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9. ABSTRACT <p>This summary report is Volume 1 of a four-volume report on the agricultural "sector approach" as applied in Colombia, Costa Rica and Guatemala. The team's principal findings and conclusions: The approach has been effective. It has made possible dialog concerning sector problems, and has permitted those problems to be considered in a holistic context. One problem it has directed attention to is the neglect of the small farmer. Sector analyses have not yet been developed so that they are adequate as a basis for strategy and program revisions. Existing programs have been most successful in strengthening the institutional base for dealing with sector problems and bringing services to the small farmer. However, the programs have not yet demonstrated that direct provision of production credit and technical assistance to small farmers by public agencies is the best means of improving the welfare of most of the rural population. There is a need to do four things: (1) Establish in each program an evaluation process; (2) Consider alternative approaches to improvement of the welfare of small farmers; (3) Review AID criteria and procedures and adapt them to meet the needs of the sector approach; and (4) Provide AID staff with the skills necessary to meet technical, managerial, analytical, and evaluative requirements.</p>		
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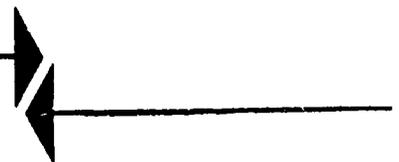
**Intercountry Evaluation of
Agriculture Sector Programs**

**Colombia
Costa Rica
Guatemala**

**Vol. 1
Summary Report
June 1974**

Agency for International Development

**Bureau for Latin America
Office of Development Programs (LA/DP)**



AGENCY FOR INTERNATIONAL DEVELOPMENT

BUREAU FOR LATIN AMERICA

PROGRAM EVALUATION STUDIES

INTERCOUNTRY EVALUATION OF
AGRICULTURE SECTOR PROGRAMS

Colombia
Costa Rica
Guatemala

Vol. 1: Summary Report

by

Edmond Hutchinson
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Fred Mann

June 1974

A.I.D. Evaluation Studies represent the views of their authors
and are not intended as statements of official policy.

ABSTRACT OF SUMMARY REPORT

The team's principal findings and conclusions are summarized below:

1. The agriculture sector loan approach as exemplified by the programs in the countries studied represents a creative, innovative, and courageous attempt to find a way of providing assistance which builds on the strengths and avoids some of the weaknesses of the traditional program and project assistance approaches. The experience demonstrates that such an approach, under appropriate circumstances, can in fact be an improved and effective approach to providing assistance.

2. Adoption of such an approach has made possible dialogue concerning sector problems and their consideration in a "holistic" context not experienced under other approaches. As applied in the three countries it has directed attention at a frequently neglected subsector, the small farmer, and resulted in increasing concern for the welfare of that group. It has resulted in increased public investment in the whole sector. It has not yet resulted, however, in the development of fully integrated strategies for the subsector chosen.

3. In some cases use of the approach has seen the beginning of a process of analysis by which interrelationships within the sector can be explored in an integrated and disciplined manner. However, "sector analyses" have not yet been developed which are adequate as a basis for strategy and program development and revision. A process for such analysis on a continuing

basis has been instituted in one case. Alternative strategies and programs have not been analyzed and tested in practice.

4. Programs carried on have had their greatest success in the strengthening of the institutional base for dealing with the problems of the sector and for bringing services to the small farmer, including organizational change and improvement of administrative, management, and program coordination. The heavy emphasis on this element in the early stages of the programs has been appropriate to existing circumstances.

5. The programs have not yet demonstrated that direct provision of production credit and technical assistance to small farmers by public agencies is the most appropriate and effective method to improve the welfare of the major portion of the rural population. Program results have not yet been analyzed to determine the numbers and types of farmers who are or are not benefiting, the extent of any benefits, and the cost effectiveness of the programs. While the income of some small farmers will undoubtedly increase, the programs have not yet demonstrated that they are likely, within the existing system of structural relationships and conditions in the agricultural sector and the economy as a whole, to increase the income of a large proportion of the small farmer population to levels which will significantly improve the welfare of the group as a whole.

6. There is a need to:

- a. Establish in each program an institutionalized process of analysis, investigation, and evaluation;
- b. Consider alternative approaches to improvement of the welfare of small farmers;
- c. Review AID criteria and procedures for analyzing, financing, implementing, and monitoring sector assistance programs

and for their further adaptation and modification to meet the needs of a sector approach; and

- d. Provide AID staff in the numbers and with the range of skills necessary to meet technical, managerial, and analytical and evaluation requirements.

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INTRODUCTION

This is the summary report of an evaluation of the agricultural "sector approach" as it has been applied in Colombia, Guatemala, and Costa Rica. The purpose of this project is to provide, through comparative analyses of the experience and of the approaches and methods used in each of the three countries, a basis for (a) development of general policy and guidance as to the use of an agricultural sector approach in other Latin American countries, (b) possible adjustments in current programs and projects and consideration of future programs in each of the individual countries, and (c) consideration of possible changes in procedure and methods for analysis and processing of sector loans. While our report is concerned largely with program results, it also gives considerable attention to the effects of the sector studies on the programs. The project follows earlier AID Program Evaluation Staff studies which examined AID's experience with agriculture development programs and its approach to agriculture sector studies on which these programs were based.^{1/} Although we have not referenced them specifically, our findings regarding program results tend to confirm and support many of the judgments and suggestions made in those earlier reports.

This volume presents our general conclusions and recommendations. Conclusions and recommendations with respect to the approach and the program in each country are contained in individual reports for each country. Studies

1/ Extension in the Andes: An Evaluation of Official U.S. Assistance to Agriculture Extension Services in Central and South America, by E. B. Rice; AID Evaluation Paper No. 3, April 1971; and

Agriculture Sector Studies: An Evaluation of AID's Recent Experience, by E. B. Rice and E. Glaeser, with Comments from AID's Professional Community; A.I.D. Evaluation Paper No. 5; August 1972.

in each country were conducted by examination of documents and reports, discussion with personnel in AID field missions and host country institutions and agencies, and brief visits to project sites. Some three weeks were spent in Colombia in March and April 1973, including three days of visits to project sites. Three weeks, including two days of visits to project sites were spent in Guatemala in September 1973, and two weeks were spent in Costa Rica in November 1973. Upon completion of the field work in Guatemala and Costa Rica, one member of the team spent an additional week in Colombia in December 1973. This report should be read and interpreted in the context of the limited time for examination and observation, and the time at which the country studies were made.

The studies were conducted by a team composed of personnel from AID and the American Technical Assistance Corporation (ATAC). Team members were:

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The findings, conclusions, and recommendations reflect the collective judgment of the team and are not intended to represent the official views of the Agency for International Development, any of its constituent units, or of any of the governments participating in the programs.

CHAPTER 1

CONCLUSIONS AND RECOMMENDATIONS

I. CONCLUSIONS

A. SECTOR APPROACH, PROGRAM CONTENT, AND RESULTS

1. The development of and experimentation with the use of a sector loan approach as exemplified by the programs in Colombia, Guatemala, and Costa Rica represents a creative, innovative, and courageous attempt to find a way of providing assistance which builds on the strengths and avoids some of the weaknesses of the traditional program and project assistance approaches and which is consistent with AID's evolving role in development financing. Experience under those programs has demonstrated that such an approach has that potential. With further definition, experimentation, experience, critical evaluation, refinement and adjustment, the approach can provide an effective means of assisting and improving country development programs.

2. The sector approach has made possible a dialogue concerning sector problems and their consideration in a more "holistic" context to a degree not experienced under program or project loans. The experience has demonstrated that such an approach can provide a basis for and result in more integrated thinking about the problems of a sector, consideration of significant questions concerning sector policy, and more coordinated and interrelated programs for accomplishing agreed upon purposes.

3. The approach has resulted in increased public investment in the agricultural sector as a whole and, as applied in the three countries, in the small farmer subsector in particular. The increases in financial resource allocations have been large in relation to past levels and match

well the capacity of the public agencies to expend the funds. In relation to the vast needs of the rural poor, however, the programs are still relatively small. The approach has not been related to analyzed total sector investment requirements nor specifically related to taxation or other governmental policies concerning overall mobilization of internal resources. Consideration of such questions was to some extent an element of the early sector loans in Colombia but the focus has changed with the more recent emphasis on smaller farmers.

4. Programs carried on under the approach have had their greatest success in strengthening the governmental institutional base for dealing with problems of the sector and for bringing services to the small farmer, including changes in organizational structures and improvement in administration, management, and program coordination. While many problems remain to be solved, major improvements have been achieved in the capacity of public agencies to plan, implement, coordinate, and manage their work and in their ability to bring advice and credit to small farmers.

5. Adoption of the approach has resulted in a greater recognition of the need for, and in some cases marked the beginning of, a process of analysis by which interrelationships within the sector can be explored in an integrated and disciplined manner. Only one country program makes significant provision for incorporating a continuing sector analysis process into the governmental structure. The extent of the analysis and the methods employed in developing the program vary greatly from country to country and from loan to loan. These differences provide some experimental basis for selection of approaches and methods which might be used in certain circumstances and in other countries. The mathematical modeling approach utilized in Colombia constitutes an important contribution

to the state of the art of sector analysis. However, in none of the countries has there been developed a comprehensive, integrated analysis of the sector which can provide a firm and continuing basis for government policy and strategy choices or for program development. Conclusions based on the sector studies to date must be considered as tentative and programs arising out of them must be considered as experimental with both subject to further examination through a continuing process of analysis, testing, and evaluation. There continues to be great need for an institutionalized, continuing process of analysis which can provide an informed and analytical basis for definition of objectives, consideration of alternative policies and strategies, program development, course correction, policy and strategy revision, and redefinition of objectives.

6. As applied in the three countries the sector approach has directed attention to a frequently neglected area, the small farmer subsector, and resulted in increasing concern for the poorer segment of the rural population. The programs all have the common goal of providing assistance to help raise the production and income of the low-income small farmer groups in the countries -- from the outset in Costa Rica and Guatemala, and as an evolution in Colombia. They are thus consistent with AID's policy emphasis on the importance of agriculture and a concern for problems of equity and human welfare in the development process. This focusing of concern upon and the direction of increased resources to the small farmer subsector is one of the major accomplishments of the program.

7. Program content is generally appropriate to the initial phase of a small farmer subsector effort when the analytical base for a strategy and program is incompletely developed, institutional and management capabilities need strengthening, it is reasonable to expect that some

farmers in the subsector will benefit from the receipt of credit and technical assistance, and when programs have to be considered as experimental. However, the approach has not yet resulted in the development of integrated strategies and programs for the subsector chosen. Neither has it conclusively demonstrated that small farm production is the most appropriate segment of the economy at which to direct programs whose purpose is improvement of rural family welfare. Examination of the subsector in the countries discloses that it is not homogeneous but consists of various classes and groups of farmers with widely differing characteristics and problems. They vary greatly in size of farm and income levels with resulting differences in the extent to which they may be able to earn a reasonable, or even a subsistence, level of income from on-farm activities. The evidence suggests that half or more of the population engaged in agricultural activities may be located on plots or operating enterprises too small to offer promise of ever providing reasonable levels of income. Small farmers are located in geographic regions which vary greatly in climate, soils, altitude, physical characteristics of farm units, access to transportation, and markets for inputs and outputs. Factors such as education, availability of transportation, and off-farm employment opportunities may be more related to improvement of the well being of many of them than are production assistance programs directed towards them as a part of a "small farmer" subsector.

8. The strategy employed in the sector programs, as reflected by assistance provided the farmer, is crop production and technologically oriented, with relatively little consideration of production economics, of the whole farm as an integrated economic enterprise, or of effects on the income of the farmer. As a result, the programs have relied on the

assumption based on very little evidence, that small farmers will be helped to increase their production and incomes significantly if provided credit, extension, and marketing help and that income gains will be great enough and sufficiently evident to induce farmers to increase inputs, make larger investments, and assume large risks.

9. The strategy involves a "bureaucratic" approach to improvement in the welfare of small farmers, that is, it involves the use of "administered" programs operated and/or coordinated and controlled by public agencies largely to the exclusion of reliance upon the private sector and with little dependence upon economic incentives and motivations.

10. There are deficiencies in the "technical assistance packages" which are provided farmers under the programs. In some countries it appears that there may not yet have been developed a coordinated technological package of inputs and cultural practices which will produce dependable and profitable increases in yields of particular crops under farm conditions. In none of the countries do the packages yet contain elements of farm economics and farm management which provide the farmer with assistance in the operation of his farm as an economic enterprise.

11. The amount of credit provided small farmers and the number of such farmers receiving credit and technical assistance have increased since the loans were made. The size of such increases, however, has been less than projected when the loans were made. Similarly, the time required to accomplish desired institutional and management improvements and to get new and revised small farmer credit, technical assistance, and other programs underway has significantly exceeded that anticipated when loans were made and disbursements scheduled.

12. Programs adopted have not yet been thoroughly analyzed to determine the numbers and types of farmers who are and are not benefiting and the extent of any benefits to them. Program results have not yet demonstrated whether and to what extent programs for the integrated provision of credit and technical assistance (together with other program elements) can, within the existing system of structural relationships and under conditions existing in the sector, succeed in increasing the income of the target group of farmers. Neither have they yet shown whether such benefits will outweigh either the specific costs of carrying on the programs or the benefits of alternative ways of approaching the problem. The evidence which exists is fragmentary and provision has not been made in the programs for collection of the data either of the content or in the form required for reaching conclusions as to such program effects. Such data as we have been able to locate and analyze, however, suggests that insofar as the individual farmer is concerned, it is probable that the production of some crops (or other products) by some farmers and the income of some farmers have increased while the production of other crops (notably corn and beans) and the income of other farmers may not have increased. Data do not permit definitive conclusions as to numbers of farmers falling into each category, but suggest that significant numbers may not be experiencing significantly positive results. Similarly, data have not been assembled which would permit determination of the characteristics of those for whom results are positive and of those for whom it is not. Further, available data does not prove, but does suggest, that even when there are relatively large percentage increases in income the absolute increases may still be very small, even so small as to be of little consequence for improved living standards and of questionable value in

relation to the amount of credit obtained and the risk assumed by the individual farmer. It also may be very small in relation to governmental program costs.

13. The types of programs being carried on are expected to reach only a portion of the target population directly and are not expected to reach the large mass of the rural population which lives on the smallest plots. The programs are not economically or practically replicable so as to reach large numbers of that population within any periods of time which are relevant for policy and program consideration. Neither do tentative indications of results suggest the desirability of attempting such replication. Experience under them suggests that ultimately, very small plots of land are not likely to be able to afford adequate welfare to many families, regardless of the levels of productivity reached. This means that rational development planning and an integrated and comprehensive small farmer sector program must explore possible ways to increase the employment of rural labor on larger farms (both in and outside the small farm subsector) and, for many, ultimately off the land.

14. In any case in which programs can bring about even small increases in the production and income of a very large number of small farmers, total agricultural production and income and GNP may be increased. However, it appears likely that, in view of the low production and income levels of the target groups, the relatively small portions of that group planned to be reached, shortfalls in reaching the number planned, and the probable small increases in production and income of farmers reached, programs such as those being carried on will have little effect on overall agricultural production or income or GNP in the time periods contemplated under the programs.

B. AID PROCEDURES

1. AID criteria and procedures for considering sector assistance and for implementing and monitoring the use of such assistance have not yet been adapted and modified sufficiently to suit the nature and form of sector assistance or the circumstances under which it is provided. Formal statements of policy, criteria, procedure, analyses, and monitoring relate primarily to the two traditional forms, program assistance and project assistance. Practice and habits of thought remain strongly conditioned by those traditional forms. Intensive Review Request (IRR) and Capital Assistance Paper (CAP) procedures which are usually used for processing sector assistance were designed for capital project assistance and are not entirely suitable for sector assistance.

2. A way has not yet been found to relate, in a fully adequate and satisfactory manner, essential sector assessments and analyses to the initial loan making process or the results of continuing analysis and program evaluation to the process of strategy revision, course corrections, and program changes and the making of new loans. Sector assessments and analyses tend to be prepared in terms of descriptions of the structure and output of the entire sector and of an identification of problem areas. They provide some basis for a sector strategy but do not systematically relate the analysis to questions of specific program content, external assistance requirements, or the nature and amount of appropriate AID assistance. Only the Colombia analysis specifically addresses, albeit incompletely, the question of strategy alternatives. The assessments and analyses are reviewed at times and in forums which differ from those for the review of the IRRs and the CAPs relating directly to the loan. The nature and function of the CAP is such that it is, probably necessarily to a considerable degree,

an advocacy document which describes the loan and "justifies" it in terms of purposes and expected results. The overall country program reviews tend to deal with questions of the adequacy of the analysis of a country situation and to serve as a basis for decision as to whether AID is prepared to provide assistance and in what areas. It does not, however, serve as a basis for analytical consideration of alternative sector strategies or for choice of program content. The IRR process might conceptually provide a bridge between needed sector analysis and consideration of specific program content and financing. To some degree it does. However, in practice, it has become to a considerable extent a process for preparing and obtaining reactions to a first draft of a loan paper. The evaluation and progress reporting process is designated to serve implementation monitoring requirements rather than to be a part of the analysis and decision-making process.

3. The sector approach has provided for flexibility in disbursement procedures and in selection of the type of financial support provided. However, monitoring and progress reporting in some cases has been based on an assumption that funds were to be used for support of particular projects when in fact the loans were for general or particular budget support or in other cases has been done on the basis of the loans being for budget support when papers relating to the loan have provided for monitoring on a project basis. This has tended to lead to confusion as to loan purposes and to attempts to attribute funds to uses which cannot be verified by audit. The AID Auditor General's reports on the audits of the Colombia and Guatemala programs specify difficulties which have been encountered in these areas.

4. There is a need for improvement in operations under the existing process, even in the absence of modifications of the process itself. Opportunities exist in connection with clarifying and making more specific

the purposes of the program and of AID's support of it, defining and calculating results expected, identifying difficulties likely to be encountered, relating implementing and monitoring methods more directly to the nature of the loan, instituting methods of continuing evaluation of program results, and relating assistance to experience under the program.

C. RELATION TO COUNTRY DEVELOPMENT PLANS AND ASSISTANCE BY OTHER INSTITUTIONS

1. The multiyear National Development Plans in Colombia and Guatemala and the Guatemala Agricultural Development Plan - 1971-1975 provide the context for agricultural assistance to those countries. While they cannot be characterized as plans in which sector objectives have been developed and programs adopted in such a way as to provide a thoroughly integrated and coordinated approach to development of the sector, they have made possible a reasonable division among the areas supported by assistance providing institutions. There is no development plan in Costa Rica to serve as a framework for assistance or for Costa Rican programs. The sector analysis referred to elsewhere constitutes the only overall context for the provision of AID assistance.

2. The IBRD Consultative Group for Colombia provides a mechanism for developing a common understanding of the problems of Colombian development and agriculture. It also provides a means for dissemination of information as to programs being carried on and makes possible a reasonably clear delineation among the programs and projects being supported by the various member institutions and countries. The group's existence and operation, together with the National Development Plan and the sector analysis have not yet resulted in an integrated sector approach and strategy.

3. In all three countries there is a reasonably clear division between the activities supported by AID and those financed by other institutions. In general this division is along the lines of financing by other institutions of programs and projects related to the larger scale farmer; export crops and products, especially livestock; capital equipment; irrigation; and resettlement; while AID supports programs directed toward the small farmer and crops and products for the domestic market. There is also a tendency for other institutions to emphasize the financing of foreign exchange costs while AID financing largely covers local costs. Taken together, these activities may all be appropriate elements for inclusion in an overall sector program. No such program has been established and recognized, however, and the activities are not carried on as a part of an interrelated and integrated program directed toward identified and understood common objectives for the agricultural sector.

II. RECOMMENDATIONS

A. SECTOR APPROACH

1. The sector approach should be applied in any country program which contemplates significant and continuing assistance to a country's efforts to accomplish specifically identified objectives for its population engaged in agricultural activities. Specific objectives, the nature and content of programs adopted, the nature and form of the assistance provided, and the methods of implementation must, of course, be varied to meet the circumstances in each case. However, the provision of assistance in a context of an agreed upon area to be assisted, specified objectives, and expressed and systematically related strategies and program elements is appropriate in any case in which there is agreement and dedication to

carrying on programs in such a context. The stages of country and sector development and similar situations and conditions do not of themselves make a sector program inappropriate.

2. The segment of the economy to be dealt with under a sector approach must not only have "an analytical identity" as suggested by AID Manual Order 1610.1. It also must be a segment which, while not entirely isolated from influences of other segments or the whole economy, is not so dominated by such influences as to render programs directed at it largely irrelevant and ineffective. Yet it must be larger than an individual project. Thus in determining the areas of agricultural activity to concentrate on, it is desirable to consider carefully whether conditions and events to be influenced in the segment of some greater whole are primarily or more critically dependent upon factors operating from within that segment or from outside it. For example, the extent to which increased income of a small farmer population is dependent upon increased production and productivity on its own farms and/or upon increased employment on other farms as compared with the extent of its dependence on the structure of land holdings in the sector as a whole, price relationships, marketing and transportation infrastructure, product demand external to the subsector, employment opportunities outside the subsector, etc., should be appraised before a decision is made establishing a small farmer segment of the whole sector as the "sector" to be assisted.

3. The sector selected should be related to the objectives to be accomplished. To the extent that an increase in total agricultural production is the objective, it seems reasonably clear from experience under the three programs examined that either a specific crop or the larger commercial and export market producer group would be a better segment to be addressed

than would the small farmer population alone. Even in cases in which the primary purpose is increasing the welfare of the "small farmer" portion of the rural population, consideration should be given to selection of either some portion of that subsector or inclusion of other economic segments with elements closely related to the objectives and within which relevant programs can be implemented. For example, there are some indications, but not conclusive proof, from experience with the programs examined that the income and welfare of the small farmer may be so much more dependent upon the structure of the agricultural sector as a whole and upon what happens in terms of the sector and the economy as a whole (changes in domestic and export demand, world prices, demand for labor, etc.) than upon what is possible for him to achieve through increases in his own production and productivity as to invalidate the small farmer segment as a sector for which programs relevant to improved welfare objectives can be developed. It may be that the development of employment opportunities off the small farm in the sector as a whole represents a better way of helping the small farmer. If so, then the small farmer subsector is too small a segment on which to focus programs. On the other hand, programs presently being carried on, as a practical matter, are probably suitable for only a portion of the small farmer subsector, i.e., the farmer at the upper end of the farm size and income scale of small farmers, rather than being designed to meet the needs of different classes of small farmers, and especially the larger mass at the lower end of the scale. The small farmer subsector may be so heterogeneous, that is it may consist of types of farmers so differing in terms of characteristics of farms (size, location, soils, climate, terrain, responsiveness to inputs) crops produced, off-farm employment opportunities, and the like, as to make the total small farmer

segment too big to be considered a practicable programming unit.

4. Under such circumstances, other segments of the economy may be more appropriate for choice as a sector. We recommend that consideration be given to developing and testing programs directed at various segments as parts of a total array of approaches to be used either separately or in combination as circumstances warrant. In particular we recommend that approaches such as the following be experimentally tested:

- a. Provision of assistance as a non-project loan for a sector (preferably, but not necessarily, the whole agriculture sector) with major emphasis upon (a) resource mobilization and allocation to and within the sector, (b) sector policy development, and (c) a continuing process within the country of sector analysis which serves as a continuing basis for policy, strategy, program, and project development, change, and modification. This seems to have been the concept in the earlier part of the Colombia program, and until improvement in the welfare of the small farmer become its primary focus. It seems to be particularly appropriate in the beginning of a sector approach when there is considerable need for analysis and program and policy development. It may be equally appropriate when program content has been well developed and seems to be accomplishing its purpose.
- b. Selection of a specified geographic rural area or areas for development. Areas selected should contain a large number of the target group, the welfare of which is of primary concern. It should be reasonably uniform ecologically and should be an economic unit in the sense that it is under the influence of a "growth pole" or set of such poles.

- c. Selection of a target population (e.g., small farmers, the rural poor, etc.) rather than a functional segment of the economy. Objectives and programs would be specifically related to the welfare of the target group rather than to a functional sector per se. Its focus should be on members of the target group and their holdings, if any, as income producing units rather than as farm producers only. Such an approach will require consideration of income from farmer activities both on and off his own farm. It also requires a consideration of all activity of members of the target population which could significantly effect their income, including activities other than small farm production which may have a significant income impact. It thus may well require the inclusion of elements such as measures for increasing employment on larger farms (both in and outside the small farm area), agricultural industry, migration, the overall structure of the agricultural sector as it relates to access to land and capital, transportation, marketing, etc. Such an approach is, in terms of the target population, very similar to that followed in the three programs examined. It would be quite different, however, in terms of its program content and, to a lesser degree, its analytical base.
- d. Provision of assistance related to a single element critical to development of the sector. Under such an approach we particularly recommend the provision of assistance related to development of the process of analysis necessary for the formulation and continuing evaluation and modification of a strategy, or strategies, for the entire agricultural sector to serve as a

basis for a common approach to sector development by the government and all agencies providing assistance to it.

5. The sector selected should be defined with some precision. If it is to be some portion of the overall agriculture sector this becomes particularly important. In particular if it is to be "the small farmer" subsector it should be made clear whether that entire subsector is included or only that portion which seems to have reasonable prospects of achieving a reasonably adequate level of income from farming within some relatively short period of time. Such definition should be made both when new programs are started and in the case of the ongoing programs in Colombia and Guatemala and somewhat less urgently in Costa Rica.

6. Under a sector approach, programs should be directed toward accomplishment of a limited number of explicit, clearly understood purposes, progress toward which is susceptible of appraisal in quantitative or otherwise objective terms. Such purposes should go beyond necessary but subsidiary objectives and targets expressed in input or intermediate output terms such as funds expended, loans made, farmers trained, number of farmers "reached" with technical assistance and the like. Current programs examined are said to contain a variety of purposes such as increased production of food crops; crop diversification; increases in GNP and in agriculture's contribution to GNP; increased productivity of land and agricultural labor; increased agricultural employment; increased income for the small farmer; more equitable distribution of income; increased exports; reduction of migration to the cities; changes in forms of social, political, and economic organization and institutions; and improved organization, management and administration of organizations within the sector. Such a variety of purposes introduces confusion, leads to dispersal

of program activities and resources, introduces conflicting purposes, and makes it impossible to adequately appraise program results. In fact, a sector program cannot address effectively such a broad spectrum. Instead, it should be confined to an attempt to accomplish a few priority and major purposes even though a number of program elements directed to such purposes may be required. On this basis the purposes and objectives of the programs in the three countries should be reviewed and redefined.

7. An increase in income of the target population to a given level seems to be the most reasonable purpose of small farmer subsector programs. When the well being of the small farmer is the primary concern, increased GNP and exports are basically beside the point. Experience in the three countries suggests that increased production is likely to be too small to have an appreciable effect on GNP, and that other approaches are likely to have a much greater impact upon it than will a strategy for improving the lot of the small farmer. Increased production may take place without an increase in income. In fact, a major weakness in current programs is the emphasis on increased production without consideration of the economics of production increases and its effect upon income. Increased productivity and increased employment are really only means to the end of increased income. Income distribution is a function of so many factors such as the structure of ownership of the means of production, access to investment capital, institutional structure, tax policy and structure and administration, and governmental purposes and resource allocations that a program in a subsector or even a sector of the economy is likely to have little effect in and by itself.

8. When the objective is to increase the income of a target group any strategy adopted should be considered as tentative and experimental and

subject to testing, analysis, and evaluation. Provision should be made for analyzing alternative approaches and comparing results. Even if it is not practicable to experiment with different approaches in the same country, it might be possible to adopt and compare different approaches in different countries.

B. PROGRAM CONTENT

The content of sector programs will, of course, vary in accordance with the sector chosen, the objectives toward which the program is directed, and situations and conditions in the sector. Elements supported by AID assistance will also be conditioned by the form of that assistance, that is by the extent to which it takes the form of general sector support or of support of specific projects and activities. Further, AID cannot unilaterally determine the content of sector programs which it supports. Under such circumstances it is not possible to make very many suggestions as to elements generally desirable for inclusion in AID supported sector programs. The recommendations which follow are made as suggestions to be borne in mind in dialogue with countries when program type sector assistance is provided and to be considered in selecting programs for support when assistance provided more closely approaches the project form. They are primarily pertinent to programs directed at the small farmer subsector and which have the objective of improving the welfare of a target group of small farmers.

1. Programs developed should contain elements differentiated in accordance with the diversity of characteristics of and conditions in the sector and in relation to differing characteristics of groups in the target population. This is, of course, related to the point made above with

respect to definition of the sector. For example, production credit and technical assistance may be effective for larger farmers and those who have had some experience in the use of fertilizer, pesticides, and improved seed, whereas programs to create employment off their farms may be more suitable for small, less successful farmers; credit and technical assistance may be required for some types of farmer, whereas credit alone may be enough in the case of other types, e.g., corn vs. rice farmers.

2. Sector programs should avoid allocating relatively large amounts of funds to credit or to extension operations until the cost effectiveness of such operations is reasonably well-established, not only through research station experiments but through pilot field tests with various types of farmers. When such tests show feasibility and profitability of farmer use, then the government can (a) decide on what scale and how intensive its credit and extension programs should be, (b) determine whether to coordinate or integrate agriculture programs with development efforts in health and nutrition, rural education, and community development; and (d) establish realistic achievement targets.

3. Programs for creation of employment opportunities off the farmer's own farm should be considered for heavier emphasis in relation to programs designed to increase production on small farms through improved technology, or in some cases as alternatives to such programs. Incomplete evidence suggests that employment opportunities do exist and might be increased in both the small farm and the large commercial farm sectors, and that the marginal income received by many farmers from such labor may be high in relation to the return from increased application of their labor on their own small farms.

4. Greater weight should be given to farmer motivation and to his risk problems in the credit and technical assistance programs. We suggest the possibility of experimenting with expanding and broadening the coverage of guarantee programs such as that in Costa Rica in which farmers who are unwilling and unable to assume large risks are guaranteed against loss when they accept credit and change production methods. We also suggest exploration of the possibility of experimenting with the use of direct subsidization of the use of credit and changed technology by farmers at low levels of income and net worth.

5. The package of services provided the farmer should be basically centered upon the economics of the farm rather than upon production technology. Assistance provided the farmer should be designed to improve the operation of the whole farm as an economic enterprise (i.e., increase the farmer's total profit or at least the total return to his non-cash outlays), rather than to increase his production of a particular crop. Similarly, assistance to a particular crop should be related to increasing returns from it rather than maximizing production. This suggestion will require additions to and modifications in the agricultural research, education, and training, and the farmer technical assistance programs now being supported, but will give them the focus they need.

6. Significant support of farmer technical assistance activities (extension or "promotion") should be preceded by thorough investigation of the adequacy of the "technological packages" which can be offered the farmer. Such investigation should include testing under farm conditions and the application of economic as well as production criteria.

7. We recommend consideration of expansion and testing in other countries of area programs such as the Colombia Pilot Area Development Project.

While we have some question as to the extent to which such projects can be multiplied, they have the great advantage of combining credit and services to farmers with activities directed toward ameliorating transportation, marketing, and other constraints affecting those same farmers, and at the same time offering them worthwhile off-farm employment opportunities. Through such activities as road building by farmers a considerable part of program costs result in a one for one increase in the farmers' net income from wages, without regard to benefits of other project activities.

8. We urge consideration of activities designed to assist the farmer through non-governmental agency administered programs operated by private sector organizations subject to direct influence by profit motivation and other producer interests. The operation of programs through Cooperatives offers one possibility. This would require some modification of existing cooperative programs in terms of emphasizing a Cooperative role of providing to members integrated services including credit, technical assistance, input supply, and product marketing services. Another possibility is the use of private producer associations such as those which have operated in the export sector in connection with coffee and other products. We recommend that efforts in Costa Rica, to experiment with a program operated through the coffee organization but for production of other crops, be supported and vigorously encouraged and that such an approach be tried in other countries.

9. Programs for improving the welfare of small farmers should include adaptive agro-economic research as one of its major elements. It should be conducted both in experiment stations and in farmer field trails and demonstrations. It should be designed to develop technological packages of agronomic and economic recommendations for particular crops,

the results of which will be dramatic and stable enough in terms of production yield increases and increases in net income to convince farmers to make changes in cultural practices. These recommendations should be directed at the operation of the whole farm as an economic enterprise and need to cover the whole area of variable options in the farmer's decision making process prior to and during the cultural operation per se.

10. We recommend a relatively greater concentration on problems of infrastructure and sector structure than is contained in any of the programs examined. Recognition of a need for dealing with such problems is shown by the fact that the programs in all three countries contain elements related to them. In all three, however, such activities are little more than token in their scope and influence. Marketing and transportation are particularly vital in this connection. All descriptions of the sector in the three countries discuss its dual nature, the problem of the structure of land ownership, and the need for programs to deal with that problem. Programs are, however, limited to titling of existing small farmer holdings, some rather tentative land purchase and government land sales programs, and a program of colonization (in Colombia). In general, only titling programs are assisted by AID. We recognize the potential sensitiveness of this area and the reasons for existing agency policy and practice with respect to it. Our observations, however, lead us to believe that there are opportunities for enlarging small uneconomic holdings through purchase of other small holdings and for sale of portions of large holdings. We recommend that such possibilities be more thoroughly explored and that consideration be given to financial support of them. The program for guaranteeing to the land seller payment by the purchaser being tested in Costa Rica offers a possibility which might be expanded and tried elsewhere.

11. Those program elements of a non-agricultural nature such as education, health and community development, which are indirectly related to improvement of the welfare of small farmer population and are quite long run in their impact are, in concept, appropriate for inclusion in agriculture sector programs. When they are so included they should be given more emphasis and support than is presently the case. Similarly their content needs to be more specifically related to the "life situation" faced by small farmers. Their nature differs so significantly from the nature of programs designed to produce tangible results in production and income terms in a defined period of time as to suggest to us that they are more appropriate for inclusion in integrated programs designed to develop particular geographic areas.

12. As indicated below, a process of analysis and evaluation should be required as a significant element in all sector programs. The importance of the analysis element has already been discussed. The evaluation element should contain components related to appraisal of overall program results in relation to objectives and purposes and should include cooperative evaluations by the country and AID of results of programs, components, and options being tested.

C. SECTOR ANALYSIS

1. Sector analysis is an essential requirement of a sector approach and should be made a required condition for the provision of assistance on a sector basis regardless of whether assistance is in the form of program assistance for sector budget support, of financing individual projects within a framework of a sector program, or of sector loans for financing both project and non-project components of a sector program. It should be



established as an on-going function and consist of an institutionalized, continuous process of data gathering, analysis, interpretation, and evaluation rather than a study or series of studies. It should be considered to be a process with stages but without an end. Results should be incorporated into a definite document (or series of documents) which describes the sector including changes over time, sets forth the interrelationships within it and with the rest of the economy, identifies major problems, analyzes alternative solutions, and evaluates results of programs. The nature and character of the process will, of course, vary somewhat from country situation to country situation. Especially in its earlier phases the nature of the process will depend upon (a) the characteristics of the sector and the nature of the problems, (b) the amount and level of existing analysis concerning the sector, (c) the amount and quality of available data, (d) the availability of qualified staff and administrative arrangements under which they can be employed, (e) the degree of commitment of the country to development of the sector and to the necessity for such a process.

2. We consider, however, the following elements as basic components which should be included in any sector analysis process.

- a. The establishment, funding, and staffing of an organization, appropriately located in the governmental structure, and provision for required staff training.
- b. A bringing together in descriptive manner of existing knowledge about the sector and its performance and its relationships to other sectors of the economy (including other related segments of the overall functional sector, if less than the whole sector is the focus of the analysis and program).

- c. On the basis of the descriptive study, an identification of sector development problems and of subject matter areas for which analysis and data and information are lacking. From this, an array of particular analyses needed can be prepared and orders of priority established. At this point, a determination should be made as to whether adequate data exist to permit the carrying out of a quantitative study linking the sector to the other segments of the economy.
 - d. The conduct of a series of partial analyses in accordance with the priorities established. Such studies should be analytical rather than descriptive, but need not require the use of highly sophisticated methodology demanding large quantities of highly accurate data.
 - e. As the series of partial analyses develops, a point will be reached at which alternative policies and investment programs can be delineated and their costs and benefits assessed. Questions with regard to validity of assumptions or reliability of data should be examined by "field checking" through surveys or case studies.
 - f. A continuing overall analysis, integrating the results of partial analyses and of analyses of alternatives and identifying and filling gaps.
 - g. Provision for feedback from experience, field testing, further partial analyses, and program evaluations.
3. Such a process should be the responsibility of the aid-receiving country supported by any needed technical assistance furnished by AID. We believe that the assumption of a leadership role by the aid-receiving

country, rather than by AID, is highly desirable and should usually be made a condition of sector assistance even, if necessary, at the cost of significant delay in getting the process underway and/or in reaching the highest level of effective operation.

4. Analysis carried on under this process should be conducted with analytical rigor and within a disciplined framework of defined parameters, hypotheses, and assumptions. The use of input-output and other mathematical techniques may be useful in establishing inter- and intra-sector relationships. There may be instances in which the analysis process has progressed far enough and the analysis agency capability has advanced sufficiently that it might be appropriate to consider attempting to construct some kind of national sector integrating model. As indicated in the report on the evaluation of the Colombia program, we recommend continuation of the mathematical modeling analysis which is underway there. We also recommend special analyses of certain areas, re-examination and reappraisal of some assumptions, and further disaggregation (see Report of Evaluation of Colombian Sector Programs, Chapter 3). However, we do not recommend that a similar type analysis or major attempts to utilize other techniques for development of overall sector models be undertaken for agricultural sector analyses, for programmatic purposes in other countries at this time.¹ We believe that the Colombia analysis should be further refined, disaggregated, and tested before a similar effort is undertaken elsewhere. It appears to us that until a substantial amount of the preparatory data collection and analysis, including study of a considerable range of

¹This is not to say that AID should not undertake or sponsor "state of the art" research on new methodology for sector analysis. It may well be that the current state of mathematical modeling as a tool for sector analysis makes it a very appropriate subject for AID conducted or supported methodological research.

subsector problems, issues, potentials, and alternatives, is completed, extensive mathematical modeling is likely to be premature. We believe that the key to the analytical process is the building of a strong and effective analytical base from a continuing series of partial analyses that are constantly providing greater insights into solution of problems and pointing the way toward selection of suitable policies and programs for development of the sector.

5. Ideally, the process of sector analysis should be well advanced before a decision is made to provide assistance in support of particular sector programs or a general support of a sector. This assumes added importance when one considers the time required to conduct the analysis and the at best uncertain results of traditional programs adopted without the benefit of comprehensive analysis. We recognize, however, that "time marches on" and that it may not be practicable to wait until extensive sector analysis is completed before undertaking some assistance to the sector. We recommend that, when other considerations do not require an immediate and large assistance commitment but do require a commitment before sector analysis is well underway, an attempt be made to limit assistance to that required to get the analysis process underway, to support and sustain it, and to provide any technical assistance required for it. It seems reasonable, under circumstances in which programs in the sector appear, after such examination as it practicable, to be producing worthwhile results, to provide in addition limited amounts of funds in general support of the sector and a governmental commitment to increase sector investment or to make changes in policies and resource allocations within the sector. In such cases an attempt should be made to bring such analyses as exist together in a way which identifies the probable most

important problems and suggests strategies which offer some promise of success. As a minimum any sector loan made should require the immediate institution of a systematic analysis process and, if necessary, provide funds for it.

6. In all cases, however, when sector approaches are first undertaken, purposes and objectives should be considered as tentative and strategies and programs as experimental, even when supported by considerable analysis. Careful analysis can assist in avoiding mistakes, point likely directions, and suggest possible results. Analytical constructs are never reality, however, and programs can only be proved in application. We cite this obvious and perhaps trite truth because it is so easy to lose sight of it in the demands upon resources of time in the carrying out of programs, as appears to have been the case to varying degrees in the programs examined.

D. AID PROCESSES

1. The Latin American Bureau should review its processes and procedures for considering sector assistance, for implementing such assistance, and for monitoring its use with a view to adapting and modifying them to conform to the nature and form of sector assistance and the circumstances under which it is provided. Such a review should involve a recognition of the implications of the new form of assistance which has been added to traditional program and project assistance. Preparation of a detailed procedure for providing sector assistance is beyond the scope of this evaluation. However, suggestions as to the general nature and content of the process are in order and are given below.

2. We believe it is important in undertaking such a review both to relate and to distinguish the host country planning and programming processes from those of AID. Both of these can be thought of as consisting of successive stages, which are themselves part of cycles in which the results of programs are taken into account in revising strategy, planning, and program content.

Host Country

- overall development strategy
 - sector strategy and planning
 - sector programs
 - analysis and evaluation of results
- } sector analysis and evaluation

The host country's sector analysis can be conceived as the continuing study of the problems and experience at all levels of planning and implementation. The studies may be embodied in a sizeable number of documents. To be most useful, however, the results or conclusions presumably need to be embodied in the summary statements of strategy definition and criteria for program and project selection.

Analogously on the aid planning side, a continuous process of "assessment" of the situation and evaluation of results should provide the basis for AID policy and program decisions.

A.I.D.

- aid policy - D.A.P.
 - sector strategy and plan--
(strategy statement)
 - sector program
 - loans - IRR/CAP
 - grants - PROP
 - analysis and evaluation of results
- } sector assessment and evaluation

3. Considering the stages of aid policy and program formulation, we suggest that there is need, between the general Development Assistance Program (DAP) program policy statement, and the loan and grant program

approval documents, for a summary sector strategy paper which would bring together the major findings of the continuing AID assessment and evaluation process and set forth a carefully reasoned course of action that explores pros and cons and alternative approaches. This paper should pose the alternatives in the form of issues for AID decision -- whether by approval/disapproval, or choice of order of preference of alternatives of undetermined feasibility.

We believe this intermediate sector strategy or planning review is needed to provide an occasion for objective discussion not well afforded by the more general D.A.P. reviews, or by the loan and grant project approval documents. The IRR document appears to have developed, probably as a practical necessity, into a kind of "first draft CAP." The CAP itself has functioned essentially as an "advocacy" document, serving the essential function of justifying the assistance being proposed, including many legal and other considerations involved in a sector approach. While these devices might be modified to give them a more systematic "counter-advocacy" treatment, it seems preferable to have a separate and more detailed examination of the host country's and AID's overall sector programs.

On the other hand, the basic documents of the country's sector analysis and AID's sector assessment and evaluations may be too large a package for easy digestion, and may not formulate issues in a form suitable for decision-making. Therefore, it seems preferable to have a summary document of manageable size that poses questions for decision on the basis of the conclusions and relevant evidence from the various background studies.

4. A reexamination of programming processes should:
 - a. identify the types of sector assistance the Latin American Bureau expects to provide in the future, and how they may be related to particular stages of sector planning and development. For example, it may be appropriate to provide assistance for sector analysis and/or general sector support at one stage and varying degrees of projectized assistance at other stages. Timing requirements also need to be taken into account. The shorter the time available, the less comprehensive the supporting analysis can be, and the more limited the institutional preparation. Correspondingly, the program commitment needs to be limited, and deficiencies carefully provided for.
 - b. analyze the stages through which each type of assistance must go in the process of its development, approval, implementation and evaluation;
 - c. identify the decisions which must be made at each stage, and the information and analysis required to reach them.

From the point of view of AID's processes and for consideration in a review of the processes, a sector program may take a number of forms including as possibilities:

- a. General support of a level of investment in a sector including
 - (1) general budget support of public activity in the sector, with or without conditions precedent to disbursement relating to general or specific undertakings by the government;
 - (2) provision of funds for relending for support of agreed upon sector activities;

- b. budget support of specifically identified programs, activities, or institutions in the sector;
 - c. financing of identified costs, foreign exchange or local, of particular projects in a sector program; and
 - d. any combination of a., b., and c.
5. Review of current processes should further include an examination

of the purpose and content of existing documents involved in the programming process and the procedures under which they are prepared and used. In particular, the process for preparation of DAP's, IRR's and CAP's and the current requirements and practices with respect to their purpose and content should be reviewed. The possible need for some kind of summary strategy paper as suggested in 3. above and its effects upon the system of documents and procedures should be taken into account.

6. There should be a reexamination of the nature of the prescribed cost/benefit or other "economic feasibility" analysis to provide for relating it more specifically to the type and purpose of the assistance being provided and to adapt and improve the methodology employed.

7. Once the review process is complete, its results should be incorporated into some form of policy and procedural guidance. In this connection, two approaches might be considered. First, there might be an approach under which uniform processes and documents with prescribed content are established and required for each type of assistance. Alternatively, an approach might be adopted under which the basic stages of the process, the decisions required at each stage, and the information and analysis required to support them are outlined in general terms for each type of assistance, and the development of the exact process, documentation, and content required worked out in each case prior to

proceeding to the next stage of development. Under such an approach, required procedures and documentation would be established in the AID sector strategy statement, with successive revisions as events may require.

The desirability of varying the content of documents and the type of analysis required in accordance with not only the type of assistance being provided but also with the stage to which the assistance has progressed in its development, together with the probability that assistance may be provided in many instances before the full development analysis process is completed, tends to support adoption of a flexible system. The fact that in practice the package of assistance may include some combination of the possible types rather than one clearly delineated variety would also support such an approach. Adoption of flexible procedures, however, requires discipline and care in their use for otherwise there will be little or no guidance.

8. Policies and procedures for monitoring the implementation of loans and for release of funds should be related to (1) undertakings to be required of the country with respect to sector investment and budget levels, legislation or organization changes, and the like; (2) activity input goals and targets; (3) intermediate output goals and targets; and (4) ultimate program purposes and objectives. Policies and procedures with respect to each of those should then be related to the type of sector loan and the circumstances in which it is made. For example, if a loan is for general support of investment in a sector (or a particular subsector), monitoring and fund releases should be related to investment and budgeting levels being achieved without positing a spurious relation to specific activities and without attempts to attribute the use of AID funds to the support of particular activities. When specific activities are financed, monitoring

of progress and release of funds can be related to activity inputs and intermediate output goals and targets on a scheduled periodic basis. Monitoring against program purposes and objectives should include two elements, periodic reports derived from the established analytical process itself and additional evaluations conducted by teams, preferably consisting of country and AID members, directed specifically toward program results rather than intermediate outputs. Regular self-evaluation reports should be prepared no less frequently than annually. The timing of special evaluations will vary from case to case depending upon reasonable expectations of when some results may begin to be realized. In general, it would seem that such evaluations should be conducted within a maximum of two years after a sector program is first begun, updated annually thereafter, and at any time AID is considering a new loan.

9. The task of planning and carrying out the whole range of activities included in the processes of sector assessment, sector analysis and of policy and program design, selection and implementation requires a wide range of staff. We believe the Latin American bureau needs to provide for technical, managerial, and evaluation staffing in numbers and variety well beyond the levels used in designing and carrying out the sector loan programs in the three countries. The Bureau should determine these requirements in detail, through a special study, including consideration of whether to meet them through direct hire resident field personnel, Washington staff, or long or short term contract people. We suggest that particular attention be given to freeing professional agriculture advisors from the burdens of administrative and managerial duties that may keep them from less urgent but ultimately vital analytical and advisory work.

CHAPTER 2

SUMMARY - THE AID AGRICULTURAL SECTOR PROGRAM

A. GENERAL DESCRIPTION

The AID agricultural sector program in all three countries consists primarily of an overall multi-year loan (or series of annual loans as in the case of Colombia) under which funds are made available for financing, through the countries' budgetary processes, local (usually up to a specified limit) and foreign exchange costs of a number of specified programs or projects in a selected segment of the agricultural sector. Usually each program or project includes a number of identified activities each of which has its own stated purposes and which may have specific accomplishment targets. The agreements under which the loans are made commonly contain a number of conditions precedent to disbursement usually relating to requirements for organizational, procedural, and administrative changes in institutions operating in the sector and to required increases in budgetary allocations in the sector and to amounts to be made available for projects supported by AID funds on to which AID support is attributed.

In addition the AID programs contain grant financed technical assistance projects designed to improve country capabilities to carry on the program being assisted by the loans. They may also contain an occasional individual loan related to but not a part of the "sector loan" as in the case of the Cooperative loan in Guatemala and a similar loan being considered for Costa Rica.

In the case of Colombia and Guatemala the program is carried on in more or less close relation to a multi-year (four or five year) plan for

overall and agriculture sector development. Those plans include objectives for the economy as a whole and for the entire agricultural sector as well as the segment chosen for AID support. Programs and projects in other parts of the sector receive both country support and external assistance from other institutions.

B. HISTORICAL DEVELOPMENT

The "Sector Approach" and programs in the three countries have somewhat different roots and have developed out of somewhat different circumstances. Their development, however, has many elements in common. The initiative and leadership of AID, rather than of the host government, in development of the approach, the analysis process, and strategy and program content, has been an important distinguishing feature of the process in all three countries. While the nature of the program has been consistent with country policies, the form of assistance developed has generally conformed with country desires, and there has been participation in varying degrees by country personnel in the analysis and program development process, the great bulk of the work has been undertaken at AID initiative. Program development in all three countries was strongly influenced by the search by the Latin American Bureau for new and more effective ways of providing assistance under circumstances in which the rationale for previous methods of assistance seemed to be becoming progressively less applicable.

Project assistance was considered to be limited in its developmental impact. Further, there was a scarcity of good projects ready for financing, and other institutions stood ready to finance them when they did become available. On the other hand, the balance of payments situation of most Latin American countries had so improved that there was little justification

for general support of development on balance of payments grounds. Further, experience had shown that it was more difficult to relate general balance of payments assistance to the more micro requirements of developmental problems. Attempts thus were made to develop an approach to program formulation and provision of assistance which would be related to specific development problems in a context of a system of relationships broader than that involved in individual projects but not involving the necessity for consideration of the entire economy and all its interrelationships and complexities.

At the same time, the Bureau, the Agency as a whole, other assistance providing institutions and developing countries were becoming increasingly concerned with the question of the distribution of the benefits of growth. In addition, there was particular concern, especially in a Latin American context, with rapid rural migration to the cities and with the poverty of the rural population. Finally, the historic AID attention to agriculture was being reinforced by Congressional presentations and legislative history stressing the necessity for still greater emphasis on agriculture, health and education.

These strands all combined to result in the development of a sector approach in agriculture with the welfare of the small farmer as its principal focus.

The sector approach in Colombia which is cited as an example of the way such programs have developed, grew out of a combination of the following circumstances:

- a. a general context in which AID and international financial institutions had been providing Colombia with an annually agreed upon amount of assistance justified on balance of

payments grounds and in which AID provided program loans for financing imports with the counterpart of AID assistance being used for support of agricultural credit and other programs, while other institutions financed individual projects;

- b. what was considered to be a "political requirement" to provide Colombia with an amount of assistance which approximated the average amount provided over the proceeding three years and supported by a determination by the Consultative Group under IBRD chairmanship that Colombia required a continuation of assistance;
- c. an improvement in the Colombian balance of payments position which made it difficult to depend upon the previous balance of payments and programs loan justification;
- d. a scarcity of individual projects available for financing and a willingness on the part of other institutions to finance worthwhile projects when they appeared;
- e. the resulting need for development of a new rationale for assistance; and
- f. a low volume of domestic savings in Colombia which provided an opportunity to shift the rationale for assistance from a foreign exchange to a domestic savings gap approach.

C. SECTOR DEFINITION

The program in all three countries is directed at a portion rather than the whole of the agricultural sector. The segment chosen is that portion of the sector which consists of "small farms" on which production is primarily for the domestic market and accomplished by the use of

"traditional" as opposed to "modern" production methods. In the earlier Colombian loans, the foreign exchange component was designed to finance the importation of production inputs which would assist all elements of the sector, and especially the larger farms, while the local costs and counterpart portions were to assist the small farm subsector. The financing of imports for all parts of the sector is, however, no longer an element of the program.

The "target group" of the programs in all three countries is then the so-called "small farmer" ("small and medium" also frequently slips into discussion of the target groups, apparently in recognition of the fact that in practice it is difficult to reach the smallest farmers). In the Costa Rica program a small farmer is defined as one whose annual net income is less than 25,000 colones (about \$3,000). In the case of the other two countries, there is no definition of a small farmer and considerable variation in view exists as to what a small farmer is.

In practice the programs are of a size which can cover only a small portion of even the small farmer segment of the farm population. In Colombia the credit program (that portion of the program which absorbs most of the funds) is designed to reach only about 35,000 farmers out of a total of 1,000,000 farms of less than 3 hectares in 1960 according to one estimate and 600,000 such farms according to another estimate, and out of 300,000 farms of less than one hectare according to the latter source. The Pilot Projects program will reach even fewer. In Guatemala the target for the credit and technical assistance program was to reach 11,000 grain farmers (3 percent of the total), 15,000 "diversified" farmers, and 2,000 artisans. In Costa Rica it was recognized when the program developed that, while such farmers were not precluded from participation in the program,

some 60,000 rural dwellings (one half the total farm population) holding less than one manzana (about one and one-half acres), would be reached only in unusual circumstances. With the exclusion of coffee, livestock and other export crop farmers, the target population is still further reduced. The credit program was designed to reach "up to 5,000 farmers" during a four-year period.

A "multiplier effect" is expected to affect a larger portion of the small farmer population in all three countries. The program seems also to have induced the banks in Costa Rica to provide credit more extensively/^{to}small farmers.

D. PROGRAM PURPOSES AND STRATEGY

The programs in all three countries have major common elements. All three stress the ultimate purpose of increasing the income and welfare of small farmers. Increased production of specified crops for purposes of national objectives, aside from income increases for smaller farmers, is also an element in all three. Increased productivity by the small farmer is also alluded to as being an objective in all three countries.

The second major objective common to all three programs is the bringing about of institutional reform and strengthening of planning, management, and administrative capabilities of governmental institutions operating in the sector. While specific approaches to accomplishment of this objective vary among the countries, in terms of operational influence on the nature and content of the program, it is of at least equal if not greater importance than the small farmer welfare objective. In one sense improvement in institutional capabilities is a part of the strategy for accomplishing desired purposes rather than a purpose itself. However, it

is quite clear that in all three countries, it has been a most important operational objective.

Other objectives commonly listed include increasing agricultural employment, changing income distribution, increasing productivity of land and labor, increasing production of food crops, increasing exports, reducing migration to the cities, and stimulating a more participative type of decision-making. However, most of these objectives seem to have had little practical influence on the program strategy and content, possibly because of the absence of specific targets or of specifically designated means for their accomplishment.

The central program strategy in all three countries is one of attempting to increase the production of grains and other products, primarily for the domestic market, through the application of improved production technology accomplished by the provision of production credit and technical assistance, supported to a considerably lesser degree by marketing and other services. Credit and services are provided through governmental institutions, or through such institutions as banks and cooperatives whose programs are financed and coordinated by government institutions. As indicated above, a further element in the strategy is the improvement in the ability of institutions involved to deliver required services in a timely and coordinated manner.

The salient features of such a strategy deserving of note are (1) its exclusive emphasis on increased production on small farms as the means of increasing income without direct consideration of agricultural or non-agricultural employment as either an additional or alternative means to

that end¹; (2) a resulting lack of differentiation in strategy to accommodate differences in small farmer characteristics and problems; (3) a technological rather than an economic approach to the problem at both the national and the farmer level; (4) dependence on programs planned, operated, administered, and/or coordinated by governmental institutions with little or no reliance on private sector organizations and institutions; and (5) omission of private investment, profit, and risk considerations at both the sector and farm levels.

E. PROGRAM CONTENT

The most heavily emphasized elements in all three programs are:

- a. technical assistance and budget support for improving the institutional base for provision of integrated services to the small farmer and for planning and evaluating programs including (1) support of reorganization of institutions within the sector and of the establishment of changed organizational relationships; (2) enhancement of planning, policy making and control functions of the ministry of agriculture; and (3) improved program and project management methods relating to financing, budgeting, inter-agency functional assignment and cooperation and coordination in program implementation; progress reporting, and evaluation. Decentralization to the regional level of decision making and project formulation is a significant feature of all three programs.

¹Consideration of the possibility of employment generation in the small farm sector is a central feature of the mathematical modeling analysis in the Colombia program. However, it has not yet directly influenced strategy and program content.

- b. provision of funds for production credit to the small farmer for the purchase of such items as fertilizer, seed, and pesticides;
- c. technical assistance and budget support to provide the farmer with assistance in adopting production methods and technology, either by traditional extension service operations or through use of special "change agents." This assistance is oriented toward increasing the production of particular crops and is not related either to the economics of that production or to the operation of the whole farm as an economic enterprise.

Other program elements in all three countries include technical assistance and financial support for land titling activities described as being related to problems of land tenure and agrarian reform; and assistance to agricultural education and agricultural research projects related primarily to research on production technologies. The Colombian program includes in addition, a pilot development activity with a small geographic area focus in which assistance is provided in a coordinated manner for construction of self-help feeder roads, credit, and technical assistance; fisheries, forestry, and other natural resource activities; and assistance to GOC programs for settlement in the lowlands.

All the programs contain activities related to marketing but none really addresses in an organized way the marketing system, including its structure, organization, and operation, either for the farmers' production or for production inputs. The Colombia program does include a few activities designed to increase and bring input supplies closer to the farmer. In general, however, marketing activities are related to the provision of equipment for and the financing of the construction of on-and off-farm grain storage facilities and technical assistance to

governmental institutions involved in storage and price stabilization activities. Such assistance is, however, much more related to internal management and administration than to pricing and other policy questions.

The Guatemala and Costa Rica programs contain a significant element of assistance to cooperatives in the form of technical assistance to cooperative federations and funds to be used for credit for members.

In the case of Colombia this kind of specific program content seems to have evolved rather gradually. In the first loan emphasis was placed on institutional reform and administrative improvement; improving the planning and analysis capabilities of the Ministry of Agriculture, and conduct of studies and analyses necessary to development of a sector strategy and sector programs; and an increased sector budget and increased investment in the sector. The loan papers and loan agreements stressed use of the loan for assisting in the accomplishment of such programs. Foreign exchange was to be used for agricultural imports which would benefit the larger, commercial farm subsector. Counterpart proceeds were not earmarked for specific projects. Instead, priority program areas were designated to which such funds were expected to flow, including penetration farm-to-market roads, credit, marketing, and research and extension activities.

The 1969 loan continued the emphasis in the 1968 loan with perhaps even more stress on carrying on needed planning and analysis activity. More specific activities and policies related to exports and imports were emphasized. Again no specific projects to be supported were established. The 1970 loan continued the major emphases of the 1968 and 1969 loans but indicated specific areas of the sector expected to be supported and amounts

of money requested by the GOC for such areas. The objective of assisting the small farmer began to assume more prominence.

The 1971 loan moved to setting up specific activities and agencies to be financed with planned amounts of support indicated with quantitative performance and subsidiary operational targets established for each. This approach was continued in the 1972 loan.

In the Guatemala and Costa Rica programs, specific program areas and activities to be supported were established when the sector loans were made. In practice, some shifts have been made in the individual projects supported under the Guatemala loan but its program content remains basically unchanged.

The documents describing or supporting the programs all discuss increased employment as an objective and talk about the amounts of employment that will or could be generated from increased production and shifts to labor intensive crops. However, except for the roadbuilding activity in the Pilot Projects program in Colombia, none of the programs contain any activities directly and specifically directed to employment generation per se. This omission is especially important in view of the widespread practice in all three countries of small highland farmers in larger numbers migrating for periods of months to the lowlands to work for wages on larger commercial farms. It also appears that there are significant opportunities for wage employment on many of the farms in small farm areas. The possible potential for employment off his own farm as a means of increasing his income is further suggested by the data collected under the so-called "Base-Line Study" just completed in Costa Rica but not yet fully analyzed which shows that approximately 50 percent of the total income received by farmers included in the sample was from sources other than production on their own farms.

Research elements of the programs are almost entirely directed toward the technology of production of particular crops rather than toward the economics of production or the operation of the whole farm as a production enterprise carried on for economic purposes. It is planned in Guatemala to incorporate economic elements into the research program but this has not yet happened and there is no emphasis upon it in the AID loan.

F. FOCUS ON PARTICULAR CROPS

Credit and technical assistance under all three programs in practice are generally used in connection with the production of the same crops, i.e., corn, rice, beans, grain sorghum, vegetables, and fruits. Usually export crops such as coffee, bananas, sugar and cotton, and beef production are excluded. The programs all differ, however, in the nature of focus on the crop component. In Colombia there is no special focus on the production of particular crops. However, the credit and technical assistance provided flow to such crops because credit is tied to their production and the program is directed towards farmers who traditionally produce them. In contrast, the Guatemala program directs major attention to the production of the basic grains and, in practice, a few "diversified crops" (principally vegetables and fruits); contains two specific projects for increasing the production of those crops; and sets up specific overall and crop-by-crop production increase targets. Credit is tied to the production of particular crops. The analysis which supports the Costa Rica program and the CAP indicate that corn, beans, rice, cacao, plantano, coconut, swine, dairy products, eggs, fruits, vegetables, flowers, spices and seeds were selected as the "priority crops" best fitting the objectives of the sector loan. (In practice, the program has been dominated by rice, corn and dairying.)

However, no overall goals for increased production or for increases in the production of particular crops have been established under the program. Crops to be emphasized are selected each year, and annual goals for increases in their production are established. The farmer is, however, left free to use his credit and credit financed inputs for whatever crops he chooses (other than the ineligible crops).

G. PROGRAM TARGETS

Specific quantity targets are set up for activities financed under the Colombia loans. These are divided into "Performance Targets" which are subdivided into "Operational Targets." Examples are:

1. Performance Target - "to increase by 10 percent annually the net return to a minimum of 21,250 small farm operators"

Operational Target - "to extend supervised credit to a minimum of 13,750 newly titled small farm operators in the agrarian reform program; to provide production credit for up to 7,500 small farm operators in selected pilot development areas"

2. Performance Target - "to accelerate the creation of new work opportunities in rural Colombia through activities which broaden land ownership, develop natural resources, and improve rural infrastructure"

Operational Target - "to increase the rate of land titling by INCORA (the GOC land titling agency); to complete the following 'first step' priority actions so as to accelerate the proper exploitation of Colombia's natural resources potential (a) to complete a forest inventory covering 200,000 hectares; (b) conduct four studies to determine natural regeneration

following cutting and forest growth; (c) determine physical characteristics and uses for 20 new species of wood, (d) train 30 forest technicians in 1972 at the Universidad Nacional." Similar operational targets under this performance target for set up for fish and wildlife and an operational target for construction or improvement of 250 kms. of farm-to-market roads is also established.

As is apparent from the above, operational targets may or may not have a clear and direct relationship to the performance targets.

The Guatemala programs contain production and plating targets for each crop and projections are made of total production increases expected. As indicated above, in Costa Rica annual crop production targets are established each year. No income targets are contained in either program nor are performance or operational targets set up as in Colombia. Amounts of credit to be used are programmed annually in all three countries.

H. REPORTING AND EVALUATION

The Capital Assistance Papers and loan agreements for the loans in all three countries contain provisions relative to progress reporting and evaluation. In practice, there has been considerable variation among the countries and in the case of Colombia and Guatemala from the system contemplated in the CAP and loan agreements.

In the case of Colombia and Guatemala, little progress reporting was done in the early phases of the loan. Now reports of activities undertaken and planned are received and reviewed in connection with requests for disbursement of funds. Review of such requests is, however, in terms of indications of funding needs rather than program progress. There have not been regular and systematic reviews of progress against operational targets in the case of Colombia or against production and planting targets in Guatemala.

In the case of Costa Rica, a system was incorporated into the program at its beginning. Under this system quarterly reports are prepared for each project to indicate progress and problems. These reports, however, are primarily in terms of inputs. In addition an annual (previously semi-annual) evaluation is made by CAN with the help of an outside contractor. These evaluations have dealt primarily with the credit program and ministry reorganization. They have dealt with inputs and with intermediate outputs such as volume of credit extended, number of new loans made, number of extension personnel trained, and similar measures.

In none of the countries has provision been made for evaluations which make possible appraisal of results in terms of effects on the income of small farmers or of comparative analysis of results of different program components or of different ways of providing services to the small farmer. There thus does not exist a basis for making program revisions, course corrections, or strategy changes.

I. METHODS OF FINANCING

The loans to all three countries provide for the financing of both local and foreign exchange costs. Local cost financing has, however, been by far the largest element of financing. For example, the 1971 and

1972 loans to Colombia provide for \$57.9 million of local cost financing as compared with only \$900,000 for foreign exchange costs. The Guatemala loan agreement contains a limitation of \$12.2 of local cost financing out of a total loan of \$23 million. However, that limitation has been reached while less than \$1 million has been spent for foreign exchange costs and there is little prospect of significantly increasing the amount. Requests have been received for the removal of the limitation. Of the \$16.4 million loan for Costa Rica, over \$11 million was planned for financing local costs. In the case of Colombia, the loan agreements are not clear concerning the actual use of AID funds for loan agreement purposes, with some provisions requiring the use of funds for authorized activities while others provide for comingling of AID and other funds at the agency and program levels for projects and programs which include activities in addition to those set up in the loan agreements. In fact, AID funds flow through the regular budgetary and fiscal processes of the GOC and become comingled with and indistinguishable from other GOC funds. Releases of AID funds are made on the basis of reports of past GOC expenditures and estimates of future GOC requirements for funds for activities eligible for support under the loan. In fact, then the loan is a form of direct support to the GOC agriculture sector budget.

In Guatemala funds have been advanced for the credit programs with the advance to be replenished as and when drawn down by the extension of credit. Other local costs financed under the loan apparently are supposed to be met by AID reimbursement for costs incurred for purposes authorized by the loan. In practice, uncertainty seems to exist as to what costs are reimburseable, and reimbursement seems to be made for costs generally related to loan purposes rather than for specific items. The USAID has sought to administer the loan as though it were a loan for a number of

individual projects whereas the GOG has considered it a sector loan designed to support the general financial requirements of an agreed upon sector program. This uncertainty has interfered somewhat with efficient and harmonious administration of the loan.

J. ANALYTICAL BASE

The sector approach and AID loans in support of sector programs have been accompanied by analytical processes and methods which are somewhat different in each of the countries.

The 1968, 1969, and 1970 agricultural sector loans to Colombia were made as a part of a package of loans, including program loans made for balance of payments support. The sector loans themselves contain a mixture of justification in terms of the need for balance of payment support and of the need for development of the agriculture sector. Balance of payments considerations were dominant and no attempts were made to develop any formal analytical basis for support of an agricultural strategy or a particular sector program.

A strategy of attempting to improve the welfare of small farmers which was partially involved in the earlier loans took fairly specific form in the 1970 loan. This seems to have been based on the recommendations of a joint AID/Washington - USAID team report developed in the Fall of 1969. Those recommendations and the strategy were not based on any formalized, integrated analysis of the sector or the subsector. The team did, however, recommend that a "sector analysis" be undertaken. During the period of development of the 1970 loan, considerable dialogue took place between AID/Washington and the USAID concerning the economic rationale for loans totalling \$80 million. Balance of payments conditions were not considered as sufficient justification and emphasis shifted to sector reform as an

objective with an accompanying shift from a foreign exchange gap to a domestic savings gap as the basis for assistance.

An attempt was made but abandoned (wisely we think) to approach the justification of assistance on a "two gap" theory basis and a preliminary domestic savings gap model was constructed. The USAID has also prepared a description of the sector and its problems based on past studies, surveys, partial analyses, and experienced judgement. Finally, a large scale effort has been undertaken to prepare a comprehensive sector analysis involving the use of input-output techniques to analyze the linkages between the sector and the rest of the economy and a linear programming model to analyze the potential of various objectives and the trade-offs involved in choices of objectives. The results of both these efforts are incorporated into a "Sector Analysis Document" dated April 1972 and now in process of revision. This is considered by AID to be the most definitive statement of the basis for the program so far prepared. None of these analyses, however, has served as a basis of program development. They have affected programs carried on only insofar as their results have suggested that the program and strategy already adopted are not inconsistent with the implications of the analysis. The modeling effort constitutes a major contribution to advancement of the state of art of sector analysis. However, because of the cumulative effect of limiting assumptions, the necessity for further disaggregation, and the necessity for analysis of required supplementary and supporting programs, we do not consider it yet to be an adequate basis for overall sector strategy and program formulation.

In Guatemala a study was conducted which brought together the results of various previous studies and identified problems in the sector. It apparently did influence adoption of the strategy and program developed.

It is not, however, a comprehensive, integrated analysis of the sector and is in our judgement not thorough enough to serve as a basis for agriculture sector strategy formulation or detailed program design. Those who conducted the study recognized its deficiencies and made recommendations for its further improvement.

In Costa Rica a group of Costa Rican and AID economists and agriculturalists, chaired and led by the AID Mission Director, appraised the past performance of the agricultural sector and its characteristics and conducted and contracted for a series of individual studies covering the areas of crop priorities, marketing, provision of agricultural services, credit, agricultural education, cooperatives, land tenure, and agriculture sector institutions. An overall descriptive review contracted for earlier was completed at about the same time as the series of individual studies. These studies did serve as the basis for the program adopted. However, the nature and content of the studies, the type and extent of the analysis made, and the precise relationship between the studies made were not set forth in any single document.

The analysis undertaken in all three countries is essentially static in nature. It accepts existing structural, price, and demand and supply relationships in the sector and makes no attempt to appraise possible results in changes in such relationships. One exception is the attempt in Colombia to analyze the results of changes from less to more labor intensive crops.

No attempt was made to prepare cost/benefit analyses in connection with the loans to Colombia. The CAPs contain no discussion of anticipated or experienced costs or benefits attributable to the program or of program effects on overall production income, or employment in quantified terms.

In Guatemala, projections made of expected increases in the production of each crop included in the program, both annually and for the duration of the program, based initially on information as to yield increases which had been obtained previously through improved practices and as to production costs. There was not, however, a specific linking of those overall goals to the program.

The Costa Rica CAP contains a section entitled "Economic Analysis" in which an attempt is made to justify the loan in terms of benefits to the sector to be derived from its use. This is done by calculating cost benefit ratios for credit applied to certain crops, averaging them, and multiplying the amount of credit to be financed by this average. The result is provided as a "rough approximation of the productivity of the loan as a whole." Data is also included on production, consumption, and inputs of various crops and other agricultural products, apparently in order to get some idea of demand and production potentialities. The data are, however, not especially discussed as constraints or directly or quantitatively related to results expected from the programs.

For reasons indicated in the reports on the individual country studies, we do not find these analyses in the CAPs to be dependable indicators of probable program costs and benefits.

In the cases of Guatemala and Costa Rica the studies were conducted prior to development of the loan papers and apparently were used as a basis for program development. In the Colombian case, the analysis was initiated some two years after the first sector loan was made, although the need for some such analysis was recognized from the beginning. The decision to initiate a sector analysis there apparently grew out of a felt need for (a) better integration of existing knowledge about the sector and (b) obtaining further insights into sector relationships and its operation in order to make sector programs more responsive to needs.

Provision was made in the early Colombia loans for the initiation of an analysis process. The need to make it a continuing process and to institutionalize it as a part of the Colombian agricultural planning system was recognized. In the cases of Guatemala and Costa Rica, the studies were undertaken for the specific purpose of serving as a basis for the loans. No specific provision for institutionalizing a continuing process was made in the case of Guatemala. In Costa Rica, the establishment of the Academia de Centroamerica by a private Costa Rican group was considered to be of importance in providing for improved analytical capabilities. The reestablishment and strengthening of the CAN was also considered to be an element in strengthening analysis capabilities.

However, the Academia is outside the governmental structure and performs studies on a contract basis. While it may be a valuable adjunct to an analysis process, it does not provide for a continuing institutionalized process. The CAN role is much more concerned with programming and the coordination of program implementation than with an analysis process, and its organizational nature and its position in the governmental structure lead us to doubt that it will or can provide for a continuing analysis process.

In Guatemala, personnel of the Ministry of Agriculture, the Planning Council and the Central Bank provided data for the Iowa State University Study and participated in discussions of the work as it progressed. At the initiative and on the recommendation of the AID Mission Director, an interministerial Rural Development Committee reviewed the report and its findings. The study, however, was initiated by the USAID and conducted by the University under a contract with AID. Costa Rican participation in the studies undertaken there consisted primarily of studies conducted by the Academia and participation by its personnel in discussion of study reports and preparation of what amounts to a first draft of the CAP. All studies

apparently were initiated by the USAID and conducted under contracts with it. In Colombia there has been some Colombian participation in the sector analysis through data search and supply activity, computerizing the data, and running the models. The sector assessment has been prepared by USAID personnel. The conceptualization of the analysis and the structuring of the input/output and linear programming analysis has been done on a continuing basis almost entirely by an LA Bureau team of direct hire and U.S. Department of Agriculture personnel.

K. RELATION TO COUNTRY DEVELOPMENT PLANS AND ASSISTANCE BY OTHER INSTITUTIONS

All foreign assistance to Colombia is provided within the context of a National Development Plan and a three-year investment plan which are periodically updated. A detailed agriculture sector plan is in preparation, but had not been developed at the time of our examination. The 1971-1974 Plan contains general descriptions of agriculture sector objectives, strategies, and policies. Only a few macro-level sector goals appear in the Plan. The objectives, goals, and strategies stated are broad in scope and general in nature and relate to such things as increased productivity, employment, and income, increased production, and more equitable income distribution, and increased production and export of certain crops. Strategies are aimed at all segments of the sector, including small and medium farmers.

Assistance is also provided within the framework of a consultative group, chaired by the IBRD which considers overall assistance requirements and general agricultural policy and strategy and provides a forum for exchange of information and for discussion of assistance to be provided by members. Major providers of assistance in this context are AID, the IBRD, and the IDB. Program content is similar for these agencies but the target groups differ. Assistance from other agencies is generally directed toward the larger more commercial farmer and toward livestock and other export crops, colonization, and irrigation projects, and importation of machinery and equipment. While the consultative Group does provide a basis for a more common understanding of the problems of agriculture and of the various programs being carried out, its existence and operation, in combination with the National Development Plan, has not been used by members as a means for assuring an integrated sector approach and strategy.

The AID loan to Guatemala is made to support projects in the "Rural Development Program" which constitutes about two thirds of the "Agricultural Development Plan - 1971/75." Specific projects and financing targets for each are set up in the Rural Development Program. Projects in the Program not assisted by AID are: (1) infrastructure, including the construction of access roads, irrigation and drainage facilities, and (2) agrarian reform, including enforcement of the vacant land tax and expropriation laws, programs for land purchase, development of State farms, land titling, and colonization. Agriculture Plan programs outside the Rural Development Program relate to production of beef and dairy cattle, other livestock, forestry, a marketing institute, UNDP technical assistance, and miscellaneous other projects. Substantial financing is received from the IBRD, the IDB, and, to a lesser extent, CABEI for projects outside the Rural Development Program. There is a fairly clean delineation between the programs supported by AID and those financed by other institutions and all are carried on within a context of the Agricultural Development Plan. However, the sector programming effort did not consider interrelationships among them or seek to make them mutually complementary and reinforcing.

There is no development plan in Costa Rica to serve as a framework for assistance. The analysis previously discussed constitutes the only overall context for the provision of AID assistance. IBRD provides assistance for credit to medium and large scale farmers for production of beef cattle, cotton, fruits, and for pasture improvement. The IDB provides funds for credit to medium sized farmers with major emphasis on beef cattle. Small farmers are not eligible for credit from its loan. It is also financing agricultural research, irrigation, and agricultural diversification projects.

The FAO is financing a pilot irrigation project and technical assistance to the Ministry of Agriculture and the University of Costa Rica. There is thus a reasonably clear division between the undertakings financed by the other institutions and those financed by AID. Taken together they might all be appropriate elements for inclusion in an overall sector program. No such program has been formally established and recognized, however, and the activities are not carried on as a part of an interrelated and integrated program directed toward identified and understood common objectives for the agricultural sector.