

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



**REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS
(ROCAP)**

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

January 1980

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

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION: THE ROLE OF THE CENTRAL AMERICAN REGIONAL MISSION	1
Part I - Analyses	3
A. Overview	3
B. Regional Criteria	17
C. Regional Institutions	19
Part II - Strategy and Objectives	36
A. The Regional Model	36
B. An Evolving Strategy for the 80s	38
C. The Program	40
Part III - Assistance Planning Levels	56
Part IV - Acronyms	57
Part V - Projected Staffing Requirements	58
Part VI - Statistical Tables	
A) Intraregional Trade	59
B) Labor Requirements for Producing Selected Crops	60

ROCAP FY 1982 CDSS

INTRODUCTION: THE ROLE OF THE CENTRAL AMERICAN MISSION

The Regional Office for Central American Programs (ROCAP) was created in 1962 as the primary mechanism of the United States for maintaining relations with, reporting on and channeling assistance to the Central American integration movement.

The role of ROCAP - indeed the need for its continuance - has been the subject of several recent AID and State reviews. On December 8, 1978 the AID Acting Administrator concurred with an earlier recommendation of the Central American Mission Directors Committee (MDCC) that ROCAP be continued. This recommendation was based on "the benefit to Central American development of a regional program which complements and supports bilaterally supported national development programs, and of strengthening those regional institutions which are important contributors to development in Central America and to the Caribbean as well."

These decisions, supported by a recent Presidential request that we seek ways to maintain a regional focus, and by the State Department, reflect the importance ROCAP's unique regional perspective has at the present critical period in Central America's history. Increasing pressure for social, political and economic change in the region is apparent. ROCAP is the only U.S. instrument which solely responds through regional institutions to these problems.

In recent years the ROCAP program has placed increasing emphasis on supporting cooperation between the republics and regional agencies, bilaterally and multilaterally, as well as promoting integration initiatives when

they present themselves. Indeed, AID's regional program is not tied to CACM progress; it is committed to supporting projects which join CACM countries and regional institutions and which contribute to economic development and increase cooperation and interdependence among the institutions, governments, and nations.

This CDSS proposes a program for the mid-1980's which continues development assistance based on strengthening the competencies of regional institutions serving Central America, Panama, and possibly certain Caribbean countries. This program will concentrate most of its resources in ongoing areas, i.e., small farm agriculture research, nutritional improvement, low cost energy, light capital technology, environmental protection, and low cost housing. In addition, we are suggesting programs in new areas, i.e., agricultural trade expansion, reduction of post harvest loss, and employment generation and manpower planning.

During the CDSS period, ROCAP will report on, and as possible, provide support to new initiatives which strengthen the CACM and regional cooperation as the General Treaty passes its 20th Anniversary. Functionally, ROCAP maintains a special relationship with the five Central American USAIDs (and in some areas with USAID/Panama). This has led to establishment in 1972 of the MDCC which acts as a coordinating mechanism to insure that regional and bilateral AID programs are compatible and mutually reinforcing. USAIDs also regularly review and comment on new ROCAP projects before they receive final approval. ROCAP also provides the USAIDs with technical and backstopping services which they cannot justify on a full-time basis, which currently include procurement, economic analysis, financial analysis and housing guaranty services.

PART I - ANALYSIS -

A. Overview

Integration and Cooperation

ROCAP and AID have accepted a distinction between assistance programs supporting Central American integration and those supporting Central American cooperation. Integration programs involve adoption of treaties or protocols strengthening formal ties between the republics, may require institutional changes in responsibilities or authority of CACM institutions, or may require legislative or ministerial approval of the five member governments. Recent examples of integration programs include ROCAP's support to SIECA-ECID to develop alternate integration policies for governments in areas of shared concern, and ROCAP's Agricultural Trade Promotion Program (ATPP) proposed in FY 1977, which required commitment of the five republics to reduce barriers to regional trade in agricultural products. The unfortunate coincidence of that proposal with the outbreak of coffee rust in Nicaragua, and the reluctance of the governments to implement reforms supportive of increased agricultural trade contributed to the lack of support for this proposal.

Activities supporting cooperation, in contrast, require less formal agreement by the Central American governments for cooperation in specific areas of interest, generally through regional institutions as sources of technical expertise. Legislative approval, treaties or protocols are not involved. Cooperative programs, which comprise the bulk of ROCAP's programs, utilize regional institutions to develop and provide new methodologies and technologies to help public and private national institutions improve services to target groups. Examples of ongoing cooperative programs include

Small Farmer Production Systems with CATIE, Regional Nutrition with INCAP, and Regional Agribusiness Development with CABEL.

Integration Background

After 100 years of pursuing national independence and self-sufficiency, the early 1950s saw a revival of interest in regionalism. The five countries began to build the institutional framework to improve agriculture, health, education, public administration and other essential services. In the mid-1950s the five countries created the Organization of Central American States (ODECA) as their political and cultural forum for cooperation. The Ministers of Economy, serving as their country's senior representatives, began a series of meetings which produced declarations of intention to form a system of economic cooperation and integration. Work also progressed towards a series of bilateral agreements leading to establishment of free trade for selected products.. This was made uniform in the region by the 1958 Multilateral Treaty for Free Trade and Economic Integration, which lead to establishment in 1959 of a regional free trade zone and a common external tariff under the Central American Agreement on Equalization of Import Tariffs.

This collaborative approach was considerably strengthened by the General Treaty on Central American Integration,^{1/} signed in Managua on December 13, 1960 establishing the Central American Common Market (CACM) allowing for reciprocal free trade and a common external tariff (CET) for all but a few

^{1/} The Genral Treaty does not expire in 1980. However, the Treaty "may be denounced by any of the contracting parties" effective five years after notification, upon expiration of the initial 20 year period of the Treaty. Cf. Article XXXI, General Treaty on Central American Integration.

products. The CACM, however, does not have a common currency nor common monetary, fiscal or credit policies. A series of protocols signed under the General Treaty allowed for creation of integration industries,^{2/} equalization of import tariffs (CET), a uniform Central American Customs Code, and fiscal incentives for investment. A Permanent Secretariat (SIECA) and the Central American Bank for Economic Integration (CABEI) were created at this time to implement the treaty.

In addition to SIECA and CABEI, the regional "machinery" has grown to encompass a wide range of activities in fields such as public administration, tourism, aviation, communications and commerce. Other specialized institutions which predated the General Treaty have also associated themselves with the CACM institutional network.

Current Status of the Integration Movement

During the 1960s, the CACM countries experienced a period of rapid economic growth. Both intraregional trade and manufacturing expanded sharply. Between 1970 and 1975 the value of intraregional trade grew at an average annual compound rate of 12.4%, down however from 17.6% in 1965-70 and a remarkable 32.4% over 1960-65. Between 1975 and 1979, it increased at an average annual compound rate of 13.3%; however, this figure, adjusted for inflation, yields an annual real growth rate of 4 to 6%. Value added for manufacturing, which increased from \$379 million in 1960 to \$844 million in 1970, increased to \$1,391 million in 1978 in constant 1960 dollars (Table 1). Physical

^{2/} An integration industry is one allocated to one country by agreement of all five countries, i.e., tires to Guatemala, caustic soda-chlorine to Nicaragua, pulp-paper to Honduras.

infrastructure also significantly expanded.

ECID and Brookings have noted that "the welfare gains from economic integration in Central America have been very substantial," with "annual gains (from integration) on the order of 3 to 4% of GDP from the whole region."^{3/} While these findings have been challenged, this is the most thorough and comprehensive analysis of the subject undertaken to date. However, lacking the ability to overcome autarkic policies, a truly regional economy has not emerged and friction has increased between the countries. Moreover, the productivity of the agricultural sector, which employs over 50% of the region's labor force, has lagged (average annual growth per capita 1954-77 ranged from -0.3% in El Salvador to 1.6% in Guatemala) and benefits of integration have been unequally distributed among countries, between urban and rural areas, and among economic sectors.^{4/}

Beginning in 1969, the region experienced several major setbacks, including the El Salvador-Honduras war and withdrawal of Honduras from many aspects of the CACM in 1970, the 1972 Managua earthquake, Hurricane Fifi in Honduras in 1974, the 1976 Guatemala earthquake, coffee rust in Nicaragua (1977) and, most devastatingly of all, the Nicaraguan civil war

^{3/} Wm. R. Cline and Enrique Delgado: Economic Integration in Central America. The Brookings Institution, Washington, D.C. p. 110.

^{4/} With respect to the distribution of the benefits from integration among the Central American countries, the Brookings Study (op. cit.) concluded that while all the C.A. countries benefitted from integration, the benefits derived by Honduras were relatively low. The study recommended that Honduras rejoin the CACM, but that special measures be adopted to provide some redistribution of benefits in Honduras's favor.

Integration is believed to have favored the urban sector over the rural, and manufacturing industry, utilities, construction, banking and insurance, and commerce over agriculture and housing.

of 1979 and the current disruption of the Salvadoran economy. These social and political problems are beyond ROCAP's ability to resolve, nor is this CDSS appropriate for a comprehensive discussion of possible solutions to the region's economic problems.

Continuing the real growth rate of at least 4-6% into the 1980s, depends upon a continued rise in real income, positive resolution of the current severe problems facing certain CACM members, continued encouragement of private investment, and institutional reform along the lines discussed below.

CACM Reform

Although import substitution possibilities have become considerably reduced in the traditional light manufacturing industries, e.g., cotton textiles, shoes, beer, soft drinks, and some food processing activities, CACM import patterns reflect a substantial and increasing volume of intermediate goods, including construction materials, which suggest excellent opportunities for further import substitution (in these areas) as well as durable consumer goods (e.g., assembly of radio and TVs, synthetic textile materials, auto parts, household appliances and fixtures) which the region could produce as the economy becomes more diversified and sophisticated. Continued expansion of exports, especially to areas outside Central America, offers opportunities for access to an expanded market for regional products. In cases of commodities produced by rural small producers, i.e., small farmers or agribusinesses, the prospects are encouraging for increased income to rural areas with concomitant increased job opportunities for rural, and to a lesser degree, urban labor. (Table II).

Although both Nicaragua and El Salvador continue to affirm their support

for the CACM, such support is tempered by calls for significant reform. While all Central American republics continue to participate in regional fora and support regional institutions and projects, neither El Salvador nor Nicaragua are likely to give much attention to CACM reform until domestic and political problems have stabilized, nor are other CACM members likely to be willing to support reform if Nicaragua is perceived as adopting policies hostile to the other governments within the region.

Broad consensus that a restructuring of Central American policies and institutions is needed does exist, however. Four of the member countries (Nicaragua, El Salvador, Honduras and Costa Rica) have stated the view that the General Treaty should be broadened to address social issues, e.g., health, low-cost housing, education, social security and welfare, as well as economic aspects of the Central American development. There appears to be agreement to remove inequitable distribution of integration benefits, which include failure to provide special treatment for less developed members (e.g., Honduras), and the system's failure to remedy chronic trade deficits of some members.^{5/}

Structural reform through revision of the General Treaty is the probable approach CACM members will take to protect the gains made, and to face the challenges lying ahead. The last four years have seen two major efforts to restructure the CACM under a new Treaty. The 1976 "Tratado Marco" failed

^{5/} Especially Honduras and Nicaragua. Guatemala is the only country with a consistent surplus in its intraregional trade, a development found unacceptable by other countries. Yet, in relative terms, Guatemala's surplus does not appear to be unduly large. In 1977 and 1978, Guatemala's surplus was 13% and 16% respectively, of its total exports to the region.

because it required major delegation of authority which the republics at that point were unwilling to support. The more recent and less ambitious "Tratadito" proposed by CEPAL is premised upon resolution of the Honduras and El Salvador dispute and calls for a more flexible and restructured tariff structure. This effort also has been shelved. SIECA hopes to prepare another treaty, based on guidance provided by the Heads of State, to be ready for approval by December of this year. This new Treaty is likely to address three issues which are fundamental to CACM reform, i.e., tariff reform, elimination or revision of the fiscal incentives program and more equitable sharing of the benefits of integration among member states, as well as encouraging greater participation by the agriculture sector within the integration framework.

1. Tariff Reform: The Common External Tariff (CET), which has tended to protect producers at the expense of consumers, and has promoted assembly-type operations, has been long a subject of SIECA study. A proposal for a revised CET has been submitted to the five Central American governments which embodies greater flexibility, i.e., it allows the Central American Council of Ministers to adjust individual commodity rate categories without legislative concurrence. Its implications on free trade of state trading and state determined prices by Nicaragua within the region requires study by SIECA.

2. Fiscal Incentives: The Central American Protocol on Fiscal Incentives was amended to provide generous tax exemptions to promote industrialization which resulted in substantially reduced tax revenues and dubious

regional benefits in terms of new investment. The proposed alternative most heard and supported by a number of analyses suggests that all fiscal incentives be eliminated. Any incentives required for industrial development would be built into the revised tariff structure. However, interested groups benefitted by the incentives are likely to continue their opposition to such changes.

3. Distribution of Benefits of Integration: Measures to ensure a more equitable sharing of the benefits of integration is a theme long promoted by Honduras, and more recently by Nicaragua. SIECA regards the most practical proposal for addressing equitable distribution of benefits to be recommendations made by Cline and Delgado in the Brookings Institution Study,^{6/} which, after examining alternatives to enable Honduras to catch up with its Central American partners and equalize per capita benefits from integration,^{7/} concludes "that the most feasible measures would be for the CACM to allow Honduras to re-enter the market with free access to the markets of other member countries but with the maintenance of some level of Honduran tariffs against imports from the other member countries." The study notes that the bilateral treaties between Honduras, Nicaragua, Guatemala and Costa Rica already contain precedents for such preferential treatment. The study recommends that "on the basis of the specific estimates of benefits and costs, and considering likely levels of trade, the maintenance of Honduran tariffs on partner goods at a

^{6/} Cline and Delgado. op. cit.

^{7/} While the study found that Honduras benefited from integration, the benefits derived were found to be less than those obtained by its other Central American partners.

level of approximately one half the common external tariff would generate tariff revenues of an amount sufficient to equalize Honduran per capita benefits from integration with the overall average for the CACM countries."^{8/}

Integrationists and government officials appear to be closer to agreement that agriculture as well as improved social services in health, education, social security, etc. are important service areas to be brought under the formal integration umbrella. Agriculture appears to be the most significant of these sectors, both for reasons of employment and export generation.

While all countries agree with these reform objectives, substantial differences with respect to solutions exist. Achieving more balanced development through the system of Integrated Industries or through industrial programming could confer unacceptable monopolies to certain industries. Moreover, since new industries tend to locate in the more advanced countries, endowed with better infrastructure, higher incomes and larger markets, balanced industrial investment may be difficult to achieve.

The integration system should not be viewed in terms of a potential quick solution to regional problems, some of which predate it and involve deeply rooted social patterns. However, the Central American republics, individually and through appropriate regional institutions, can and do provide special assistance in times of crises. In recent years both Guatemala and post-revolutionary Nicaragua have received regional support in time of crisis, the latter in spite of policies and rhetoric which create profound unease, and contribute to capital flight^{9/} within the region.

^{8/} ibid, page 405.

^{9/} There are no reliable figures for the private capital outflow from Central America. In the case of Nicaragua, the prevailing estimate is \$175 million in 1979, equal to 29% of total export earnings. For Guatemala, unofficial preliminary estimates place the outflow at \$80-100 million.

When the severity of the Nicaraguan revolution became apparent, emergency relief supplies and volunteer personnel were made available from sister Central American republics. Regional institutions offered technical assistance for short-term relief and longer term reconstruction efforts. The Central American Monetary Stabilization Fund, extended some \$40 million in credits to Nicaragua. An additional \$40 million in lines of credit to be extended by the other Central American countries has been approved by Costa Rica, Honduras, and El Salvador, and is awaiting ratification by Guatemala. A proposal to increase the capitalization of the Central American Monetary Stabilization Fund (from \$50 to \$150 million) is under review by the Central Banks. El Salvador recently requested a stabilization loan, and decision on these actions is expected in the near future.

While the Nicaraguan upheaval, and instability in El Salvador are relatively recent, resolution of the over ten-year old El Salvador-Honduras conflict continues as a long-standing problem affecting regional integration, particularly trade. Previous MDCC discussions agreed that resolution of this conflict, and consequent full participation of Honduras in the CACM, was a necessary precondition, but not sufficient by itself, for reform of the CACM. At this writing, Peruvian mediation continues with the Honduran Vice-Minister of Foreign Affairs expressing "great optimism" for a "rapid resolution." Given the instability of the Salvadoran junta, and absent the conclusions of the Peruvian mediator, however, we do not yet see light at the end of this tunnel.

Integration and ROCAP

In last year's ROCAP CDSS we stated that our strategy "reflected the approved decision to continue AID's support of Central American economic

development in the absence of significant signs of vigor in the pace of progress of the Central American economic integration movement. ... our net assessment ... further strengthened by such imponderables as the regional effect of continued instability ... is that the short-term prospect for a major expansion initiative into new areas is unlikely." The longer term prospect, however, may be different.

In recent years, absent persuasive evidence that the Central American republics were prepared to broaden the institutional framework of the CACM and increase agriculture sector participation, ROCAP has limited its support of integration activities to ECID's development of policy options for regional decision makers. The bulk of our resources have been utilized to support cooperative regional programs with regional institutions in areas of concern to national development planners and supportive to bilateral AID programs.

Nonetheless, during the five year period of this CDSS, ROCAP's benign neglect of integration may undergo a change. In response to decisions made at the previous CDSS review, and in light of a rapidly changing set of Central American relationships, starting in FY 1980 we have resumed reporting on integration developments. Simultaneously, increasing discussion in the region identifies the forthcoming 20th Anniversary of the CACM as the time for a major restructuring. ROCAP shall closely monitor this process. When and if opportunities occur, ROCAP will be prepared to lend technical support in areas where U.S. development resources can crystalize plans into actions.

Among proposals which have been suggested as having far-reaching impact in terms of regional integration are a Central American Development Group and a regional export promotion program.

a) Creation of a Central American Development Group, most recently raised during the World Bank Belgrade Board of Governors Meeting in September 1979, has not elicited much discussion in Central America. While SIECA, as well as ROCAP, support creation of a group in principle - because it could be used to encourage major regional actions and programs of both policy and program nature - some Central American leaders clearly prefer either to deal individually with donors, or with national development groups. Central American support for a regional group appears to depend upon convincing all of the region's nations of the advantages to each, such as increased resource flows. MDCC consideration of this proposal has also been cool, especially in view of the disappointing achievements to date of the Caribbean group.

A Development Group is not on the agenda of recent or planned meetings of the Central American Ministers of Planning, Economy or of Heads of State. As suggested in Department guidance, the World Bank may be the most appropriate institution to assume leadership in this area. ROCAP will be alert to any discussions within the region supportive of this proposal. A starting point for discussion of a group could be the list of regional project proposals prepared in 1977^{10/} and totalling over \$4 billion. This list, which appears periodically in regional reports, calls for an ambitious investment program, fully half of which is in the power sector. The criteria employed to develop the project list were general in nature: that the benefits be intrinsic to the proposal, that the activity be difficult to successfully

10/ Planteamiento de los Gobiernos de Guatemala, El Salvador, Honduras, Nicaragua y Costa Rica a la Comunidad Financiera Internacional Acerca del Proceso de Integración en Centroamérica. Banco de Reserva de El Salvador, 1977.

execute unilaterally with the same benefit:cost ratio, and that clearly support further regional interdependence. The cost of this list exceeds resources presently likely to be available, but reflects a view generally associated with CEPAL/Mexico that future integration efforts be generated from joint projects as compared with further formal efforts toward integration of markets and production structures.

This approach is not particularly novel (CABEI has been supporting regional projects for years) nor is it in any sense an exclusive route towards increasing interdependence. Other measures, particularly those policy measures designed to promote coordination among country institutions in social programs; to forestall or eliminate barriers to intraregional trade and movement of factors of production; to tap existing foreign markets in products in which the region has comparative advantage; and to coordinate policies to meet common problems (e.g., cooperative coffee rust research, inflation, food processing, nutrition programs, balance-of-payments problems), still could be dealt with equally successfully outside of a Development Group.

b) Export Promotion - There is a consensus that the region must make a much greater effort to expand and diversify its exports outside the isthmus. There are real opportunities here, particularly for agricultural and small industrial projects.

Regional action is possible in selected areas. Regional financing and technical assistance might be made available for production and processing subject to economies of scale. Opportunities for regional action may be found, e.g., in agricultural research, training, technical assistance to introduce new production patterns, market development, and adapting imported

technology to the region, all of which support diversified export promotion. This would stimulate opportunities for employment generation. (See the Regional Export Promotion discussion in Part II.C.)

Beyond Central America

According to SIECA, Panama and the Dominican Republic are seriously considering joining the Central American Common Market as "associate" or limited members. Both have already attended the December meeting of the Ministers of Agriculture and may take part in future Ministerial meetings. SIECA is also exploring expansion of Central American trade with members of the Andean Pact and the Caribbean Region, and which Central American products could be exported to Pact or CARICOM members. We may presume that Panama, the Dominican Republic and the CACM countries might agree to trade in a specified list of products or product categories and that the new associate members will also agree to apply the CACM common external tariff on these products.

Recent meetings between SIECA and representatives of CARICOM and the Andean Group have resulted in exchange of information and technical advice on studies, tariff classification systems, etc. Commercial treaties between the CACM and CARICOM or the Andean Group do not now exist, nor are there imminent prospects that a formal link will be formed. However, bilateral treaties between individual CACM countries and members of the Andean group (Venezuela, Colombia, Ecuador, Bolivia and Peru) are distinctly possible.

Creation of an Executive Secretariat of the Ministers of Agriculture is

being currently explored by the Central American Agriculture Ministers with IICA (see Part II.C). Both Panama and the Dominican Republic may join, perhaps in order to obtain better quotas for their traditional export products (e.g., coffee, sugar) by negotiating as members of a larger regional group.

The Central American regional institutions themselves have maintained cooperative relationships with sister institutions and governments in the Caribbean. ROCAP's report on these relationships,^{11/} discussed at the Caribbean Consultation on Energy and Agriculture in November 1978, reflects a varied history of assistance to the Caribbean, particularly to the Spanish speaking areas. While outside of our province, the Central American institutions stand ready and represent a valuable resource not only as sources of technical expertise, but also as models which other developing nations or regions may wish to emulate. A better coordination between AID's Caribbean and Central American programs may be useful to further these cooperative linkages.

B. Regional Criteria

ROCAP's programs satisfy two kinds of criteria, viz., project-specific technical criteria, and regional criteria. Technical considerations are the same as for bilateral programs. A proposal must relate to an area of agency concern, be relevant to the region, be of interest to the region, and be feasible.

The use of regional institutions as assistance conduits to national counterpart organizations, which is the general ROCAP assistance model,

^{11/} The Central American Regional Institutions and the Caribbean, ROCAP, January 1979.

imposes new considerations dealt with in ROCAP's regional criteria. These criteria, although long applied, were recently presented and approved in the previous (FY 1981) CDSS. They arose out of the 19th MDCC meeting (September 1978) which considered the question of the appropriate role of ROCAP in Central America and:

"...concluded that ... a regional focus at this point is significant and useful from viewpoints of:

"A) Supporting national programs servicing small farmer needs where economies of scale can be demonstrated ... There has been and will likely continue to be innovative and important regional activities which will usefully support national programs.

"B) Servicing administrative requirements of USAIDs in legal,^{12/} procurement and financial analysis areas.

"C) Liaison, and to a limited extent support, of regional institutions.

"D) Undertaking examinations and program support of a selected few second generation technical problems in support of USAID programs."

In assessing the appropriateness of an activity for regional support, ROCAP considers first the importance of the problem to national development and whether an activity may be justified on the basis of economies of scale, i.e., whether a) the problem be common throughout Central America, b) solutions are likely to be applicable throughout the region, c) a competent regional institution exists which has a comparative advantage and through which assistance may be provided, and d) a sufficient degree of commitment of the regional institution and cooperating national entities to a common effort to resolve the problem exists. These analyses form part of the respective PIDs and PPs and are discussed with the bilateral USAIDs whose views are considered in the formal project reviews.

^{12/} RLA since assigned to USAID/Honduras.

C. Regional Institutions

More so than anywhere in the Western Hemisphere, Central America is characterized by an array of private and public efforts to jointly solve common problems. Notwithstanding the gravity of current and past disputes and conflicts between neighbors, the Central American nations have dealt with inter-country problems and the outside world in a manner which has reflected their commitment to work together wherever possible, drawing on their common history and heritage. This shared identity has manifested itself in a number of regional technical assistance agencies which help support and strengthen national counterpart institutions and programs.

The regional institutions which are the principal conduits of ROCAP assistance to national counterparts may be divided into two categories, viz., those created by the CACM, and those which either predate it or have a broader scope than Central America - and in many cases, Panama. The institutions also differ in their sources of core support between reliance on the Central American republics themselves or upon a major sponsoring agency.

REGIONAL INSTITUTIONS SERVING CENTRAL AMERICA

<u>Name</u>	<u>Core Budget Support</u>	
	<u>CACM</u>	<u>Other</u>
Tropical Agricultural Research and Training Center (CATIE)	X (except El Sal.)	IICA
Inter-American Institute of Agricultural Cooperation (IICA)	X	OAS/Caribbean
International Regional Institute for Agricultural Sanitation (OIRSA)	X	Mexico and Panama
Central American Bank for Economic Integration (CABEI)	X	

<u>Name</u>	<u>Core Budget Support</u>	
	<u>CACM</u>	<u>Other</u>
Latin American Agribusiness Development Corporation - Central America (LAAD-CA)		Private US shareholders through LAAD
Nutrition Institute for Central America and Panama (INCAP)	X	PAHO
Central American Research Institute for Industry (ICAITI)	X	
Permanent Secretariat of the General Treaty of Central American Integration (SIECA)	X	
A. Central American Integration and Development Study Center (SIECA-ECID)		
B. Central American Committee on Energy (COMENER)		
Central American School of Business Administration (INCAE)	X	Private donations, Panama

All, however, view specific project assistance from donors (including AID, IFIs, private institutions such as W.K. Kellogg Foundation, Rockefeller Brothers, etc., and other governments including West Germany, England and the Netherlands) as vital for strengthening their research, institutional capabilities and outreach to the region. Following is a brief resume of those institutions with which ROCAP proposes to support regional programs during the period of this CDSS.

Agriculture and Nutrition

CATIE

The Tropical Agricultural Research and Training Center (CATIE) was created in 1973 as an autonomous, non-profit, scientific and educational institution to promote and conduct agricultural, forestry and animal husbandry research, and which offers graduate degree programs in these areas. CATIE's

activities are totally focused on interdisciplinary approaches to production problems of small farmers in Central America and the Caribbean. With ROCAP support, CATIE completed the Soil Fertility project and the Small Farm Cropping Systems project, which contributed to the ongoing Small Farm Production Systems project. Projects are conducted in each of the Central American countries on small farms, with the cooperation and participation of national research agencies. AID also is funding a regional weed control project, and ROCAP is financing a joint project with ICAITI, "Fuelwood and Alternative Energy Sources." CATIE receives core budget support from IICA (\$600,000 p.a.) and \$50,000 p.a. from member countries, Costa Rica, Panama, Nicaragua, Honduras and Guatemala. El Salvador's membership, expected prior to the October coup, is pending.

IICA

The Inter-American Institute of Agricultural Sciences (IICA) is the specialized agency of the OAS for the agricultural sector. It was founded in 1942 by the American governments to promote economic and social development of their respective countries through teaching, training of personnel, research consultation and communications related to the field of agriculture. It is governed by a Board of Directors consisting of representatives of the membership of the OAS Permanent Council, from where IICA receives its core budget support. The U.S. representative is the Secretary of Agriculture. AID has funded IICA to undertake projects in agricultural planning and policy analysis for Latin America and the Caribbean, Crop Credit Insurance, Agricultural Management, and media education for low income rural women. IICA is receiving support from ROCAP for the ongoing Agricultural Research and

Information Systems project.

OIRSA

The International Regional Institution for Agricultural Sanitation (OIRSA) was founded in 1955; its members are the seven countries from Mexico south to Panama. OIRSA conducts spraying and other control measures on products and vehicles moving between the member countries and programs designed to control the spread of Mediterranean Fruit Fly, aftosa, coffee rust, black sigatoka of banana and grasshoppers, among others. It has supported special research into control and appropriate use of pesticides and fungicides and other means of controlling harmful agricultural pests. OIRSA's annual budget is over \$1 million, supported by membership contributions, fees collected from border control services (International Fumigation Service) and for special activities by USDA and other donors. In the absence of a regional agricultural body equivalent to SIECA, OIRSA's Board of Directors meetings have served to bring together the regional Ministers of Agriculture in confronting regional agricultural trade and production issues.

CABEI

The Central American Bank for Economic Integration (CABEI) was established on May 8, 1961 as a Regional Development Bank for the five countries of Central America. It operates under a constitutional agreement signed by the members and by-laws. Its principal office is in Tegucigalpa, Honduras, with liaison offices in the other four countries. CABEI's Board of Governors consists of the five Central Bankers and Economic Ministers of the five countries and a "civilian" Board of Directors (one from each country), one of whom is elected President. CABEI provides credit through four funds: the Ordinary Fund which

is used to finance industrial projects and other projects related to exports and balance of payments; the Integration Fund which is used to finance economic infrastructure projects; the Housing Fund which is used to create and sustain a regional secondary mortgage market; and the Social Development Fund which is used to finance projects in the fields of education, health, and community development. CABEL's emphasis remains in infrastructure (especially roads) which account for \$360 million or 40% of the total. Manufacturing follows with \$129 million. Central American governments are the major borrowers under the Integration Fund, accounting for 60% of CABEL activities, with a further undetermined amount from the other Funds going largely to government institutions. Private sector lending from the Ordinary Fund is mainly in manufacturing and tourism and amounts to approximately 29% of the CABEL portfolio; with the Housing Fund and the Social Development Fund accounting for the remaining 11%. There are two active ROCAP loans with CABEL; the Tourism Infrastructure loan (\$13.4 million) and the Regional Rural Agribusiness Development loan (\$15 million). In addition, ROCAP has supported CABEL's role as the regional housing finance institution with a series of housing investment guaranties.

LAAD

Latin American Agribusiness Development (LAAD) is a private investment and development company incorporated in Panama in January 1970. Its principal offices are located in Miami, Florida. The fifteen shareholders of LAAD are comprised of United States agribusiness and financial corporations and one international development corporation. LAAD was created to finance and develop

small and medium sized agribusiness opportunities in Latin America involving all phases of production, processing, storage, services and marketing in agriculture, livestock, forestry and fishing. In 1971 LAAD established a subsidiary, LAAD de Centroamerica, S.A. (LAAD-CA). Under two ROCAP loans LAAD-CA has invested \$11 million into small agribusiness in the isthmus.

INCAP

The Institute of Nutrition in Central America and Panama (INCAP) was created in 1949 as a cooperative effort of the five Central American countries, Panama, the Pan American Health Organization and the W.K. Kellogg Foundation. Its mission is to study the area's nutritional problems, develop means for their resolution, and then advise and assist cooperating governments in their resolutions. Associated with the Massachusetts Institute of Technology and the U.N. University, INCAP provides undergraduate and graduate training in applied nutrition research. INCAP has conducted surveys in member countries, promoted iodization of salt to prevent endemic goiter, developed the dietary supplement INCAPARINA, produced nutrition education material, and assisted Ministries of Health in their nutrition programs. An ongoing ROCAP grant addresses itself to support of this latter aspect of INCAP's work, while AID/W grants to INCAP generally deal in specific research studies. INCAP's core budget is approximately \$5 million, supported by annual quotas from member countries, PAHO, and grants from various foundations and institutions. Overall administration of INCAP is by PAHO through mandate of the Council, composed of the six member government representatives.

Technology, Natural Resources and Energy

ICAITI

The Central American Research Institute for Industry (ICAITI) was founded in 1955 by the five Central American republics to advise and provide technical services to the region's industrial sector and to conduct technical research on products and processes using regional raw materials and natural resources. ICAITI advises in all phases of industrial feasibility studies and their execution; in solving production problems; conducting technical experiments using regional raw materials; developing production methods and new products; adapting modern production techniques; setting standards and conducting quality control analyses for raw materials, intermediate and finished goods. ICAITI receives core budget support from the five Central American republics whose Finance Ministers compose its Board of Directors in addition to fees charged for services to private industry.

ICAITI maintains one of the region's foremost technical information centers. With AID assistance, ICAITI is taking the initiative in Central America in gasohol and other non-conventional fuel developments. It has conducted studies of environmental contamination; and is undertaking a program of technology transfer to small and medium industry.

COMENER

Reflecting increasing concern regarding the rapidly rising cost of petroleum-based energy, SIECA supported creation of the Central American Energy Commission (COMENER) consisting of members appointed by the five Central American republics. The first meeting, held in June 1979 and attended by representatives of CABEL, the Executive Secretariat of the Central American Monetary Council, ICAP and

the Economic Council for Latin America (CEPAL), was concerned with developing an agenda for action in the following areas: increased use of renewable natural resources - hydraulic, geothermal, biomass, solar and fuel alcohol; promotion of electrical interconnection within the region; establishment of a regional policy on oil pricing; imported energy substitutes for petroleum including coal and natural gas, rural biogas production, development of a regional manufacturing capacity for solar energy collectors and promotion of new energy efficient technologies.

Integration

SIECA

The Permanent Secretariat of the General Treaty of Central American Integration (SIECA), created in 1961, is the principal regional organization responsible for the conduct and direction of Central American integration. SIECA is directed by a Secretary General appointed by the Executive Council of the General Treaty, comprised of a delegate and alternate from each member country.

SIECA has two major, related, functions: to administer the General Treaty and other agreements which together comprise the juridical and institutional framework of the Central American Common Market, and to carry out studies or develop policies and solutions to situations that cause or may cause conflicts among the member countries, or which may improve regional integration.

ROCAP has been assisting SIECA in development of programs and policies designed to increase regional integration and cooperation, especially those most likely to favorably affect the rural poor and small farmers. In the next couple of years, SIECA will take the leadership in restructuring of the CACM, prompted by the forthcoming General Treaty's Twentieth Anniversary in

December 1980, changes in governments in Nicaragua and El Salvador, and the generally unsettled outlook as Central America confronts a new decade.

ECID

The Central American Integration and Development Study Center (ECID) was created within SIECA in 1973. With ROCAP support, it has conducted a series of studies of Central American economic and social conditions designed to serve needs for specialized data and information by Central Banks, government financial and sectoral planning agencies, and others. ECID is the region's only development "think tank." Two key areas in which ECID has developed a regionwide data and technical resource are in the areas of employment patterns, industrial capacity and employment generation; and agricultural sector planning. With termination of major ROCAP assistance in June 1980, ECID's future is dependent upon new donor programs.

Public and Business Administration

INCAE

The Central American Business Administration Institute (INCAE), founded in 1964 in Managua, is a privately managed graduate school of business administration. A 1972 AID loan assisted in strengthening INCAE's graduate MBA program and its capacity to meet needs for specialized training of public administrators. Its method of teaching is based largely on the Harvard Business School, with whom INCAE still retains a close association. ROCAP's Rural Management Improvement project used this approach to involve high level administrators of government and semi-autonomous agencies in diagnosing problems in the management of their programs. INCAE has continued to offer a series of

seminars in the region in specialized aspects of management, and has provided economic and management consulting services to the Central American governments. INCAE also receives direct support from Central American governments and Panama.

The Region's Development Problems

The region's development problems and constraints are those of the individual countries. A brief summary of these problems is included here. A more extensive analysis is included in individual country documents.

1. Economic Summary

a. Rural backwardness is characterized by very low productivity in the agricultural sector and high rates of unemployment and underemployment. Data on value added per worker in agriculture, as a proportion of value added per worker in other major economic sectors shows agriculture value added to be 39% of non-agricultural value added for Guatemala, 61% for El Salvador, 41% for Nicaragua and 48% for Costa Rica. Further, AID calculates average annual per capita agricultural production growth (1954-77) to range between a negative 0.3% in El Salvador to only 1.6% in Guatemala.

Unemployment and underemployment remain endemic throughout Central America. Even assuming further decline of birth rates, the labor force is expected in the foreseeable future to grow faster than available jobs assuming job expansion at current rates. 1974 FAO estimates^{13/} of rural unemployment and underemployment range from 14% in Nicaragua to 60% in El Salvador; ROCAP's

^{13/} Grupo Asesor de la FAO para la Integración Económica Centroamericana (GAFICA), Perspectivas para el Desarrollo y la Integración de la Agricultura en Centroamerica, May 1974, Volume 1, Page 6.

updated 1979 estimates range from 15-25% in Costa Rica to 50% or higher in Nicaragua. Combining rates of unemployment and underemployment for rural and urban areas for the region, estimates range from 25 to 40%.

Increasing attention is being given, both by AID and by the Central American governments, to the need for employment generation outside of traditional sectors as the key to raising incomes and living standards. As more information becomes available about the numbers and characteristics of the unemployed and underemployed, the need for generation of off farm employment in rural areas and in light manufacturing in urban areas appears key to absorbing surplus rural and urban labor and to ultimately minimize the "push" factors of migration.

b. Extreme Inequality in the Distribution of Income is shown by GAFICA/FAO 1970 estimates for the region. The poorest 50% of the population commanded only 15% of the GDP (1970 per capita GDP: \$74) while the richest 5% commanded 31% of the GDP, with a 1970 per capita GDP of \$1760.

c. Continued Excessive Dependence on Exports of Traditional Products for foreign exchange earnings. Although such dependence fell from 79% to 63% during the 1960s, there was no change in the 1970s. In 1978, for example, primary products represented 65% of total export earnings.

2. Agriculture

There is continuing serious dualism in the rural sector. A relatively small group of farms (not all large) produce traditional export products (coffee, sugar, bananas, cotton and cattle) while the large majority, mainly small producers, grow the region's internal requirements for corn, beans, rice, sorghum, selected vegetables and fruit. Income per area of many export crops

ranges from two to ten times that of basic food products.

Land in farms plus urban land, regionwide, approximates 40% of total available land. Large government and private holdings, poor to nonexistent infrastructure, poor soil quality and humid tropical conditions not conducive to good health, have prevented more rapid expansion of unused lands into farms.

The rural problem for the next twenty years, when total population in the region will grow from the present estimated 22 million to about 39 million people (CELADE), is job creation and improving income distribution. This requires increasing national and regional reliance on the region's rural base for basic food requirements and expanded export of a variety of food and other agricultural products.

There are four major constraints to increasing production for intra- and extra-regional trade, viz., ineffective policies, inadequate public and private sector agricultural institutions, insufficient public and private sector investment, and insufficient use of the human and physical resource base. In spite of forward thinking and some good intentioned regional trade policies, rural sector integration has not become a reality. Short run trade restrictions on basic food products, national pressures to close internal borders due to threatening plant pest problems like coffee rust, and lack of sound data upon which new policies can evolve, have worked against regional agricultural development. Continuing tariffs on agricultural inputs increase the region's production costs, and lack of good market data hampers exploitation of the region's known export opportunities.

Important institutional constraints include lack of an effective regional analytical group to develop policy alternatives for regional export

opportunities; uniform grading, inspection and certification standards; an arbitration mechanism to resolve disputes; reliable market forecasting and reporting systems; adequate agricultural sanitation controls with trained personnel, and effective production and promotion agencies.

Financial impediments continue to exist in spite of greatly expanded agricultural investment over the past 15 years. Central American governments are investing about 5% of their public sector budgets in agriculture regardless of the fact that the sector supports over half the labor force and is the source of two-thirds of the region's export earnings. The fact that the cost of each additional job created in this sector is less than in industry appears not yet to be fully exploited.

Physical constraints relate to the use of the region's soil, water and climate and conservation practices. More effective use of these factors of production can more than double income from existing infrastructure and expand income and employment by many times throughout rural Central America.

3. Nutrition

Based on national nutrition surveys conducted by INCAP and the Central American governments, nutrition problems in Central America are growing. From 1965-75 one measurement (Gomez) shows second and third degree malnutrition to have increased by 66% among children under five. Regional nutrition problems affecting the poorest segment of the population have been revealed to be protein and calorie malnutrition (PCM), nutritional anemias, and hypovitaminoses A. PCM, the most serious of the three, affects the physical and mental growth, and mortality of children, particularly during the first five years of their life. Prevalence of PCM is high among young children in the region - FAO projections indicate that the consumption of protein and calories by the poorest 50% of the population will continue to be inadequate in the majority of the countries of the region for the next 25 years. The remaining two problems (nutritional anemias and hypovitaminoses A), are more easily subject to cost-effective technological solution than PCM, by fortification of a widely consumed product with the nutrient deficiency - sugar with Vitamin A and, still being tested, sugar with iron.

Central American malnutrition is caused by such interrelated factors

as:

- inability of a family to obtain, purchase or produce foods providing recommended levels of calories, proteins, vitamins or minerals;
- inadequate knowledge by the family, of selection and utilization of foods, including preparation and storage, and of special diets for weaning-age children and for pregnant and nursing mothers;
- insufficient utilization of foods by the human body caused by gastrointestinal problems such as parasites and diarrheal diseases..

4. Population

High population growth rates is evidenced by an average crude birth rate for the region of 40 per thousand, among the highest in the world. (Costa Rica's is significantly lower, 32.4). 47% of the region's population is under 15 and the region's 3% annual population growth rate is among the world's highest.

5. Other Constraints

a. Public Administration - Deficient execution of rural programs by government agencies continue to constrain program development and implementation in many sectors. While frequently identified, activities specifically designed to improve administration are limited.

b. Two other measures of poverty, infant mortality and illiteracy rates, also are quite high. Illiteracy ranges from 40 to 53% (of all people age 10 and over) except in Costa Rica, where it is 10.8%, and infant mortality ranges from 38 per 1000 in Costa Rica to 110 in Nicaragua.

c. Rural-Urban Migration. Urban poverty throughout the region is exacerbated by a continued movement from rural areas to urban centers. Population pressures, rural unemployment, lack of social services are but a few of the pressures resulting in such migration. Unfortunately it only moves the poor to sometimes less desirable living conditions and worse unemployment in the urban slums.

6. Science and Technology, Energy and the Environment

A new series of development constraints is now beginning to receive increasing attention in Central America, by the regional institutions, governments and private sector groups. All of these activities involve innovative technologic solutions for a different series of small farmer, natural resource and environmental problems whose gravity worsens and which require increased attention in the near future. Some may lend themselves to regional approaches - including problem detection, solution development, or solution application, or for any part of this process. The overlapping areas of concern, sometimes grouped together as "second-generation problems" include such related environmental problems as: pollution, natural resource management and mis- and over-use of pesticides; non-traditional energy development; and appropriate and light capital technology development. These new, emerging areas of concern may be particularly appropriate for regional approaches, as further information on these problems becomes available.

The major problems in each area include:

- Pesticides: Recent analysis reveals Central America to be among the world's heaviest users of pesticides with consumption continuing to increase in recent years. This extensive use of pesticides, particularly in

cotton production, has also indirectly endangered the possibility of exporting meat, owing to its high content of pesticides. For example, fatalities and illnesses among cotton workers and in neighboring communities in Guatemala have been directly related to heavy spraying of pesticides. Chemical residues in beef and milk, and run-off into some water supplies, exceed U.S. standards (no Central American standards exist). Appropriate treatments of food stuffs in trade in Central America frequently do not exist, forcing local officials to use procedures not specifically designed for tropical application. The absence of uniform testing and registration in the region for pesticides, chemicals, concentrates and biological products (vaccines) militates against development of uniform regional policies.

- Deforestation, erosion and environmental management: Indiscriminate expansion of cultivated land, lack of knowledge by campesinos and small farmers of conservation practices, has caused widespread erosion of the region's natural resource base. Watersheds, which are or should be forest covered are used to serve the growing needs for fresh water for municipal and industrial uses. Continued reliance on wood for energy is rapidly depleting this valuable resource leading to soil erosion, desertification, loss of water storage capacity by rapid run-off, and flooding.

- Non-traditional energy development: Development of new technologies, especially useful to small applications and which reduce reliance on, or increase efficient use of wood is a topic of increasing interest in Central America. Total regional energy requirements have grown at approximately 6.7% annually during the last 10 years. Increasing foreign exchange costs of petroleum (up 379% between 1971 and 1975 during which period prices rose 269%),

coupled with increasing demands for "non-commercial" energy (wood and charcoal) face regional planners with related problems, viz.: how to simultaneously reduce dependence on both petroleum (for balance of payments reasons) and wood (for environmental reasons).

Non-traditional, "non-commercial" energy programs, however, are still being treated on a scattered basis by a number of relatively small national institutions; a coordinated regional approach as yet has not been taken. That wood remains the major rural energy source for heating, cooking, and small industrial uses and its use is expected to increase, adds impetus to the need for widely available economical alternatives and more efficient uses of wood itself. A variety of activities sponsored privately on a national basis, or with foreign donor support, or regionally, now dot the region including work on renewable energy resources, e.g., solar, wind, bio-gas, as well as "gasohol" (fuel from cane sugar produced alcohol) conducted on, at best, an informally coordinated basis.

7. Housing

The total housing deficit for Central America has been estimated at approximately 1,500,000 units. This deficit, both rural and urban, impacts most heavily upon the poor. It is caused by the large portion of all housing (urban sector 60% and rural over 90%) which is constructed and financed through the "informal" sector, sometimes in unauthorized developments including illegal squatter settlements and frequently via poorly organized self-help efforts. Most of this housing, consequently, is either substandard by physical, spatial, and sanitary standards and/or lacks urban services. The health, economic, and social development of the families living in these conditions is known to be adversely affected by such living conditions.

Constraints to improvement have included institutional weaknesses and, especially, limited financial resources which tended to be committed to housing for upper income percentiles (51-100) rather than the lower half, the AID target group. Consequently, and with exceptions for some public housing programs, many of the poor have been left outside of consideration of both public and private housing programs and have been forced to provide for themselves -- which frequently translates into inadequate housing in marginal areas without public support services.

PART II - STRATEGY AND OBJECTIVES

A. The Regional Model

In broad terms, the Central American Regional Mission shares similar program targets as the six Isthmian bilateral USAIDs. However, the regional approach, which supports programs of regional centers of excellence, relates to target populations in ways different from the bilateral AID programs. In the main, ROCAP supports regional institutional efforts to assist cooperating national institutions to improve their services to the target populations.

These regional activities interface with national activities on a number of planes: 1) Regional institutions provide assistance to national counterparts to strengthen their capacity and performance; 2) Regional institutions provide assistance through national counterparts to improve skills and specific services which directly impact on target populations; and 3) Regional institutions act to develop new procedures, methodologies and technologies for direct application by their counterparts. ROCAP's strategy reflects continuation of this approach during this CDSS.

ROCAP's activities are multi-national activities - they foster cooperation not only between national and regional institutions but also among the national institutions themselves. Experiences in one nation are transferred to other countries; mutual support and exchange of personnel within the region is an increasingly frequent occurrence. This transfer of experience and regional application and adaptation of methodologies, technologies and production systems is a hallmark of the regional assistance model. Under ongoing programs with e.g., IICA and CATIE in agriculture, with ICAITI in technology, and low-cost housing with CABEI, a regional community of interest has been exploited to further regional interdependence and development.

The regional model is an efficient model. It enables efficient use of scarce, highly trained technical personnel, as well as monetary resources, by supporting regional institutions which then can efficiently allocate these resources to assist five or six countries. This then facilitates transfer of experience and increases the number of affected national personnel and institutions, which have the final responsibility to provide services to targeted populations.

The regional model also facilitates cooperation between institutions to help develop solutions in new areas of regional concern. The recognized problem of increasing rural energy requirements contrasted with threats to the region's forested areas, for example, provided the opportunity for CATIE and ICAITI to join efforts in a six-nation two-part program. It consists of research into (1) more rapid and efficient fuelwood production for rural energy requirements by small farms and communities, and (2) more efficient use of fuelwood and development of alternative, renewable, energy sources for home and rural industry uses.

B. An Evolving Strategy for the 80s

This CDSS, written in the absence of a counterpart State Department Policy document (GORM) calls for a flexible approach for the future regional AID program. Priorities have not been set for U.S. interests in the region, be they motivated by concern for human rights, by desire to support political, economic, or even integrationist policies, by concern to achieving or maintaining stability, or more equitable income distribution. Examination of recent AID development programs does not clarify the picture. Recent increased appropriations for Nicaragua and El Salvador, for example, do not necessarily mean that the Costa Rican democracy is less important to the U.S.

ROCAP's assigned funding level during this CDSS of between \$5 million and \$10 million, is simultaneously suggestive and limiting. A review of the brief sector analyses in this document, and comparison of those in this or last year's bilateral CDSSs, suggests many shared development problems occurring under similar circumstances, suggesting high expectation for successful regional application of results. Regional institutions are sufficiently broad in scope to support national development programs in a wide range of endeavors. While this analysis points towards potential for a greatly enlarged program, limited resources, agency priorities, and continuing and future bilateral program requirements suggest that ROCAP best continue its present primary program emphasis on developing solutions to rural development problems - as do most of the bilateral programs - whether they be agricultural, nutritional or technological in nature. This program will attempt to take the lead in devising new technologies for later support of bilateral AID programs as well as by national development programs and for direct use

of target populations. Such regional activities are already ongoing in agricultural production research, in energy efficient technology development and in nutrition improvement. The program will focus future resources on such regional problems as post harvest loss reduction, natural resource conservation, and employment policy development. These programs will be similar in kind to past projects which encourage interdependence and reliance by government institutions on Central American regional centers of expertise.

However, the critical period in which the region finds itself may call for a different approach with different objectives. The CACM has been criticized for not supporting coordinated programs which favor the rural or urban poor. It is viewed as having encouraged capital, instead of labor intensive investment, and as having largely neglected farming interests. Prospects for short-term economic growth in two of the five CACM countries are decidedly poor. This could cause retrenchment by their leaders until the situation improves. Simultaneously, it could cause these leaders to push hard for major CACM reform in areas likely to be of benefit to them. In spite of present turmoil, it is striking to note the degree to which Central American nations and people continue to deal with intercountry problems and the outside world in a manner which reflects their commitment to work together wherever possible, drawing on their status as Central Americans with a common history and heritage. Notwithstanding Honduras present break, no other Central American government has threatened to leave the CACM. ROCAP considers the CACM in the 80s worthy of monitoring because it may well become an appropriate vehicle through which needed economic reform can be made. The Central Americans appear prepared to consider reform and recent events may push more reticent members to be more forthcoming.

On a modest level, and included in our PAPL, support for an Agricultural Secretariat could begin to further integrate the region's largest economic sector into the regional economy. A coordinated approach to export marketing, to price supports, or to intraregional trade, supported by a Secretariat, could lead to programs reaching into social sectors and dealing with questions of, e.g., employment generation. A Central American Development Group, regardless of its leadership, might promote and accelerate development and reform across a wide scale including rural social services, energy, education, employment, trade and urban development. Were prospects for this to become encouraging, serious consideration to forming an inter-agency team to weigh alternate investment prospects, and to assess CABEL's capacity to manage such investments, might be desirable. At this writing ROCAP strategy is to monitor developments towards treaty revision and creation of a Development Group and, then, if appropriate, provide support to policy research in promising areas. In the event the Central American governments begin to make and keep commitments which could increase benefits for the poorer majorities, and/or increase interdependence in areas of interest, ROCAP will reassess the potential benefits for increased support to the CACM.

C. The Program

Background: The FY 1981 CDSS Review

The first ROCAP CDSS review in March, 1979, identified three "overriding" problems, requiring closely coordinated responses by the Central American Missions. These, i.e., Industrialization and Trade, Land Tenure and Population, were later discussed by the Mission Directors of Central America and Panama during the 21st meeting of the Mission Directors Coordinating Committee (MDCC) held in San Jose in November, 1979. The MDCC's conclusions regarding the latter

two are reviewed in this section. Industrialization and Trade are discussed in Part I.A. of this CDSS.

1. Land Tenure: Review of last year's Central American bilateral CDSSs supported the following conclusions: that land tenure problems are widespread in the six isthmian countries; that government land reform agencies have received scant government support for conversion of large properties and have concentrated therefore on easier colonization schemes; that the cooperative or communal model of land reform has been expensive and has had only mixed results in converting the campesino into an entrepreneur and asset holder; and that such gradual approaches as the land sale guaranty program of pre-Sandinista Nicaragua, the land purchase sale fund in El Salvador and the Penny Foundation in Guatemala may be too slow or insufficiently comprehensive to have a significant impact. The regional guidance urged all USAIDs as well as ROCAP to determine practical, feasible and sufficiently comprehensive approaches to affect large numbers of the region's poor.

Consideration of regional approaches such as CABEL lending for estate subdivision and supporting services were suggested. Strategies to increase Central American government commitment in this area were also solicited. The MDCC did not, however, "see any regional opportunities for activities in this area."

ROCAP has nonetheless examined possible initiatives with CABEL and IICA. CABEL officials, in informal discussions, noted the extreme sensitivity with which the Central American governments view land reform, the probable high cost of any regional program and the absence of expressions of interest in this area by the region's governments. ROCAP is forced to agree with CABEL; and we are not convinced that CABEL is currently able or interested in carrying out such a program.

ROCAP has also discussed a related proposal with IICA which would provide

assistance to national agrarian reform institutions to help identify and improve management of communal farm enterprises. The proposal is based on IICA experience under previous activities. Communal farming may not be the approach AID may wish to support. The CDSS guidance is critical of it. Our response to IICA is that any future activities of this type should await careful evaluation of IICA's experience and of the validity of the communal model as one in which productive resources legitimately can be transferred to small farmer control and ownership.

2. Population: All Central American CDSSs identified population growth as a serious problem. Although the provision of contraceptive supplies and increased cultural acceptability was recognized in the regional guidance as appropriate for and being supported bilaterally, the Missions and ROCAP were encouraged "to develop new and faster approaches to accelerate the acceptance of family planning throughout the region," especially in the sensitive area of increasing political acceptability.

The MDCC, for reasons of national sensitivity, agreed that any AID supported activities in this area "must be coordinated through the USAIDs" and "have their prior approval." The Directors thought that recent Mexican experiences in developing and implementing population programs might be relevant in increasing support for such programs in Central America. They also "suggested that LAC/DR investigate and report on what work is presently going on in the region regarding motivational research."

ROCAP has not supported activities in family planning for many years. Our last effort, 596-023 "Health and Demographic Studies" which terminated in FY 1974, and supported preparation and publication of a variety of KAP surveys and publications through the Health Department of ODECA. INCAP's DS/POP SINAPS program (Sistema Integrado de Adiestramiento de Personal de Salud) in Guatemala includes

support for house-to-house distribution of contraceptives in rural communities by voluntary, non-professional personnel. While this scheme may have the potential for replication through the region, perhaps through ROCAP's ongoing regional nutrition programs, this can best be determined as study results become available.

In 1979 INCAE conducted a study in the region on behalf of the International Commission for Management of Population Programs (ICOMP) which focused on problems associated with providing family planning services to rural populations where provision of services through clinics is not practical. They concluded that training for family planning administrators focusing on problems related to improved services to rural populations is needed, that material exists for development of such programs and that INCAE would be prepared to present such program. We are not at present able to evaluate regional demand for a program of this nature beyond our understanding that, at least in Guatemala, the need is recognized by the AID Mission and APROFAM. In view of events in Nicaragua during the last year, and other priority demands on ROCAP personnel, we have not pursued this option with INCAE. However, we are projecting this proposal as a future ROCAP P/FP activity within the PAPL. During FY 1980 or 81 the INCAE proposal should be reviewed within the region. Although ROCAP does not project assignment of a regional Population Officer, this too could change were a significant regional role in this area to become apparent.

Proposed Activities

This CDSS, as its predecessor, includes brief discussions of the program areas in which ROCAP presently plans to devote resources. Subject to the regional criteria (Part I.B) and future analyses, the ROCAP program will concentrate upon the programs listed in Part III. Brief descriptions of some follow:

- Ongoing Programs

The major continuing activities are with CATIE. Small Farm Production

Systems was initiated in FY 1979 and ends in FY 1983. This six-nation project is designed to produce small farm animal, mixed animal and cropping, and additional cropping systems as well as produce a methodology by which site specific research recommendations could be transferred with high degrees of confidence. Fuelwood and Alternative Energy Resources, begun in late FY 1979, joins CATIE with ICAITI to develop improved methods of growing wood for fuel and demonstrating efficient uses for wood and renewable energy substitutes in rural homes and small industries.

- New Activities

1. Rural Development

Regional Pest Management Program: Pest management problems have dramatically increased during the last several years in Central America: coffee rust in Nicaragua (1977) and El Salvador (1979); coffee berry borer in Guatemala, El Salvador and Honduras; the resurgence of locusts in several countries, and golden nematode of potatoes in Costa Rica, are only a few examples of stresses placed on the region's primary employment and foreign exchange generator -- agriculture. The very high incidence of pesticide poisonings from indiscriminate sale and application of extremely potent chemical materials, the high incidence of pesticide residues in animal feedstuffs and runoff from spray application are far-reaching in their effects on human beings as well as on harvested crops.

This complex problem is receiving serious consideration by OIRSA, ICAITI and INCAP. National sanitation agencies are groping for solutions. Pressures are extremely high among farmers for action to protect their production base. Border closings due to detected infections seriously inhibit intraregional trade. ROCAP and AID have long been concerned about these problems, and consequently a senior Pest Management Specialist, supported by the Consortium for International Crop Protection (CICP) recently joined ROCAP to provide regional guidance in this area.

Long-term solutions to this complex set of problems will require quantum improvement in the quality and effectiveness of national and regional agricultural

protection services. ROCAP, in collaboration with national and regional institutions, will prepare a new regional pest management activity to address key constraints and may include training on integrated pest management, development of improved policies, a pesticide registry, initiate Central American residue standards, and expand pesticide use recommendations for key crops.

Environmental Policy/Small Farm Forestry Resources: Demographic pressures to increase productive land in farms has been a major cause of regional forest depletion. Lack of adequate land policies has caused farmers to convert often unsuited forest lands to food crop production, resulting in soil erosion and reduced water holding capacity. Expanded fuelwood demand is reinforced due to high costs of alternative fuels and fuelwood scarcities - with consequent cost increases for fuelwood.

There is a great need to preserve forests and dedicate land for forest production. More involvement is required of the rural people in growing trees to meet their own requirements, create new employment and income opportunities and increase lumber supplies to meet rapidly growing housing needs. Forest farming can concurrently protect the land on which they and their neighbors live. Financing the creation of forest farming and cooperative or community forests and other wood production activities are essential in the future as a sustainable rural enterprise. Grant assistance for developing forestry production by small farmers with cooperatively owned wood processing and secondary woodworking enterprises to generate new off-farm, seasonal as well as rural small community employment is needed.

ROCAP proposes to continue to stimulate discussion of work in this area and sharing of technology among the region's countries. CATIE, the region's leading forest research agency, will be encouraged to spearhead future concentration in this area. As the new Central American Agriculture Secretariat evolves, the two institutions will be expected to increase sensitivity to the problem and to generate

new activities for national or other donor support.

Regional Post Harvest Loss Program: From product maturity to the consumer's plate, agricultural products are constantly losing weight - and quality. Product loss due to poor harvest methods, inadequate threshing procedures, poor packing, inappropriate containers, transportation losses and poor or inadequately managed storage facilities costs Central Americans many millions of dollars annually.

Exact measurements of the total loss of agricultural products from post harvest causes are not presently available. Estimates made by several regional and national institutions place the loss of value to be 15% for corn and 5% for beans annually. Calculated at average national support price levels for the region in 1979, losses were \$72.9 million for corn and \$14.7 million for beans. Losses of perishable crops is usually higher than that of basic food crops due to their shorter shelf life and fragile nature. Estimates of their losses in the market system alone are avocados 15-20%, sweet potatoes 15%, mangos 30-40%, tomatoes 12-20%, and oranges 15%.

Various but limited efforts are being undertaken nationally and regionally in this area. However, most are underfinanced and well qualified senior technical assistance is very limited. Several countries in the region are addressing specific problems in this area such as constructing more public grain storage facilities, private cold storage facilities for fruits, meat and root crops, and expanding agro-industrial processing facilities. The United Nations University has signed agreements with INCAP and CATIE to train technicians in this area and is providing several scholarships annually. ICAITI has conducted studies on losses and their prevention by processing, but no significant implementation program has been started.

ROCAP believes this an extremely important area for future regional work. If the present losses of basic food crops alone could be halted, the result could mean almost complete regional self-sufficiency for all basic food crops (except beans)

with existing production levels and an increased estimated income for the region's 1.2 million small farmers of approximately \$70 million (in 1975 prices). ROCAP proposes an initial loan and a grant to galvanize action through training, on farm and community storage, improved product packaging and more effective distribution of perishables.

2. Employment Generation Policy and Manpower Development

The problem of growing unemployment in Central America is receiving more attention as policy makers attempt to cope with generation of jobs, on the one hand, and reducing the rate of growth of the labor force through population programs, on the other. However, employment generation must be dealt with directly and aggressively if productive opportunities for men and women in lower income groups are to keep pace with growth of the labor force.

No clear strategy, national or regional, has emerged regarding the most effective means to accomplish this, nor is it clear which investment policies are most amenable to cost effective employment generation. While cost per job created is generally less in rural sectors, investment patterns still favor urban employment.

The governments, however, are beginning to appreciate that efforts to fulfill basic human needs by means of direct transfer of resources to the poor through health, education, and other social services without at the same time increasing their productivity and incomes burdens the economy. The roles of the private sector and public sector regarding employment generation are becoming less clear under present unstable conditions, and limiting the role of governments to formulation/implementation of policies influencing resource flows, incentives towards labor vs. capital intensive investment, etc., may no longer be the only politically valid or realistic approach.

Any effort towards development of an action program for employment generation

must rely on a better understanding of the current situation. A search for accurate, relevant data and information on patterns of rural and urban unemployment and underemployment, and of characteristics of those involved, however, produces variable and spotty results. There is no consistent and comprehensive effort to collect such information in each country, although some notable efforts are contributing to improving the information base.

We see the potential for regional assistance to concerned national planners. Recent seminars sponsored by PREALC, ECID, and others point up the fact that certain efforts towards resolving this problem could be conducted regionwide and linked to appropriate national development strategies designed to increase productive opportunities. A regionwide approach could be accomplished through coordinated effort in improved and rapid data collection and analysis by SIECA/ECID, IICA, and the OAS, all of which are currently engaged in this area; through preparation of guidelines for policies and legislation for sectoral investment which encourages specific interventions; with better coordination of regional national employment policies by SIECA, IICA and CABEL; and standardization of basic skills training.

Efforts now underway in certain Central American countries to generate systematic data collection and improved analysis of changes in rural poverty, e.g., the Basic Needs Information System project in Costa Rica, and the regional Social Progress Indicators project, the Agriculture Research and Information Systems project, and the series of sectoral analysis and planning models by ECID, may provide a strong basis for a coordinated regional approach. Over the next two years, ROCAP, with advice and assistance from the USAIDs, will explore an appropriate institutional structure for coordinating these ongoing and prospective efforts, and for formulating policy alternatives. Beginning with a review of OAS programs in this area, the results of the 1978 meeting of the Central American Ministers

of Labor, and ROCAP's previous activity with ODECA and the Central American Council of Labor Ministers (596-0004 - Manpower and Human Resources) which supported technical assistance in administration, statistics, manpower training and labor legislation, a sufficiently broad knowledge of prospects for a regional activity should be available. Prospects for such activity will also be reviewed with the MDCC.

At this very preliminary stage, we see a regional program supporting the following activities:

A. Refinement and expansion of current efforts in collection of data needed to define and measure unemployment, underemployment and income, as well as reviewing price policies, subsidies, tax structures and incentives, wage rates, seasonal and other flows of migrants both rural to urban and across national boundaries, and factors which determine local and regional comparative advantage in agricultural and industrial production.

B. Structure available information into instruments for measuring impact of policies on employment generation, productivity, and income.

C. Devise cost-effective strategies for employment generation; i.e., by sectors (service, commerce, etc.) and industries (rural agribusiness, assembly, light manufacture, etc.), which yield highest employment and net income for cost of job created, and for which there is demand in domestic and foreign markets. CABEL, SIECA/ECID, the Federation of Chambers of Commerce, jointly with national government and private planners, credit institutions, and possibly the Agricultural Secretariat are likely contributors.

D. Development of training programs in economics, public administration, industrial production and marketing, and other specialized courses with INCAE, ICAP, or universities in the region will be supported. The potential to improve or establish uniform basic skills training programs will also be examined.

3. Trade Promotion

Trade promotion appears to offer a major opportunity to create new levels of employment as well as contribute to expanding foreign exchange requirements to satisfy infrastructure and other developmental needs. For example, for the rural sector, present estimates indicate that meeting projected basic food requirements alone may employ about 50% of new entries into the regional rural labor market in any one year. The remainder represent a growing problem which could translate into significant social unrest and continuing high urban migration.

Closely linked to the issue of employment generation among lower income urban and rural groups - and as a means to accomplish it - is promotion of trade in labor intensive products. The next two years are likely to see the foundation laid for trade promotion and support policies, including both agricultural and industrial products under a revised Common Market Treaty. As momentum develops, the interests of the smaller agricultural and industrial producers must be assured. ROCAP foresees, therefore, a need for special assistance in assuring these small producers greater access to new production methods, greater product diversification, and markets. We propose to meet these needs with a trade promotion package which combines the particular skills and experiences of regional and national organizations into a coordinated effort to identify and exploit existing regional and new foreign markets, based on comparative advantage. This program may be greater than the sum of its parts, although the parts may be justified and supported independently of each other.

Central American Agricultural Secretariat (grant)

The Central American Ministers of Agriculture have met four times in the past six months to seek a coordinated solution to persistent, unresolved issues in regional agricultural trade and development. High on their agenda is removing

obstacles to intraregional agricultural trade, for which plant and animal sanitation problems have often been used as an excuse. Joint action, therefore, on plant and animal sanitation, along with inclusion of accelerated agricultural development within a revised CACM, and finding means to expand research, production, marketing and processing of food crops will require concerted and coordinated effort. The agricultural ministers of the isthmus, and of the Dominican Republic, have given informal support to a proposal made by the ministers of Honduras and Nicaragua (the latter since resigned) to establish a regional Agricultural Secretariat. Organizational and operational terms of reference will be presented to the ministers for consideration at their next meeting in April 1980.

The Secretariat, likely to include Panama and the Dominican Republic, may be located within IICA, whose institutional ties and responsibilities extend beyond the CACM members, with SIECA as the alternate choice. It will undertake studies and analyses of agricultural problems facing the region, and will be responsible for design of policy alternatives in concert with regional (e.g., IICA, CATIE, and ECID), national and private institutions concerned with agricultural planning and technology.

ROCAP's contribution will be provided only upon assured support of the Secretariat by the countries to be served, and that it will support activities designed to assure that policy guidance proposed by the Secretariat would satisfy the needs of small farmers and the rural poor.

Agricultural Promotion Loans

The CACM region lacks accurate and current analyses of export and unexploited regional markets, specifics on whom to market through, existing competition, product quality standards, production timing, identification of climatic/geographic areas most favorable to specific crop production which maximizes small farm profits, and marketing infrastructure needed for larger scale operation. Economies of scale and

consistency in the delivery of given products to these markets are fundamental to success. The potential for several countries to collaborate in meeting these conditions collectively and share in the benefits are large. The climate for this type of coordination is growing rapidly among the region's agricultural public and private sectors.

ROCAP is proposing an agricultural trade promotion program which joins CABEL's financial acumen and resources; LAAD-CA's successful experience and technical expertise in export promotion and marketing; employment and agricultural sector planning skills of ECID and national institutions; with policy direction by national ministries of Agriculture and Planning. During the 1980's, three export promotion loans will be provided to CABEL and/or LAAD to finance expanded production, processing, packaging and marketing of new or improved agricultural products for export. Extra-regional markets offer the greatest potential for inducing expanded production, although a range of commodities can now be identified offering potential for meeting demands among CACM countries. Examples of the latter include highland fruits and vegetables from Guatemala to lowland Central America, oil palm from Honduras, spices from Costa Rica and Nicaragua, etc.

Under a technical assistance grant, CATIE will collaborate with national research institutes to develop appropriate small farm production systems for horticultural crops. ICAITI, IICA and CATIE, assisted by LAAD, may provide technical assistance to research, marketing, agro-industry and transport groups on improved methods of production, processing, packaging and marketing those products. INCAE, too, will participate in the area of small business management.

Commodity Export Trade Promotion/Information (grant)

Depending upon whether or not, over the next several years, there is significant progress made by the CACM members in restructuring their own trade policies,

probably in line with a revised common market instrument, ROCAP will assist this effort by contributing to the development of a regionally based competence in marketing which meets the particular needs of small agribusiness and industries for accurate and current analysis of export markets and the means to gain access to these markets. This resource will forecast potential and identify existing markets and develop operational linkages to small producers.

This activity must be closely coordinated with assistance being given in production and marketing infrastructure under bilateral and regional projects. It will examine recent national efforts in export promotion, e.g., tax reimbursement payments, export processing zones, etc., for their effectiveness in achieving their objective and their utility in assisting small producers to gain access to export markets. It will monitor the impact of production factors affecting FOB prices of Central American small producer commodities, and the impact of any excise, ad-valorem or other taxes imposed by importing governments on the competitiveness of these products in foreign markets. This resource will provide an information service to national policy makers and private business interests. It will alert them to such possible adverse effects on their exports as existing and potential competition, particular taxes, quality standards, sanitation restrictions, and other factors which could create a bias in favor of capital over labor intensive investment. This resource also will advise private clients of alternate investment opportunities emphasizing those which are the most labor intensive. To promote small producer interests, it will offer assistance to participating countries in preparing favorable trade agreements, internal investment policies, and price support and subsidy programs. This resource will collaborate with and be assisted by ICAITI, IICA, INCAE and LAAD in market identification, identification of competition, technology, feasibility and market testing, and small business management.

Past efforts in regional export promotion (e.g., SIECA - PROMECA) may offer important lessons to guide renewed effort in this area, and prior to any decision to develop this project, ROCAP must be able to demonstrate that this is an idea whose time has finally come.

4. Science, Energy and Technology

Regional Energy Planning, Appropriate Technology and Non-Conventional Energy Dissemination: By the year 2000, the isthmus will face enormous economic problems, requiring probable restructuring of rural and urban production systems, because of the increasing cost and scarcity of petroleum. Regional imports of petroleum and derivatives increased from \$77 million to \$468 million between 1971 and 1978 and could exceed \$2 billion by the year 2000 (IICA). These consumption patterns significantly increase the proportion of foreign export earnings that will have to be diverted from domestic investment or other important uses to meet the region's fuel bill. Clearly alternate, non-conventional, energy resources should be exploited to the maximum extent.

The development of new technologies, particularly for small-scale applications, has met scattered success during the past decade. Several energy balance surveys have been conducted on a regional basis by UNDP, Solar America, Inc., and more recently by the MITRE Corporation. All recommend comprehensive regional energy planning, coordination, and information dissemination. Creation of COMENER represents an initial regional effort towards comprehensive energy planning and information dissemination. ICAITI is conducting appropriate technology development and demonstration in non-conventional energy resources, e.g., solar, wind, bio-gas, bio-mass, and ethanol from sugar cane. We understand that the MITRE survey points out the potential of both ethanol and methanol for the region and recommends that a specific application study be undertaken. These, as well as national activities will

complement and strengthen ROCAP's ongoing regional fuelwood project.

During the period of this CDSS, and in coordination with other donors, ROCAP will encourage regional energy planning, research and demonstration in accord with MITRE and other proposals. COMENER, ICAITI and SIECA appear to be the most likely regional cooperators at this juncture. For convenience, and because regional planning differs from technology development, two activities are shown on the PAPL.

5. Housing Guaranties

ROCAP will consider a HIG for CABEI in FY 1982 to encourage the Bank to provide financing for basic public services to upgrade marginal urban communities in Central America. The HIG would be contingent upon the success of current and proposed AID bilateral upgrading programs in Costa Rica, Honduras and El Salvador. Further HIG loans to CABEI in 1984 and 1986 to provide on-going financial support for programs in low cost housing and marginal community upgrading. This program was initiated by the Bank with a HIG loan in FY 79.

R O C A P.

PROPOSED ASSISTANCE PLANNING LEVELS (PAPL)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>TOTAL</u>
<u>Rural Development</u>						
Regional Pest Management Program	250	300	450	400	400	1800
Environmental Policy/Small Farm Forestry Resources		300	1000	1000	1000	3300
Regional Post Harvest Loss Program					200	200
Grant					3000	3000
Loan						720
Regional Interchange of Technical Expertise	240	240	240			720
Small Farm Production Systems ^{1/}	1665	1468				3133
<u>Nutrition</u>						
Regional Nutrition ^{2/}	350	350	400	400	400	1900
<u>Employment</u>						
Employment Generation Policy and Manpower Development	150	150	150	150		600
<u>Trade Promotion</u>						
Central American Agricultural Secretariat	200	200	200	200	200	1000
<u>Agricultural Promotion</u>						
Loan	5000		5000	5000		15000
Grant	75	75				150
Horticulture Production	500	800	800	800	800	3700
Commodity Export Trade Promotion/Information	150	350	300	300	300	1400
<u>Science, Energy and Technology</u>						
Fuelwood and Alternate Energy Sources ^{1/}	1400	1500	1400	655		4955
Regional Energy Planning	150	200	200	300		850
Appropriate Technology and Non-Conventional Energy Dissemination			300	300	300	900
<u>Other</u>						
Integration Studies	100	100	100	100	100	500
Population Management (Title X)	100	150	140			390
TOTALS: Grants	5330	6183	5680	4605	3700	25498
(of which approved for ongoing activities)	3065	2968	1400	655		8088
Loans	5000		5000	5000	3000	18000
Housing Guaranties	25000		25000		25000	75000

ACRONYMS

- CABEI - Central American Bank for Economic Integration
- CACM - Central American Common Market
- CATIE - Tropical Agricultural Research and Training Center
- CCMEP - Central American Coordinating Committee for Marketing and Price Stabilization
- COMENER - Central American Committee on Energy
- ECID - Central American Integration and Development Study Center
- ICAITI - Central American Research Institute for Industry
- IICA - Inter-American Institute for Agricultural Cooperation
- ILO - International Labor Office of the United Nations
- INCAE - Central American School of Business Administration
- INCAP - Nutrition Institute for Central America and Panama
- LAAD - Latin American Agribusiness Development Council
- ODECA - Organization of Central American States
- OIRSA - International Regional Institute for Agricultural Sanitation
- PAHO - Pan American Health Organization
- PIADIC - Agricultural Information Program of the Isthmus of Central America
- PREALC - Latin American and Caribbean Employment Program (of ILO)
- ROCAP - Regional Office for Central American Programs
- SIECA - Secretariat of the General Treaty of Central American Integration

PROJECTED STAFFING REQUIREMENTS (USDH)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>
1. Director	1	1	1	1	1
2. Assistant Director	1	1	1	1	1
3. Secretary	1	1	1	1	1
4. Program Officer	1	1	1	1	1
5. Capital Projects Officer	1	1	1	1	1
6. Economic Analysis	1	1	1	1	1
7. R.D.O.	1	1	1	1	1
8. Assistant R.D.O. ^{1/}	<u>2^{3/}</u>	1	1	1	1
9. Science & Technology Officer ^{2/}		1	1	1	1
10. Pest Management Advisor ^{2/}		1	1	1	1
11. Controller ^{4/}	<u>4^{3/}</u>	3	3	3	3
12. Supply and Management ^{5/}	1	1	1	1	1
13. Housing ^{6/}	2	2	2	2	2
	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
(of which Regional Support) ^{7/}	7-1/2	7-1/2	7-1/2	7-1/2	7-1/2

1/ Assigned to San Jose

2/ AID/W contract until FY 82

3/ Includes one IDI in Guatemala

4/ Shared services with USAID/G and with other Central American USAIDs for Financial Analysis

5/ Regional services officer

6/ Assigned to Tegucigalpa, office funded by DS/H

7/ Regional support personnel: Controller (1-1/2 of 3), Supply and Management Advisor, Economic Analysis Officer, Pest Management Advisor, Regional Housing (2 of 2) Science and Technology Advisor.

TABLE I

CACM INTRAREGIONAL IMPORTS^{1/}

1960	33.7
1965	137.5
1970	309.1
1975	555.1
1977	760.8
1978	937.2
1979	916.0

AVERAGE ANNUAL COMPOUND GROWTH RATE^{1/}

1960-65	32.4
1965-70	17.6
1970-75	12.4
1975-79	13.3

VALUE ADDED BY MANUFACTURING PRODUCTION^{2/}
(In Constant 1960 Prices)

1960	379.4
1965	578.2
1970	843.6
1975	1118.8
1978	1390.7

Average Annual Growth Rates

1960-65	8.8%
1965-70	7.8%
1970-75	5.8%
1975-78	7.5%

1/ Source: For 1960-77, SIECA, Integración en Cifras, July 1979, p. 38. For 1978, SIECA, Estudios Socioeconómicos 1971-78, Aug. 21, 1979, Table 26. For 1979, press report (Nuevo Diario), December 12, 1979.

2/ Source: For 1960-70, SIECA, VI Compendio Estadístico Centroamericano, 1975, Page 362; for 1970-78, SIECA, Centro América: Estadísticas Macroeconómicas 1971-78, 21 de agosto 1979, Table 7

TABLE 11

AVERAGE LABOR REQUIREMENTS IN CENTRAL AMERICA
FOR PRODUCING SELECTED CROPS

Crop ^{1/}	Man-Days per Hectare	Man-Years per Hectare ^{2/}	Hectares per Man-Years ^{3/}	Order of Priority
(Horticultural Crops)				
Strawberries	796	3.18	0.31	(1)
Okra	343	1.37	0.73	(2)
Tomatoes	267	1.07	0.93	(3)
Cabbage	255	1.02	0.98	(4)
Onions	166	0.66	1.52	(7)
Cucumbers	155	0.62	1.61	(8)
Red Peppers	144	0.58	1.72	(10)
Potatoes	134	0.54	1.85	(12)
Garlic	123	0.49	2.04	(13)
Watermelon	90	0.36	2.78	(20)
(Traditional Export Commodities)				
Coffee	199	0.79	1.26	(6)
Cotton	119	0.48	2.11	(14)
Sugar	143	0.57	1.74	(11)
(Basic Grains)				
Domestic Corn (Unmechanized)	85	0.34	2.94	(23)
Domestic Corn (Mechanized)	75	0.30	3.33	(25)
Hybrid Corn (Unmechanized)	92	0.36	2.72	(19)
Hybrid Corn (Mechanized)	87	0.35	2.87	(21)
Sorghum	66	0.26	3.79	(30)
Beans	96	0.38	2.60	(18)
Beans (with corn)	113	0.45	2.21	(16)
Dryland Rice	104	0.42	2.40	(17)
Irrigated Rice	147	0.59	1.70	(9)
(Fruit Crops)				
Citrus Fruits	86	0.33	2.92	(22)
Mango	68	0.26	3.68	(29)
Avocado	69	0.26	3.66	(28)
Coconut	48	0.19	5.32	(32)

Continuation Table II

Crop ^{1/}	Man-Days per Hectare	Man-Years per Hectare ^{2/}	Hectares per Man-Years ^{3/}	Order of Priority
Bananas	64	0.25	3.91	(31)
Pineapple	114	0.46	2.19	(15)
(Miscellaneous Crops)				
Sesame	72	0.26	3.47	(27)
Soya	73	0.26	3.42	(26)
Kenaf	84	0.33	2.97	(24)
Tobacco	250	1.00	1.00	(5)
Pastures for Livestock	25	0.10	10.00	(33)

Source: Weighted averages calculated from C.A. country crop production cost data on a primary employment basis only. Rankings assume crop activities are profitable under normal conditions and at going wage rate for labor.

1/ Assumes one crop only per year; figures are much higher where multiple cropping is feasible.

2/ It is assumed that one man-year of labor equals 250 working days.

3/ The inverse of Column 2.

This table underestimates the importance of some crops (mainly horticultural crops) as opportunities for remunerative employment because, with the exception of strawberries, in many areas in Central America they often lend themselves to two, three and even four plantings per year. Calculating relatively more harvests per year, horticultural crops emerge as the most use of land which makes a maximum contribution to the employment of additional labor.