes to strengthen its linkages for providing relevant assistance to Central American research and extension institutions.

3. Irrigation and Soil Conservation. Especially important for those areas in Central America in which rainfall is inadequate for plant production or areas in which year-round production cycles can be economically justified, this activity warrants regional attention. However, major new region-wide irrigation and soil conservation, policy development and programs are programmed by the UNDP/CEPAL/FAO for Central America starting in late 1975. Consequently, ROCAP does not plan projects in irrigation and soil conservation, except as water and land use

components within small farmer cropping systems or similar specialized situations.

4. Plant and Animal Sanitation. Nematodes, Mediterranean fruit fly, hoof and mouth disease, and other pests are major problems. Nonetheless, because of FAO's major inputs and its plans for assisting the Central Americans to improve plant quarantine and border inspection through a large technical assistance and training mission, ROCAP ruled out projects in this sector. In addition, FAO, the USDA and possibly the Mexican government are considering specialized support through OIRSA for the control of the Mediterranean fruit fly.

5. Fisheries and Fish Production. The extensive coastlines of the five Central American countries offer an opportunity for the potential utilization of seafood products as an inexpensive source of protein. In considering this potential, ROCAP noted that the United Nations which completed an inventory of fisheries resources in Central America in 1970 proposes to expand its assistance in this area and that the Inter-American Development Bank plans financial assistance in support of this activity on a bilateral basis.

6. Agricultural Production Credit. It is recognized that credit for agricultural production, especially by the target group, remains inadequate in most countries to meet the demand. In part the problem involves improving credit delivery systems, education on credit utilization and improving the integration between credit, technology and market demands. The MDCC recognized the importance of this activity and found that it is primarily a national, not regional, function. ROCAP does not consider regional programming appropriate unless future studies indicate that CABEI has a significant role to play in support of national programs.

7. Access Roads. The MDCC recognized the employment, production and marketing importance of this sector and considers it clearly the responsibility of national programs and appropriate for bilateral support by USAID. ROCAP plans no regional activity but will work with CABEI to help expand its knowledge of labor-intensive techniques so that CABEI can support national governments whenever required.

8. Agricultural Inputs. Consideration was given to the need for improving the availability and distribution of agricultural inputs to the small farmer. Toward this end, ROCAP, in 1974 financed studies on the marketing of fertilizer materials in Central America by T.V.A. and the production and marketing of improved seeds by Mississippi State University. At the time

of preparation of ROCAP's strategy, it was determined that provision of chemical inputs and the production of seed of improved varieties may most effectively be carried out by the private sector in each country supplemented by national government efforts in areas in which private initiative cannot economically or operationally provide them to the target group. Seed production and marketing is a major problem, and it is ROCAP's understanding that CIAT and CIMMYT will expand their assistance to the Central American countries during FY 1976 in the development of improved basic food crop varieties; and the Rockefeller Foundation, through their Central American office, is considering further technical assistance in improving seed multiplication, certification and distribution mechanisms region-wide. To the degree that regional facets to these activities evolve, ROCAP will study them and submit them for MDCC consideration in connection with post-FY 1978 ROCAP projects.