

UNCLASSIFIED

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



DEVELOPMENT ASSISTANCE PROGRAM

1975-1980

CENTRAL AMERICA

Rural Sector Supplement

DECEMBER 1974

**DEPARTMENT
OF
STATE**

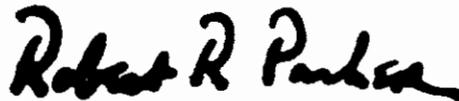
JANUARY 1975



UNCLASSIFIED

C E R T I F I C A T E

This is to certify that the "DEVELOPMENT ASSISTANCE PROGRAM
1975-1980 CENTRAL AMERICA - RURAL SECTOR SUPPLEMENT" prepared
by the Regional Office for Central American Programs (ROCAP),
dated December 1974, has been reviewed and cleared by the
Members of the AID Mission Directors Coordinating Committee
(MDCC) for Central America.



Robert R. Parker
Executive Secretary
MDCC

January 8, 1975
Guatemala City, Central America

ROCAP DEVELOPMENT ASSISTANCE PLAN

RURAL SECTOR DEVELOPMENT

A. Background

The Decision Memorandum which resulted from the ROCAP DAP Review provided that ROCAP should prepare a supplement to its agricultural strategy in light of the Agreement of San Jose, signed on October 26, 1974, by the Ministers of Agriculture of the five Central American countries and Panama. The Agreement provides the framework for a concerted region-wide effort to accelerate agricultural production and improve distribution, particularly of food crops and basic grains, and with special emphasis on small farmers.

The supplement was to determine whether (1) on-going and new ROCAP activities relate to the opportunities for the small farmer opened up by the Agreement and (2) the priority projects identified in the ROCAP strategy in Central America coincide with those called for under the Agreement. It was to focus primarily on problems such as an effective regional grain pricing policy, unrestricted regional trade in grains and other agricultural commodities and a definition of CABEI's role in the agricultural sector.

In accordance with this determination, ROCAP has made a comparative analysis of the emphases and efforts called for under the Agreement and those set forth in the DAP to determine the extent of comparability and to ascertain what, if any, differences in priorities might exist.

ROCAP is making a separate study of CABEI's role in Central American development, especially agriculture. This study, which should be completed in the first quarter of CY 1975, will be considered by the MDCC prior to submission to AID/W.

B. Comparative Analysis of the Agreement and the ROCAP Agriculture Strategy

Attached to this document is a comprehensive analysis of the Agreement and the principal lines of action called for in ROCAP DAP. It sets forth the specific areas of emphasis set forth in the Agreement and compares ROCAP priorities and proposals with them. The analysis has been reviewed by the MDCC.

C. Conclusion

On the basis of this analysis, it appears that ROCAP priorities coincide with those established by the Central American Ministers of Agriculture in the Agreement and that the proposed ROCAP courses of action directly relate to and facilitate the execution of the programs and projects

stipulated by the Ministers. The priorities specified in the Agreement, as spelled out in the attached analysis, are related to the production of food supplies, especially basic grains, by small farmers and to joint action at the Central American regional level for research, production and distribution activities required for providing an adequate food supply in the region. The ROCAP program responds precisely to these priorities and activities.

As a result, ROCAP and the MDCC believe that no modifications of proposed ROCAP strategy and program are required to insure their conformance with and reinforcement of the priorities for regional action called for under the Agreement.

COMPARATIVE ANALYSIS OF "AGREEMENT OF SAN JOSE" SIGNED BY THE CENTRAL AMERICAN MINISTERS OF AGRICULTURE IN SAN JOSE COSTA RICA (OCTOBER 25-26, 1974) FOR AGRICULTURAL DEVELOPMENT IN CENTRAL AMERICA AND THE ROCAP DEVELOPMENT ASSISTANCE PLAN, 1975 - 1980

"Agreement of San Jose" Proposed
Actions

ROCAP (DAP) Program

1. Give the highest priority to the formulation and execution of a policy to stimulate the production and internal supply of foods, principally basic grains, through the application of just and remunerative prices to the producer and improvements in distribution and marketing of these goods, in order to take care of the needs of the Central American population. (a)/

1. ROCAP supports this as the highest priority program. ROCAP actions supporting this goal are:
- A) Regional assistance in developing "Tech Packs" to improve producer production of basic grains and other foodstuffs. 1/
 - B) The Development of a regional Agro Info System to make available known and new information on production areas, market prices and costs of production of basic grains. 2/
 - C) Support through CATIE for intercropping research region-wide to increase production per area. Basic food crops will be included in all intercropping systems. 3/
 - D) In FY 1976 a new regional public and private basic grains marketing program will be proposed to AID.W A loan project for FY 1976 funding would finance grain inventories of small producers in bonded warehouses to be followed if feasible by a FY 77 loan to finance publicly stored grains buffer stocks in the region. 4/

a / Agreement of San Jose,
Article 1, page 3

1/ See ROCAP DAP 1975-80 Chapter V
Section H, Page 171

2/ IBID Page 171-2

3/ IBID, section 3, page 167

4/ IBID, section 5, page 176

2. To achieve the following specific objectives: 2.

A) To assure, insofar as possible, the complementary supply of grains and imports from outside the region, required during the agricultural season of 1974-75. b/

B) To achieve, before 1980, regional self-sufficiency in basic grains, and to begin the reduction of the corresponding deficit, starting with the harvest of 1974-75 c/

C) To cover the minimum needs for grains and feeding the Central American population, particularly the lowest economic strata, and to contribute to the formulation and carrying out of national food policies. d/

A) ROCAP has offered to provide SIECA a short term technical consultant to orient its staff on collective and future grains purchases in U.S. markets as part of its sector studies activities. This would be done from the regional PASA for agricultural specialists from the USDA.

B) See 1 above.

C) ROCAP will encourage SIECA to use the IICA Agricultural marketing specialists located at San Jose, Costa Rica to assist in the identification of key constraints and the solution of priority problems 5/

A basic reference document on past production levels throughout Central America is being prepared by SIECA utilizing pertinent data from INCAP Studies financed by ROCAP under the sector studies program.

ROCAP is considering grant assistance to INCAP for assisting governments and regional bodies in the development of policies and programs in the field of nutrition. 6/

b/ IBID article 2nd a) page 3

c/ IBID article 2nd b) page 3

d/ IBID article 2nd c) page 3

5/ IBID Section 1, page 163, Section 4, page 172

6/ IBID Section 3 page 169 and 170

D) To improve the level of employment and income of the grain producers of the region, including more intensive participation of small farmers in the economic process and in the benefits therefrom; e/; and

D) ROCAP will provide support to SIECA through the SIECA/ Brookings studies for analysis of employment and income distribution policy options for the rural sector with emphasis on the majority of the rural poor including small farmers 7/

ROCAP's new project on cropping systems will stress employment as a primary objective with increase in per area productivity and profits. 8/

ROCAP activities in regional marketing and warehousing of grains will promote greater price stability with a consequent contribution to greater small farmer income. 9/

E) To create and maintain adequate grain reserves. f/

E) ROCAP regional programs for grain marketing will directly address this issue. 10/

3. To institute a Special Working Committee of the Meeting of Central American Ministers of Agriculture, composed of the Directors of Offices of Price Stabilization, in order that, with the advice of national experts and the collaboration of SIECA, and of regional and international organizations as pertinent, to formulate a plan of immediate ac.

3. The ROCAP Rural Development staff will assist if requested. 11/

e/ IBID Article 2nd. d) page 3

f/ IBID Article 2nd. e) page 4

7/ IBID, Sec. 2, p. 117, Sec. 6, p.123, Sec. 2, p. 164

8/ IBID, Section 3. page 167

9/ IBID, Section 5, page 176

10/ IBID, Section 4, page 171, Section 5 page 177

11/ IBID, Section 1 page 162

tion to permit the fulfillment of the purposes stipulated in the two preceding paragraphs. The Committee shall give special attention to the identification of actions needed to resolve the supply problem presently confronting the region, as well as the situation foreseen for 1975. g/

Prior to December 31 of this year, the Committee shall transmit the said plan to the Third Meeting of Agricultural Ministers of Central America, which should take place no later than the latter half of January, 1975.

4. Direct that the plan prepared by the Committee include, inter alia, regional actions and measures, or national actions coordinated regionally, on aspects such as the following:

A) Bring the public agricultural sector up to the level of the requirements needed for a permanent and cogent program in this field; h/

B) The prompt acquisition, by the most expeditious means, of the grains and inputs required to

4. ROCAP support will be provided as follows:

A) ROCAP proposes technical support to the regional marketing organizations, CCMEP, SIECA, CATIE (12/) and IICA/ZN (12/) to provide technical assistance to national agencies, and financial assistance through CABEI (13/) for grain marketing, warehousing of production and land purchase by the target population.

B) No ROCAP assistance proposed.

g/ IBID Article 3rd, page 4
h/ IBID, article 4th a) page 4

12/ IBID, section 4, page 172
13/ IBID, section 5, page 176-177

satisfy consumer needs for the agricultural season 1974-75 and production requirements corresponding to the 1975-76 season; i/

C) The design of policies giving priority to the supply of the Central American region, --over the rest of the world-- when surpluses are produced in any one of them to a degree sufficient to permit sales; j/

D) The establishment of commercial practices and special mechanisms to assure that transactions between the countries of the area are carried out exclusively through the appropriate price stabilization organisms and that these buy directly from the producers; k/

E) The automatic and opportune provision of financial resources to stabilization institutes, in order for them to fulfill their missions; l/

C) ROCAP support to the regional grain marketing system will require a mechanism for inter-country sale of surplus basic food crops among members. Proposed regional (ROCAP) support for development of basic grains stabilization fund will encourage inter-country grain trade. 14/

D) During IRR and loan formulation of Basic Grains Marketing System, this proposed action will be carefully reviewed. ROCAP does not support proposed approach in that marketing institutions should not become state monopolies controlling grain trade. ROCAP would favorably consider some government regulation of sales to avoid speculative grain movements but feels that the private sector must be involved in actual sales between countries. 15/

E) ROCAP will negotiate loans for Regional Grain Marketing (\$10.0 million) and appropriate disbursement mechanisms to national marketing institutions through CABEI. 16/

i/ IBID, article 4th b) page 5

j/ IBID, article 4th c) page 5

k/ IBID, article 4th d) page 5

l/ IBID, article 4th c) page 5

14/ IBID, section 5, page 176

15/ IBID, section 5, page 176

16/ IBID, section 5, page 176

- F) The establishment of appropriate conservation and storage installations, in order to reduce losses after the grain is harvested and to permit the accumulation of reserves; m/
- G) Appropriate provision of technical cooperation, extension services and financing to producers; n/
- H) Stimulation of multiple cropping. o/
- I) The organization of producers into associations, cooperatives or other groups to promote the fulfillment of the objectives of production and price policies. p/
- F) ROCAP has provided technical assistance to SIECA and CABEI for grain storage facilities analysis. No loan funds are contemplated by ROCAP for regional grain storage facilities. However, loan financed U.S. technical assistance will be considered to improve grain standards, grain drying storage and drying methods, as well as regionwide handling and marketing. 17/
- G) In FY 1975 ROCAP will present an agro-info project which will assist national institutions develop technical packages for use by national extension services. Direct assistance to producers will be considered by USAIDS for each country.
- H) ROCAP cropping systems research through CATIE for the five Central American countries will be proposed in FY 1975 as a new program. 19/
- I) Support to organizations including cooperatives is being provided by USAIDS. 20/

m/ IBID, Article 4th., f), page 6
n/ IBID, Article 4th., g), page 6
o/ IBID, Article 4th., h), page 6
p/ IBID, Article 4th., i), page 6

17/ IBID, Section 5, page 176
18/ IBID, Section 4, page 170-171
19/ IBID, Section 3, page 167
20/ IBID, Section 1, page 162

J) Obtaining the collaboration of international organizations specialized in the solution of these problems; g/

K) Any other measures which the Special Committee believes pertinent for the fulfillment of the task assigned to it. r/

5. To agree, as stipulated by the First Meeting of Central American Agricultural Ministers in Guatemala in February, 1964, to the systematic regularization of the meetings, holding them ordinarily no less than twice a year, beginning in 1975, during the first and third quarters. The meeting of Ministers of Agriculture will maintain close contact and coordination with the regional decision-making and consultative bodies as appropriate. s/

6. To request the Permanent Secretariat of the General Treaty of Economic Integration (SIECA) to act as Technical Secretariat for the meetings of the Ministers of Agriculture of Central America and to undertake such consultations, studies and coordinating activities as may be necessary; t/

g/ IBID, Article 4th, j), page 6
r/ IBID, Article 4th, k), page 6
s/ IBID, Article 5th, page 6
t/ IBID, Article 6th, page 7

J) ROCAP will provide such staff support to SIECA as may be requested for analysis of problems for basic grain production and expects to catalyze other international agency support and cooperation. 21/

K) ROCAP will maintain close contact with SIECA and will assist them as appropriate 22/

5. ROCAP strongly supports this essential policy forum on agriculture and will maintain a close relationship with the Ministers of Agriculture through SIECA. 23/

6. See 5 above.

21/ IBID, Section 1, page 164-5
22/ IBID, Section 1, page 162
Section 2, page 163
23/ IBID, Chap. IV, Sec. 1, p. 164
Section 2, p. 165-164

7. To participate as appropriate in the deliberations on regional agricultural policy carried out by the countries and in the High Level Committee for the Perfecting and Restructuring of the Central American Common Market. u/

8. To accord special importance to the following aspects of animal industry policy:

A) The production of dual-purpose cattle, --meat and milk-- in order to meet domestic food requirements through increasing the per capita consumption of these products; and improvement of the countries' capacity for participation in the international meat market; v/ and

B) The adoption of policies leading to regional self-sufficiency in milk, products, thus replacing the significant imports presently coming into the region from the rest of the world. w/

u/ IBID, Article 7th, page 7
v/ IBID, Article 8th, a) page 7
w/ IBID, Article 8th, b) page 8

7. See 5 above.

8. No action in the animal area is contemplated by ROCAP

A) No action contemplated although the dairy industry has been identified by SIECA in its ROCAP-financed study on Agriculture Diversification as one offering promise for small farmers. An in-depth study of this potential may be undertaken after FY 1976. No assistance to cattle production is being considered by ROCAP in the near future. IDB and IBRD traditionally finance meat production (beef) programs in the C. A. region. 24/

B) No ROCAP action contemplated.

24/ IBID, Section 2, page 163-164

9. To intensify the efforts being made at national and regional levels through OIRSA to carry out sanitary measures directed against the propagation of hoof-and-mouth disease in the countries of the Isthmus, and to eradicate or control very strictly the principal plagues and sicknesses affecting animal production, including brucellosis, tuberculosis and ticks. x/

10. To coordinate national and regional agricultural and livestock research in Central America, particularly at the Tropical Agricultural Research and Study Center (CATIE) and the Nutritional Institute of Central America and Panama (INCAP), with a view to making better use of their facilities. To this end, and to provide for a consultative mechanism, to reinstitute the activities of the Permanent Committee on Agricultural and Animal Research created by the first joint meeting of Ministers of Agriculture and Economy held in October 1965 at Puerto Limon, Costa Rica, and direct that it shall be composed of the Directors of Research and Agricultural Extension of the Ministries of Agriculture. Said Committee shall meet at least once a year, on appropriate dates, to consider the recommendations of the Meeting of Ministers of Agriculture of Central America. y/

x/ IBID, Article 9th, page 8

y/ IBID, Article 9th, page 8

9. No action proposed. ROCAP will monitor the situation as new needs are identified by the Ministers of Agriculture which specifically relate to AID's target group. 25/

10. ROCAP will consider assistance to regional coordination of Research Policy in FY 1976 or FY 1977 if the future thrust of Central American research programs further strengthen support to the AID target population. 26/

25/ IBID, Section 1, page 162

26/ IBID, Sec. 1, p. 162,
Sec. 3, p. 167 & 169

11. To emphasize the importance of the World Food Conference, to be held in Rome, Italy, November 5-16, recommending the attendance of the Ministers of Agriculture and the coordination within necessary flexibility, of the position of the Central American countries in such a way as to allow a regional statement, or to support positions that may be subscribed to by all Latin America, or as part of larger blocs which reflect the interests of developing countries. Also, to request that the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA) participate in the said meeting and lend technical support and coordinating services along with the Nutrition Institute for Central America and Panama (INCAP) and the Regional International Sanitary Organization for Agriculture and Animal Industry (OIRSA).

The advisability was also recognized of having Ministerial delegations composed, so far as possible, of the officials most directly related to the themes to be considered by the Conference. z/

12. To emphasize the necessity of "rationalizing" the use of international financial and technical cooperation in the agricultural sector, taking into account the priorities for its development

z/ IBID, Article 11th, page 9

11. ROCAP assisted SIECA in sending a senior official to attend the World Food Conference thus supporting the Ministers' request. 27/

12. ROCAP fully supports the intent of this decision and will coordinate all its proposed regional assistance with SIECA and channel it through SIECA for concurrence by the Ministers of

27/ IBID, Sec. 1, page 162

and the advisability of adopting regional criteria, or of supporting the regional projects or programs, so long as they contribute in a significant way to the fulfillment of the agricultural policy objectives most important to the individual countries. aa/

13. To invite the Government of Panama to take part regularly in the Meetings of Ministers of Agriculture of Central America. bb/

14. To express concern over the serious adverse conditions that the recent natural disasters in Central America have had for the agricultural economy of the countries and to express their solidarity with the Governments of Honduras and Guatemala, the two countries most gravely affected. For this purpose, the Meeting agrees to intensify cooperation among the states to confront this problem. cc/

Agriculture in order to assure that it fully supports cooperative rural development policies of Central America before submitting them to AID/W for approval. 28/

13. No ROCAP action required.

14. ROCAP shares the concern of the Ministers and will continue to make its rural sector staff available, as requested, working with and through USAIDs. 29/

aa/ IBID, Article 12th. page 10
bb/ IBID, Article 13th, page 10
cc/ IBID, Article 14th, page 10

28/ IBID, Section 2, p. 163-164
29/ IBID, Section 1, page 162