CORECA



GISA

INTER-INSTITUTIONAL GROUP OF THE AGRICULTURAL SECTOR

FIRST AGRICULTURAL SECTOR MEETING OF THE CENTRAL AMERICAN GOVERNMENTS WITH COOPERATING GOVERNMENTS AND INSTITUTIONS

REGIONAL PROGRAM TO STRENGTHEN RURAL ENTERPRISES

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PEC/AS/91/10
PROJECT CAM/90/002
SPECIAL PLAN OF ECONOMIC COOPERATION FOR GENTRAL AMERICA

ne technical information for the First Agricultural Sector leeting is presented in ten documents to facilitate leading by cooperating governments and institutions. The documents are:

Executive Summary

Importance of the Agricultural Sector. Technical and Financial Assistance. Summary of Project Profiles.

ocur 10 describe the eight regional programs not topics selected as being of priority by the Central merican governments. The Programs are:

EC/A	S/91/3	3: Rec	ional A	gro-alim	nentary	Program.
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EC/AS/91/4: Program on Irrigation, Drainage and

Land Leveling.

EC/AS/91/5: Program on the Development of Bio-

technology.

EC/AS/91/6: Program on Intra-regional Trade and

Exports to Third Countries.

EC/AS/91/7: Program on Agroindustrial Develop-

ment.

EC/AS/91/8: Program to Strengthen Plant and Animal

Health Services.

EC/AS/91/9: Program on the Development of Border

Areas.

EC/AS/91/10: Program to Strengthen Rural Enterprises.

ach Program consists of two components: one of agional scope and the other of national scope. The agional component involves cooperative projects and ctions among the countries of the Isthmus, while the ational component is made up of the investment rojects to be carried out in individual countries.



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REGIONAL COUNCIL FOR AGRICULTURAL COOPERATION





FIRST AGRICULTURAL SECTOR MEETING OF THE CENTRAL AMERICAN GOVERNMENTS WITH COOPERATING GOVERNMENTS AND INSTITUTIONS

REGIONAL PROGRAM TO STRENGTHEN RURAL ENTERPRISES

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REGIONAL PROGRAM TO STRENGTHEN AND CONSOLIDATE RURAL ENTERPRISES

1991

PROJECT CAM-90-002 UNDP/PAHO/PEC

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INTRODUCTION

The following institutions are responsible for rural development and agrarian reform in the countries of Central America: IDA, Costa Rica; ISTA, El Salvador; INTA, Guatemala; INA, Honduras; INRA, Nicaragua; MIDA, Panama; and IAD, Dominican Republic. In 1989, these institutions, together with the Inter-American Institute for Cooperation on Agriculture (IICA) and the Regional Council for Agricultural Cooperation (CORECA), renewed the Convention for the Training and Study Program on Agrarian Reform and Rural Development for the Central American Isthmus and the Dominican Republic (PRACA).

This Convention stipulates that the technical cooperation activities of the PRACA Secretariat should be combined into an investment project to cover all the countries of the region. The objective of this project will be to transform a selected group of settlements into small rural enterprises by overhauling their financial and productive management. These changes, along with the substantial improvements in production and productivity among small-scale producers who are beneficiaries of agrarian reform, will expand both employment levels and income. The settlements have adopted incipient financial systems and, in general, protect individual land ownership despite their use of associative structures for certain production processes.

A selected group of settlements will be transformed into small rural businesses.

IICA, as an organization for international technical cooperation, has conducted technical functions in the framework of the PRACA Secretariat. In response to a decision by PRACA, in 1989, IICA worked with the countries themselves to draw up a profile of the Regional Program to Strengthen and Consolidate Rural Enterprises in the Central American Isthmus and the Dominican Republic. The members of PRACA reviewed this Regional Program in April, 1990 and approved the overall concept, strategy and components. In order to complete the final version of the Regional Program, teams from the institutions concerned with agrarian change were sent from the participating countries to write national projects under IICA's technical coordination.

The overriding concern of the conceptual framework for this Regional Program profile is to strengthen small-scale farmers by funding activities for production, food security and regional integration. These same objectives have been stressed by the ministers of CORECA in a number of working meetings. This profile also fits into the context of government programs for the agricultural sector and is tailored to adjustment policies, which in nearly all the countries

The idea is to strengthen smallscale farmers by funding both agricultural and nonagricultural activities. call for reductions in public spending, downsizing government structures, general privatization and decentralization of government functions.

The Regional Program will include activities at the regional and national levels. For the most part, national activities will consist of investment projects to be carried out in each individual country. The Regional Program falls under the aegis of the PRACA Secretariat, and one of its prime duties is to train technicians and outreach workers. Thus, it is part of IICA's technical cooperation with the member countries of PRACA.

Through the Regional Program, 729 settlements in the region will be changed into rural enterprides.

The basic objective of the Regional Program is to support the implementation of the national projects and, consequently, the consolidation of settlements in the region. It will provide specific technical cooperation in training technicians, training trainers of small-scale producers, and follow-up and evaluation. The national investment projects and regional activities are expected to transform these settlements into small, efficient rural businesses that are competitive and fully removed from government tutelage.

I. FRAME OF REFERENCE

1. Macroeconomic Setting and Its Impact on the Regional Program

The strategy of the Regional Program will be to improve food security and diversify production activities. Beginning in 1980, the countries of the region began to show the effects of the economic crisis. Most of them posted negative growth rates. This crisis was caused by a number of factors. The burden of the foreign debt grew increasingly heavy, even as prices for the region's exports began to fall. Sources of external funding began to dry up, and oil prices climbed. All this led to shortages of foreign exchange and sharp declines in investment, at a time when domestic savings were all needed for paying the foreign debt. The situation was exacerbated by the need to cut public spending and reallocate resources.

The repercussions of this situation were felt throughout the economies of the countries, but with particular intensity in the agricultural sector. At the same time, however, it was agriculture that best adapted to the new conditions. In order to weather the crisis and bring about sustained economic growth with a sense of equity at home, the countries of the region turned to the agricultural sector, focusing special attention on agricultural exports and the production of staple grains.

The economic policies adopted by the countries of the Central American isthmus strongly emphasized agricultural exports to generate foreign exchange. This agricultural export model, in turn, fostered a process of polarized modernization based on the use of incentives and the allocation of preferential resources to export producers.

The new agroexport model has prompted a process of modernization.

In this setting, the agricultural sector generated most of the foreign exchange for the countries of the region, accounting for 60 percent of all exports. Furthermore, the sector was responsible for over 20 percent of the GDP from 1970 to 1985, and in all the countries of the region, employed over 50 percent of the economically active population.

The families living on settlements make up a large share of the rural population.

The countries of the region occupy an area measuring nearly 560,000 square kilometers, with a population estimated at over 33 million in 1987. The people living in small enterprises (settlements) constitute a large share of the region's total rural population, as can be seen in the following table.

Total rural population and beneficiaries of agrarian reform (X 000)

Country	Average population	Families	Beneficiaries	Beneficiaries/ rural population %
Costa Rica	1 290.0 1	26.2	114.2	11.2
El Salvador	2 387.6 2	82.8	307.3	12.9
Guatemala	5 537.5 s	63.2	347.6	6.3
Honduras	1 747.2 4	32.2	162.6	9.3
Nicaragua	1 478.9 2	76.7	429.6	29.0
Panama	996.2 1	6.6	32.8	3.3
Dominican Rep.	2 805.0 2	75 .1	557.7	19.9

^{1 1980} figures

2. Analysis of Production Options and of the Technical Environment

Rural settlements are established within the framework of agrarian reform or transformation. They consist of campesino families sharing a contiguous area, and they generally maintain some type of associative ties for tasks involving production, marketing, credit, management of systems or structures, or community activities.

The region has 6,240 rural settlements covering a land surface area of 2.8 million hectares. The settlements are home to 362,800 families, or over 1.8 million people. Over 75 percent of these settlements have divided their land into individual private holdings. The following table shows the number of settlements and amount of land in settlements for each country:

² 1988 figures

^{3 1990} projections

⁴ Estimate based on the number of rural families

Central America has an estimated 6,000 rural settlements.

Country	Settlements (No.)	Land (ha X 000)	Average land per settlement (ha)	
Costa Rica	305 (1)	200.0	655.7	
El Salvador	665	288.4	433.7	
Guatemala	535	556.3	1 039.8	
Honduras	907 (1)	158.4	174.6	
Nicaragua	3 151	1 111.3 (2)	873.7	
Panama	349	68.5	196.3	
Dominican Rep.	328	409.5	1 248.5	
Region	6 240	2 792.4	447.5	

^{1.} Number of farms

If producers develop better management skills, they can become "small-scale rural entrepreneurs."

These indicators show that the settlements possess considerable production potential in terms of available land and labor. Their potential can be activated if specific financial resources are allocated, and, if small-scale producers obtain access to training processes that will help them improve their managerial skills. This, in turn, will help transform this group of rural dwellers into "small-scale rural entrepreneurs," incorporated more vigorously and efficiently into economic development processes and enjoying the incentives of economic recovery and integration among the region's countries. At the same time, it will markedly improve income for the poor.

Most of the production resources on the settlements are being under-utilized. Their true potential is going to waste, affecting the standard of living of small-scale producers. Clearly, this is the basic problem that needs to be solved with investment projects in each country and with the Regional Program for Technical Cooperation proposed herein.

The reactivation of agriculture requires crop diversification and modernization of production processes.

The reactivation of the agricultural sector, especially on small rural enterprises (settlements), requires the presence of two fundamental complementary factors: diversification of production, both for domestic markets and for regional and international markets, and modernization of production processes. Both require access to financial resources, while human resources must be trained if this group of producers is to join the process of reactivating the agricultural sector in the countries of the region.

The investment projects for each country were drawn up according to farm models that took the following factors into account: suitable climate; available market; potential profitability; ease of management by beneficiaries; available labor; employment generation; increased income; among others.

^{2. 786,576} hectares were distributed under agrarian reform, while 324,693 hectares were contributed by beneficiaries.

3. Socioeconomic Situation of Potential Beneficiarles

Toward the end of the 1960's, most of the countries of the region enacted agrarian reform laws designed to replace the "latifundio" or large plantation system with a more equitable form of land ownership. In theory, the new land ownership system, coupled with credit, technology, marketing and training, would steadily improve the lives of beneficiary farmers. However, agrarian reform has failed to achieve the economic, political and social objectives for which it was conceived.

A very large share of the total rural population can be classified as poor, as figures show: Dominican Republic, 75 percent; El Salvador, 76 percent; Nicaragua, 80 percent; Honduras, 80 percent; and Guatemala, 84 percent. Most of the agrarlan reform population is poor. Agrarian reform benefits varying percentages of the total rural population, ranging from a little over three percent to nearly 30 percent.

Thus, small-scale rural producers living in settlements are a large segment of all the small-scale producers in the countries. They are well positioned to play a special role in reactivating the sector, as they occupy nearly 25 percent of total farmland and comprise a little over 12 percent of the rural population.

Small-scale producers can play a special role in the reactivation of agriculture.

4. Institutional Conditions

The public institutions responsible for agrarian transformation and rural development in the countries of Central America lack sufficient financial and technical resources to carry out the various processes by which settlements can be transformed into small rural businesses. A large share of the resources are allocated primarily for land acquisition, and this makes it difficult to meet producer needs for training, technology transfer, technical assistance, and financing of investment and production. The inadequacy of financial resources for serving these enterprises has been worsened in many countries by measures to reduce public spending, and by budget cuts in the institutions of the agricultural sector.

Small-scale farmers will receive training, financial resources and technical assistance.

In order to meet funding needs for productive investments in the settlements, some institutions have adopted differentiated mechanisms to create specific credit portfolios for small rural businesses. Despite the many efforts made, they have had little impact.

The diagnosis of the population on the settlements in the Regional Program area showed that the two most pressing problems are limited access to financial resources and a lack of technical assistance services.

Major problems identified inadequate financial resources and not enough technical assistance

5. Legal Framework

The Regional Program will be promoted and carried out by the institutes for agrarian transformation and rural development on the Central American Isthmus, as signatories of the PRACA Convention, as well as IICA and the Central American Bank for Economic Integration (CABEI).

The institutions involved have full legal standing and are authorized to work in the Regional Program's field of action, both regionally and nationally.

6. The Program In the Context of Regional Integration

Forward technical cooperation boisters the process of regiorial integration.

Both the Regional Program and the national projects are an integral part of the Training and Study Program on Agrarian Reform and Rural Development for the Central American Isthmus and the Dominican Republic (PRACA), which is made up of the institutions responsible for agrarian transformation. This regional body pursues regional integration by promoting horizontal technical cooperation, offering the technical support of its Secretariat, and training professionals in the agrarian transformation institutes. It also fosters an exchange of experiences and sharing of solutions to common problems of development and of transforming settlements into small, economically solvent rural businesses.

The countries of the Central American Isthmus expressed their desire to take part in formulating the Regional Program, together with the pertinent national projects, when they signed the Final Report of the PRACA Technical Committee in April, 1990 in Costa Rica. The projects were formulated by teams in the countries, with the participation of an IICA team; this mechanism ensured conceptual, methodological and operational consistency among all the national projects. These various projects seek to solve similar problems, target the same types of groups, and possess the same basic components. The Regional Program will have additional components, such as training for technicians, training for trainers of small-scale producers, and follow-up and evaluation, that will lend permanence and conceptual and methodological consistency to all the projects.

The Region of Program is a part of two producting and Initiatives PACA and LANIAC

In the context of regional integration, the Regional Program fits into the framework of two regional initiatives: the Plan of Joint Action for Agricultural Reactivation in Latin America and the Caribbean (PLANLAC) and PRACA. It will contribute to specific productive activities in the spirit of the presidential summit held in Antigua, Guatemala in June, 1990, which held out integration as the means to bring about development in Central America.

Regional institutions that will take part in carrying out the Regional Program include IICA and the Central American Bank for Economic

Integration (CABEI), the region's financial negotiating agency, which holds a Technical Cooperation Agreement with IICA. Regional institutions such as CORECA and PRACA will help direct the Regional Program.

II. REGIONAL PROGRAM DESCRIPTION

1. Justification

This Regional Program arose from the convergence of three different factors. The first was an analysis of the problems facing small rural businesses in the PRACA framework; it was discovered that the productive potential of the enterprises was being under-utilized, and that this population needed to fit more dynamically into sectoral processes of economic reactivation. The second was the adoption of overall government objectives for economic development, including adjustment policies that assigned a new role to the agricultural sector, particularly the subsector of small-scale producers. The third was the approval of the PLANLAC, with its new concepts and operating guidelines on rural development.

The role of the subsector of small-scale producers transcends simple considerations of production and is vitally important for ensuring the economic reactivation of the region's agricultural sector. There is a clearly visible need to strengthen small rural businesses, activate their productive capacity, consolidate their business skills, increase options for rural employment in both agricultural and off-farm production activities, and simultaneously multiply and consolidate opportunities for participation and democratization.

The region's economic development strategy calls for reactivating both the agricultural sector and small-scale farmers. New sources of employment need to be created, higher production and productivity levels are needed for the Items in the basic market basket (which play a key role in food security), and production must be diversified, targeting new market windows which, in turn, will generate foreign exchange through exports.

Small-scale producers living on settlements have certain qualities that can facilitate the implementation of agricultural production activities; as such, they can make a substantial contribution to reactivating the agricultural sector. The most important include: access to land ownership; a firm legal and social foundation; good levels of organization; and support from nongovernmental organizations (NGOs). The national projects and the Regional Program will consist of activities tailored to the degree of technological trans-

Proposed activities will make better use of presently underutilized productive potential. formation that has taken place in the production processes on these settlements.

The Executive Secretariat of PRACA, operating with IICA's guidance and technical support, has developed sufficient operating capacity to formulate investment projects and provide its member institutions with technical cooperation for training technicians and performing follow-up and evaluation. However, as the implementation of the national investment projects will drastically increase the demand for its services, the Secretariat will need to strengthen this area of action considerably, with an injection of financial and technical resources.

Settlements will gradually break away from government protection, and activities will be transferred from the public sector to the private sector.

The Regional Program, like the national projects, will contribute to the processes of decentralization and privatization that some of the governments in the region are carrying out. Under these processes, settlements gradually break away from the protection of the state, while some of the duties traditionally carried out by government institutions, such as technical assistance and financial brokerage, are transferred to the private sector and nongovernmental organizations.

The operating strategy is designed to channel more than 80 percent of the resources directly to small-scale farmers.

From the conceptual standpoint, both the Regional Program and the national projects reveal a new approach to rural development. In the first place, this approach will challenge the type of integrated rural development that has led to the proliferation of institutions (and technicians); in the second, it will respond to the structural adjustment policies, with their emphasis on privatization, market opening, financial constraints and other new conditions. Thus, the national projects reflect a fundamentally productivist philosophy. The components and operating strategies are designed to channel over 80 percent of the resources directly to small-scale farmers.

The Regional Program and the national projects are based on four fundamental principles:

- a. Help increase production, productivity and employment on the settlements
- b. Make better use of existing capacity for both agricultural and off-farm production in activities of the "expanded agricultural sector" or other sectors of the economy; to some degree, this will also strengthen inter-sectoral relations
- c. Substantially increase the generation of surplus and capital accumulation in the regions or zones where small rural enterprises are located. This will spark multiplier effects that can raise standards of living for the rural population.
- d. Encourage greater participation by the private sector and NGOs in activities or services traditionally provided by the government

Nongovernmental organizations and the private sector will carry out activities traditionally pertaining to the state.

2. Objectives

General

- The ultimate purpose of the Regional Program is to help make the national projects fully successful. It will consolidate national project implementation and offer region-wide technical assistance to the national executing units. The Regional Program's areas of cooperation will include project formulation, training for technicians, and other tasks typical of a regional executing unit.
- Another purpose of the Regional Program is to upgrade the technical staff of national executing bodies through training processes, in order to ensure that each of the national project components is carried out successfully.
- The national projects are designed to consolidate a group of small rural enterprises selected especially for their productive potential. This will be done by financing agricultural and off-farm production activities and training small-scale producers in production techniques and management.

Specific

Regional Program

- To upgrade the technical, production and management skills of outreach workers and technicians from national governmental and nongovernmental institutions
- To provide technical assistance in determining how the regional funding mechanism will be regulated, structured and operated and, if necessary, offer the same type of help to individual funding mechanisms in each country
- To strengthen national units that train technicians and producers
- To cooperate with the national executing units in promoting the development of settlements as small rural enterprises, transforming them into efficient, competitive businesses
- To consolidate national units for follow-up and evaluation and for special studies
- To facilitate the hiring of technical teams specialized in agricultural production activities, through technical cooperation

The technical capability of national institutions - both governmental and nongovernmental -- will be improved

National Projects

Women will be included in agricultural and nonagricul-

tural production activities.

- To help producers develop production and financial management skills so they can consolidate their businesses and begin to participate effectively in decision-making processes
- To incorporate women and young people into the processes of agricultural and off-farm production funded by the national projects
- To help improve income, employment, production and productivity of small rural enterprises
- To contribute to food security and to the generation of foreign exchange in the countries of the region
- To strengthen production activities oriented toward other sectors of the economy
- To encourage NGOs and the private sector to take part in activities for technical assistance and for procuring financial resources

NGOs and the private sector will also play an important role in technical assistance and financial brokerage.

3. Strategy

Two strategic factors, training of human resources and availability of financial resources

If the Regional Program is to achieve its objectives for the region and for each country, thus consolidating the small rural businesses selected for attention, it requires a strategy under which all available human and financial resources are used efficiently. The national projects should concentrate on two factors that strongly shape the economic development process: training for human resources, both technicians and small-scale producers; and, obtaining access to financial resources for investment, under flexible terms, according to the payment capabilities of each production project being funded.

The implementation strategy, designed with these conditions in mind, features the following elements:

A funding mechanism (Rural Development Revolving Fund). This mechanism will fund productive activities, both on and off the farm. It will also cover technical assistance services by outreach workers and will promote training activities. Each project or group of projects should receive the specific technical support of an outreach worker.

The strategy also takes into account the considerations set forth in the Central American Program on Agricultural Enterprises, Stage III, drawn up and submitted by CABEI within the framework of GISA. The CABEI proposal covers additional technical cooperation requirements totaling US\$1.5 million.

A system of working-capital loans. This system will operate at the country level to supplement resources from the Revolving Fund. It will finance activities related to agricultural production.

A regional training program for technicians and outreach workers. This training program will work with trainers from public and non-governmental institutions in each country. A similar program will operate at the national level to train outreach workers and small-scale farmers. The two are fully compatible, with similar philosophies, methods and implementation.

A regional training program will be carried out for technicians and outreach workers.

In order to mobilize all these elements of the strategy, the Regional Program will provide monitoring, follow-up and evaluation, in support of the national executing units. It will also organize specific events for training technicians.

The Regional Program strategy, intended to maximize the on- and off-farm production capacity of small rural enterprises, will offer training to improve business skills in organizations of small-scale producers. It will also help them obtain access to financial resources and appropriate technical assistance.

The strategy provides for strengthening business skills in organizations of small-scale producers.

The Regional Program places top priority on training of small-scale farmers. The goal will be to help organizations of small-scale producers participate in identifying and formulating small-scale production projects, and managing their companies.

Training for technicians should be based on the participatory approach and build on the same methodological foundation as training of small-scale farmers, known as "learning by doing."

4. Components of the Regional Program and National Projects

The Regional Program and the projects consist of three closely-interwoven components.

Rural Development Fund

This Fund will be a differentiated mechanism to fund small projects for agricultural and off-farm production, thus empowering small rural businesses.

At the regional level, the role of this component will be to negotiate external financial resources and make them available to corresponding national funds. In other words, this entity will serve the region as a channel for resources. The CABEI will perform these duties with technical cooperation from IICA. Fund management should also ensure that each national institution responsible for managing resources locally is fully qualified.

Rural Development Fund: the region's channel for resources

The countries, in addition to working with the Rural Development Fund, may also negotiate and contract resources independently for their own counterpart funds.

At the national level, this mechanism will help make small on- and off-farm production projects profitable. It also underwrites technical assistance by outreach workers who can serve as intermediaries with other technical assistance and training services targeting small-scale producers. This would be useful, for example, with technical or production training and business management training.

Simple funding mechanisms will also be developed in the private sector and in the NGOs.

The Fund will work in the countries to promote the creation or consolidation of simple funding structures and mechanisms that use instruments and institutions already present in the private sector. For example, certain rural savings and loan cooperatives have a flexible, dynamic structure and manage their resources efficiently, in a way well suited to the socioeconomic and production characteristics of small-scale producers. Moreover, because the funding mechanism has a simple structure, representatives of small-scale farmers can more easily participate in making decisions on allocation of the Fund's resources at the regional and local levels.

Small investment projects backed by the Fund should meet all technical and financial requirements and should also be compatible with the principles and philosophy of this Regional Program.

Training for technicians, outreach workers and small-scale producers

This component, like the Fund, will operate at both the regional and national levels. In its work at the regional level, it is instrumental for maintaining conceptual and methodological consistency among the national technicians responsible for training outreach workers and small-scale producers.

Regional level

The component for training technicians and outreach workers will upgrade the technical team in national institutions by introducing professionals to subjects relevant to the needs that arise as national projects are carried out. In general terms, the curriculum is expected to include such topics as training for small-scale producers, media production, business management, administrative techniques and market operation. This component will work with the methods known as "learning by doing."

If is Rural Development Program, with its broad, successful exportence, will provide support Support will be forthcoming from IICA's Rural Development Program, which has developed a number of teaching tools and has acquired broad experience throughout the Americas. Training activities in the

field of communication will benefit from the agreement that IICA holds with Netherlands Radio.

The unit responsible for training technicians will be set up as part of the PRACA Executive Secretariat and will work closely with national units responsible for training outreach workers and small-scale producers.

National level

The training component of the national projects will train outreach workers and small-scale producers. It will use the same conceptual and methodological approach as the component for training technicians at the regional level.

National governmental and nongovernmental institutions will be able to strengthen their training programs for small-scale producers and outreach workers, in order to respond effectively to the demands for their services. A special effort will be made to involve the private sector in this component and reach out to other programs outside the traditional system.

Working-capital loans

This component will serve as an instrument to provide the working capital needed for agricultural production. It will be grounded in the commercial banking system or the development banks. The essential purpose of this component will be to finance appropriate technological alternatives for agriculture. The new options should bring about real improvements in the production and productivity of traditional and nontraditional crops. This component will involve the outreach workers hired by small rural enterprises in credit-related activities.

Technological alternatives will be funded to ensure more production and higher productivity.

The credit will be used to cover cash flow shortages during periods when the businesses are receiving no income. It will operate differently from the Rural Development Fund, as it has different purposes and operating systems.

5. Goals

Regional level

- To train 500 outreach workers from national institutions connected with the Rural Development Fund
- To train 250 technicians from national government and nongovernmental institutions
- To design and put into operation an information system for production

Five hundred outreach workers from national institutions will be trained.

- To design and put into operation a system for follow-up and evaluation of the projects and activities of national executing units
- To support the standardization and regulation of the Regional Development Fund and the national rural development funds
- To develop financial and administrative management methods for small production projects
- To test the training methods and operating instruments used by the Organization and Management for Rural Development Program (PROADER) and fine tune them for training outreach workers

National Level

Small-scale producers

- To train 6,800 small-scale producers
- To consolidate 729 small rural businesses (settlements) by funding production activities; 32,847 families will benefit

The beneficiaries can be broken down as follows:

Regional Program activities will cover 270,000 hectares of land.

Number of settlements and families to benefit from national projects

Country	Beneficiary settle- ments	Beneficiary families	Land affected (ha)
Costa Rica	51	1 731	16 909
Guatamala	10	2 042	4 669
Honduras	280	5 600	55 331
Nicaragua	240	4 897	116 874
Panama	60	1 128	19 962
Dominican Republic	88	17 449	56 200
Regional Program	729	32 847	269 945

Goals for agricultural production

32,000 families will benefit

The goals for agricultural production under the major activities to take place in the countries can be summarized as follows:

Goals for Agriculture in the countries

Product	Area (ha)	Production (year 5)
Traditional products		
Coffee	6 066	268 670
Rice	58 706	233 698
Maize	29 119	101 944
Beans	12 686	18 431
Sorghum	10 097	41 225
Sugar cane (mt)	10 480	1 022 000
Nontraditional products		
Plantains	16 495	451 821
Cassava	5 708	62 759
Pineapple	1 970	7 092 000
Other: Fruits, vegetables, roots a	nd tu-	

Other: Fruits, vegetables, roots and tubers*

*The specifics of nontraditional products and off-farm projects can be seen under each of the subprojects prepared in the countries. The diagnostic studies conducted prior to formulating the Regional Program detected needs for small-scale projects such as repair shops for simple farm machinery, bakeries, factories to produce cement blocks, and others.

Institutional goals

- To strengthen the unit for training small-scale producers
- To formulate the training method
- To train 268 technicians
- To train 1,269 outreach workers
- To consolidate the follow-up and evaluation unit
- To establish and operate the Revolving Fund

Over 250 technicians and nearly 1,300 outreach workers will be trained.

6. Regional Program Beneficiaries

In the various countries, the Regional Program identified a special group of settlements as having high agricultural production potential. These settlements are home to 32,847 families, whose human and physical resources and degree of organization, will facilitate their conversion to small, efficient, competitive rural businesses.

The Regional Program will also strive to incorporate social groups such as women, young people and indigenous people into production processes through investment projects in small rural businesses that generate jobs and income.

The Regional Program will consolidate the incorporation of women, young people and indigenous people into production processes

7. Support Services for Production

The primary source of support for the national subprojects will be whichever institution signed the PRACA Convention; these institutions in each country are responsible for the settlements and provide them with technical assistance, credit and training services.

The ministries of agriculture, public and private institutions involved with the sector in each country, and the national banking system will also play an active role in the agricultural production processes on enterprises of small-scale producers. They will provide services for technical assistance, technology transfer, marketing, input and machinery supply, insurance and natural resource conservation.

The regional and national executing units will constitute a mechanism for horizontal technical cooperation by which information can be exchanged among national and international institutions.

III. ORGANIZATIONAL STRUCTURE

1. Executing Unit

The Executive Secretariat of PRACA will be responsible for the regional executing unit.

The regional executing unit will report to the Technical Committee and the Board of Directors, both of which were created under the PRACA Operating Agreement for 1989-1992, which specifies the duties of this Regional Program's executing unit. The work will be coordinated by the Executive Secretariat of PRACA. The executing unit will operate at two levels:

Regional level

Activities will be coordinated with the Central American Bank for Economic Integration, which is the depositary of donor funds.

The regional executing unit will begin organizing the Regional Program and conduct preinvestment activities that will culminate in funding by the donor countries and institutions. It will be responsible for technical and administrative guidance and the follow-up, monitoring and evaluation of Regional Program activities with the Rural Development Fund, working-capital loans and regional training events. It will coordinate its work with the CABEI, which will serve as a depository for donor funds.

The regional executing unit will have the following sections:

Training unit

This unit will train national technicians and provide follow-up on actions to train campesinos and outreach workers from the countries.

Unit for technical support in investment projects

This unit will provide the countries with methodological support in formulating investment projects for consideration by the Rural Development Fund.

Follow-up and evaluation unit

This unit will follow up on the activities of the Rural Development Fund and working capital loan projects in the countries.

Support unit

This unit will provide computer and logistical support to the other units, especially in projects and in preparing text materials for the training activities.

National level

Each country will set up a project executing unit with a national coordinator. These units should all be part of the national institute associated with the PRACA Agreement; their operations, concepts and methods should be consistent with those of the regional executing unit, under the coordination of the PRACA Secretariat.

The executing units in each country should be part of the national institution associated with the PRACA agreement.

The PROADER-IICA rural development specialists located in the different countries will cooperate with executing units in formulating and evaluating investment projects and holding training events.

The national executing units will work with Regional Program beneficiaries either directly or through NGO's.

2. Plan of Action

Regional Program implementation will take five years and embrace the following general activities:

Preliminary phase

- Formalize the Regional Program in the participating institution and establish pertinent accords with donors
- Prepare the addendum to the PRACA Agreement, stipulating where the donor funds will be deposited and how they will be channeled from regional bodies to national bodies
- Approve any necessary changes to the PRACA Agreement and establish operating procedures for the Regional Program
- Set up the regional executing unit in the PRACA Secretariat
- Prepare rules and regulations to govern the operations of the executing unit
- Prepare and discuss the first annual plan of operations

Implementation Phase (annual activities)

- Assist the national executing units in drawing up annual plans of operation
- Draft regional and national training plans
- Carry out regional and national training programs
- Follow up on training activities

During the preliminary phase, the regional executing unit will be set up in the PRACA Secretariat.

One of the central features will be the formulation of smallscale agricultural and off-farm investment projects.

- Assist national units in formulating agricultural and off-farm investment projects for the small rural businesses
- Follow up on investment projects
- Provide national units with advisory assistance in managing each country's rural development fund
- Evaluate the work of the Regional Program

By the end of the fifth year, the Regional Program should undergo a final evaluation.

A strategic feature of Regional Program follow-up is the establishment of a regional executing unit that will promote regional-level preinvestment and Regional Program management activities.

3. Resources

The regional executing unit will require the following personnel:

Follow-up and evaluation unit

- -One specialist in charge of the unit
- -One secretary

The unit can be reinforced with consultants for specific purposes, to be identified as the Regional Program unfolds.

Technical support unit for investment projects

- One specialist in writing and evaluating investment projects
- One economist specialized in writing and evaluating proiects
- One secretary

Training unit

- One training coordinator
- One specialist in training
- One secretary

The training unit can be reinforced with consultants for specific purposes.

Support unit

- One coordinator
- One programmer/analyst
- One secretary

Equipment and supplies

- A regional network (8 computers, 8 printers and communications equipment)
- Computer paper, training materials and general supplies

4. Participating Institutions

The Regional Program's organizational structure will be grounded in the Operating Convention of the Training and Study Program on Agrarian Reform and Rural Development for the Central American Isthmus and the Dominican Republic (PRACA). This Convention was formalized by PROADER-IICA, CORECA and national government institutions specialized in agrarian transformation: the Institute of Agrarian Development (IDA), Costa Rica; the Salvadorean Institute of Agrarian Transformation (ISTA), El Salvador; the National Institute of Agrarian Transformation (INTA), Guatemala; the National Agrarian Institute (INA), Honduras; the National Institute of Agrarian Reform (INRA), Nicaragua; the Ministry of Agricultural Development (MIDA), Panama; and the Dominican Agrarian Institute (IAD), Dominican Republic.

Various regional organizations will take part, in addition to governmental institutions specialized in agrarian transformation.

The Convention establishes a single regional mechanism for cooperation that combines all these agencies. The member institutions are coordinated by a Board of Directors and a Technical Committee which, with technical cooperation from IICA, carry out a plan of activities in accordance with priorities set every year.

For the purposes of this Regional Program, the CABEI will be included as a regional institution to promote the procurement and disbursement of funds from each donor's financial office to the national-level depository institutions.

The Central American Bank for Economic Integration will promote the producement and disbursement of funds

The relationship between PRACA and the CABEI will be institutionalized and made operational through an addendum to be added to the PRACA Agreement, describing the duties and responsibilities of each party.

The CABEI, in coordination with the regional executing unit and national executing units, will enter into agreements for transferring funds to the financial institution designated to receive funds in each country.

IV. COSTS AND FINANCING

1. Costs

Total cost of the Regional Program, including national projects: US\$118.8 million

The Regional Program and the national projects will cost US\$118.8 million for a five-year period.

The Regional Program's operating strategy calls for 87.7 percent of total Regional Program funds to be allocated to the Rural Development Fund, working-capital loans and training. This money will be available for direct access by small-scale rural producers on the 729 settlements.

Total costs of the executing unit will be US\$5.0: million, of which IICA will contribute US\$1.7 million of this total.

Regional Program cost. Breakdown by components (US\$ X 000)

The regional executing unit will cost a total of US\$5.0 million; of this, IICA will contribute US\$1.7 million.

Components	Cost	%
1. Regional level		
Executing unit	5 093	4.3
Training unit	1 435	
Project unit	560	
Unit for follow-up and evaluation	480	
Support unit	245	
PRACA Secretariat 1	1 643	
Equipment and supplies	100	
Office rental	120	
Other expenses ²	510	
2. National level	113 750	
Executing units	9 900	8.3
Rural Development Fund	71 800	60.4
Working-capital loans	29 200	24.6
Training	2 850	2.4
Regional Program (1+2)	118 843	100.0

¹ Pertains to rural development specialists presently working in PROADER-IICA, who will play a significant role in the Regional Program.

2. Financing

Fighty six percent of the funds will come from external sources.

National funds and the IICA contribution will account for only 14 percent of the full cost of the Regional Program; the remaining 86 percent will be derived from external sources. Funding options still to be negotiated will include a nonrefundable loan to support the

²18 percent of expenses, not including the IICA contribution

Regional Program. Resources for the national projects could be handled as refundable loans, in view of the analysis of all the proposed investments, demonstrating that they are financially sound.

Proposed sources of financing for the Regional Program can be broken down as follows:

Source and use of funds

(US\$ X 000,000)

Level	Sources				Uses			
	External	National	IICA/ PRACA	Total	Fund	Working -capital loan	Training	Executing unit
Countries (1)	98.7	15.05		113.75	71.8	29.2	2.85	9.9
Costa Rica	18.1	.80		18.9	15.0	1.5	.30	2.1
Guatemala	16.7	1.60		18.3	9.7	7.7	.20	.7
Honduras	11.2	1.85		13.1	6.0	3.6	.55	2.9
Nicaragua	25.5	2.80		28.3	24.1	2.5	.20	1.5
Panama	10.7	.30		11.0	5.8	3.3	.50	1.4
Dominican Republic	16.5	7.70		24.2	11.2	10.6	1.10	1.3
Executing unit (2)	3.1	.25	1.75	5.1			.88	4.2
Regional Program (1+2)	101.8	15.30	1.75	118.9	71.8	29.2	3.73	14.1

V. ANALYSIS

1. Technical Analysis

The technical analysis of the national projects focuses on two different areas. The first is the technology proposed for agriculture, to qualitatively and quantitatively improve the management of the agricultural enterprise by comparison with the present situation. The second area of analysis is the overall Regional Program and the proposed method of maximizing production and business-like management on small rural enterprises.

The Regional Program offers a technically integrated approach through the specific components and the organizational structure. It combines the participation of organized beneficiaries and public and private institutions that will provide services to the sector.

The technology proposed for the projects in the countries is considered to be of an intermediate level. It is familiar and widespread in public and private institutions that provide technical assistance.

The proposed alternatives will allow for greater participation by beneficiaries, from the grass-roots level up to the national leadership. They will help improve the provision of credit services and training.

The overall solution to the problem of boosting the region's production and improving management is sound.

2. Institutional Analysis

International and regional institutions and organizations aiready exist in the region for organizing and implementing the Regional Program. These regional institutions involved in Regional Program implementation, such as IICA, CABEI, PRACA and CORECA, are highly-organized and have broad experience in rural development. They will support the national institutions responsible for carrying out the Regional Program.

At the national level, each country has an institution to organize and carry out the Regional Program. These are the agrarian or transformation institutes, signatories of the PRACA Agreement and members of the banking system.

3. Legal Analysis

Tr a PRACA Agreement provides a legal framework for the work of the regional executing unit.

The mechanism established at the regional level in the PRACA Agreement gives a sound legal basis to the regional executing unit (the Secretariat of PRACA).

At the national level, the institutions participating in the Regional Program as executing units are already well established and have extensive experience in managing funds for development and investment projects. Moreover, they are legally empowered to operate in the Regional Program's field of action.

4. Financial and Economic Feasibility

Financial analysis in all six countries snowed the national projects to be feasible.

The production models for the national projects in each country were subjected to financial analysis using the following indicators of profitability: internal rate of return (IRR), net present value (NPV) before financing, and benefit/cost ratio (B/C).

The following table gives the results of the evaluation of national level subprojects.

National projects: indicators of profitability of production models

National projects	IRR %		NPV (US\$ X 000)		B/C ratio	
	Min	Max	Min	Max	Min	Max
Costa Rica	19.0	30.1	384	6 288	1.4	1.7
Guatemala	19.3	85 .7	1 145	5 062	1.4	3.2
Honduras	24.0	39.3	5 7.7	321.0		
Nicaragua	32.2	>100	61.1	254.3	1.3	3.1
Panama	19.1	38.6	4 0.4	286.6	1.1	1.2
Dominican Republic	47.3	>100	9.3	2 371	1.2	1.8

The financial indicators for each of the national projects, as well as the production models, are shown in detail in the profiles prepared for each country.

5. Regional Program Impact

The implementation of the Regional Program by the regional executing unit in the PRACA setting will have a heavy impact on the region, visible in the following ways:

— National institutions will be strengthened in formulating, negotiating, managing, following up on and evaluating small development and investment projects and in designing and exchanging methods for providing training and technical assistance to small-scale producers; this will contribute to regional integration.

The projects for development and investment will contribute markedly to improving the economic and social situation.

 The Regional Program will consolidate and transform 729 small, economically-independent rural enterprises (settlements), benefiting 32,847 families in the Central American countries.

The Regional Program will generate 2.3 million work days per year by the fifth year. Available employment will rise from 3.4 million work days per year without the Regional Program to 5.7 million with the Regional Program.

By the fifth year, the Regional Program will have created 2.3 million work days per year.

Regional Program interventions are also expected to produce the following concrete results on beneficiary settlements:

- Agricultural production will increase and diversify as a result of changes in production technology and access to inputs.
- Family income will rise as women and young people become more involved in agricultural and off-farm activities.
- The Regional Program will help identify funding mechanisms appropriate for small-scale producers; this means setting flexible regulations and procedures for the phases of study, approval, disbursement and follow-up of loans.
- Small-scale rural production units will achieve greater capital formation with the investment projects.
- Rational, sustained use will be made of natural resources.

Finally, the training component is expected to produce the following results:

The investment projects will boost capital formation on small rural operations.

- Methods will be identified and developed for training technicians, outreach workers and campesino farmers.
- National units will be established with well-trained techniclans, outreach workers and campesinos; this will be useful for extending the Regional Program to other types of producers.
- The training component will identify which topics are most important for consolidating settlements.

Family income will improve from US\$460 per year to US\$1,670 per year by the seventh year, for an increase of 263.04 percent.

If the Project is carried out as presently visualized, it will provide a means to preserve the regenerative conditions of the soil. It will also stress rational use of pesticides, to protect the ecological balance in the target area.

NICARAGUA

STRENGTHENING AND CONSOLIDATING RURAL ENTERPRISES

(Project)

1991

PROJECT CAM-90-002 UNDP/PAHO/PEC

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INTRODUCTION

The government of Costa Rica has carried out major efforts in the field of rural development, in order to improve the socioeconomic conditions of campesinos, particularly in the reformed sector. The strengthening and consolidation of that sector have been entrusted to the Agrarian Development Institute (IDA), which is carrying out intensive activities to provide services to the beneficiaries of agrarian reform. Nevertheless, such efforts are not sufficient to place available resources at the production level in order to improve the socioeconomic conditions of campesinos.

The IDA will promote the Project at the regional level, since it forms part of a multinational investment effort established under the Training and Study Program on Agrarian Reform and Rural Development for the Central American Isthmus and the Dominican Republic (PRACA), whose members include the institutions responsible for such matters in the countries of the subregion, the Inter-American Institute for Cooperation on Agriculture (IICA) and the Regional Council for Agricultural Cooperation in Central America, Mexico, Panama and the Dominican Republic (CORECA).

The Project forms part of a multinational effort promoted by PRACA

The Project is also an integral part of the Plan of Joint Action for Agricultural Reactivation in Latin America and the Caribbean (PLANLAC), entrusted to IICA by the Ninth Inter-American Conference of Ministers of Agriculture held in Canada in 1987.

The PRACA Secretariat and IICA's Rural Development Program provided guidance and cooperated in the drawing up of the Project.

Agrarian reform has played an important role in Costa Rica: 479 campesino settlements have been created, covering 426,690 hectares and benefiting 26,207 families.

The first phase of the Project aims to consolidate 51 settlements with 1,731 families in an area of 17,000 hectares. The participation of the private sector in managing the production process and the support services required by Project beneficiaries will also be encouraged.

The resources called for will be used to expand credits available for investments in, and working capital for, production activities, and to support training and technical assistance in beneficiary settlements.

During the first stage, 51 set tiements with over 1,700 families on a total area of 17,000 hectares will be strengthened

Agricultural production is an important activity in the national economy. It represented 15.5 percent of GDP in 1987, accounts for 33 percent of the nation's jobs, provides basic foodstuffs and generates foreign exchange through exports.

The economic difficulties of the government and consequent limitations on public spending will prompt the settlements to develop sound financial management skills. The country's current economic situation calls for restrictions on public spending, which directly affect the budgets of institutions in the public sector, and especially those institutions providing services to campesino settlements of the reformed sector, since all the costs of these settlements are covered by the State.

Economic separation of the settlements from the State is being promoted and projects that lead to better use of resources and self-management of enterprises are being encouraged.

Support will be given to assist small-farmer organizations in forming secondary enterprises.

Specific policy guidelines for the campesino settlement sector are as follows: the State will promote the economic consolidation of the settlements through the combined efforts of the beneficiaries and the National Agricultural Extension Service. This will include technical assistance, organization of small farmers and credit services. It will redirect the economic structure of campesino settlements by strengthening agricultural and livestock diversification, agroindustry and non-agricultural activities closely linked to the sector. It will promote and support campesino organizations in developing their own channels of distribution through the establishment of secondary enterprises; and it will direct credit and investments toward agricultural and non-agricultural production activities.

The policy orientation of the current government supports the execution of the Project, since it encourages sound management of campesino enterprises in the settlements and their gradual independence from the State.

2. Analysis of Production Options and of the Technical Environment

The subsector of agrarian reform beneficiaries has been unable to significantly modify the agricultural production structure and, consequently, to reduce the degree of underdevelopment. Some indicators of this situation are: under-utilization and poor land use; insufficient infrastructure at the property level; a short supply of machinery; insufficient credit; and weak technical, administrative and organizational structures.

Greater access to credit will be provided and working capital strengthened.

The basic problem is the underutilization of human and production resources available to the campesino settlement sector, which is evident in production levels below the expected and which has a direct influence on income levels and quality of life. Limited access to credit for investment and working capital, in addition to insufficient technical and administrative capacity in the settlements, hinder the sustained development of the production units.

Technological options will be defined together with the campesino representatives in accordance with the following criteria: crops which studies indicate as being agriculturally adaptable to each proposed region; economically-profitable activities; and activities that can be managed at the campesino settlement level (availability of labor and potential to meet increased labor needs) and which boost food production and create jobs for the family and the adjoining population.

The criteria of life zones (humid or dry), type of exploitation (individual or associative), production system (rain-fed or irrigation) and type of crops (rice or small crops), were used to select similar groups of settlements for three production models.

Irrigated rice

The technological changes proposed for the crop are: improvement of land preparation; use of improved, treated and pregerminated varieties of seeds; and increased agrochemical doses. Three farming models will be used to increase production and productivity.

Irrigated small crops

This model proposes continuing with existing crops, both because of land use criteria and because of experience already gained, and to introduce the following cultivation practices: improve land preparation; introduce improved and treated seeds; introduce and/or increase doses of agrochemicals; increase use of irrigation.

Rain-fed small crops

These crops will be maintained, through the introduction of certain technological changes, such as the use of improved varieties of seed, the introduction and/or increased use of agrochemicals, improvement in land preparation, and increased crop density per hectare (pineapple).

Furthermore, plans include the establishment of collection warehouses for the settlements' crops. The settlement beneficiaries will also promote small livestock projects, including beekeeping, broilers, goat raising and hog fattening. In all these projects, familiar, upto-date and appropriate technology will be used to upgrade the production of existing crops and livestock activities and to diversify agricultural and livestock production.

There are also plans to develop non-agricultural projects such as establishing input stores, pottery shops, small-scale animal feed plants and, in general, activities aimed at creating jobs for young people and women in the settlements.

3. Socioeconomic Situation of Potential Beneficiaries

The reformed sector covers an area of 410,000 hectates, where 75,052 beneficiary families live.

The reformed sector comprises 328 campesino settlements established on 410,000 hectares, which benefit 75,052 families and have a population of 481,000 people -- approximately seven percent of the total population of the Dominican Republic. The principal activities in the sector are cultivation of grains and other products of the basic basket. The reformed sector produces 30 percent of the national production of corn, sorghum, beans, bananas, cassava and vegetables, and 45 percent of rice production (the main product in the family shopping basket).

The income received by agrarian reform farmers is not attractive, due to the low productivity levels of crops in most of the settlements; furthermore, the average prices they receive for their products is low, since they are Items of domestic consumption.

The illiteracy rate of the population is approximately 33 percent and the unemployment rate is about 25 percent.

4. institutional Conditions

There is sound institutional support from the agricultural pubiic sector The principal institutions that will participate in the Project are the Ministry of State for Agriculture (SEA), the Dominican Agrarian Institute (IAD), the Investment Fund for Economic Development (FIDE) and the Agricultural Bank of the Dominican Republic (BAGRICOLA).

The Ministry of State for Agriculture provides services related to the generation and transfer of technology, agricultural machinery, the sale of inputs and the marketing of products.

The IAD is an institution set up specifically to deal with agrarian reform. It has been organized to provide the beneficiaries with support services and to coordinate resources of the Ministry of Agriculture. The basic services it provides to the beneficiaries are technical assistance, social development, training, backing for loans from BAGRICOLA and coordination of the agricultural extension services of the Ministry of Agriculture.

The Agricultural Bank is the institution in charge of financing activities in the small-farm sector

The Agricultural Bank has wide national coverage; it is the only viable source of bank financing for the small-farm sector. It has 32 branches and 25 satellite agencies distributed throughout the country.

The IAD is considered the institution with the most experience and that is best organized for promoting the Project.

5. Legal Framework

The Dominican Agrarian Institute (IAD), in its capacity as a signatory institution of the PRACA agreement, will be the body responsible for executing the Project. It is a decentralized body of the Ministry of Agriculture, established by Law 5852 in 1962. Its powers were ex-

panded through Law 5879 the same year, Law 314 in 1972 and several decrees on its organization issued thereafter. The Institute has full legal status, its own assets and legal powers to undertake obligations with the State's backing.

The Agricultural Bank is an autonomous institution established by Law 6186 in 1963. It has full legal status, its own assets and full power to undertake obligations and acquire rights.

Execution of the Project will not require the approval of new legal instruments, since the participating institutions have the necessary legal base.

6. The Project in the Context of Regional Integration

The Summit of Central American Presidents held in Antigua, Guatemala, in June 1990, reaffirmed the conviction that Central American integration is the way to achieve development in the region. This conviction, concerning regional unity as a base to face economic and development problems, is shared by the Dominican Republic; and this Project is a suitable tool for integrating it into solutions to the problems of the agricultural sector and, specifically, of the agrarian reform sector.

The Project falls within the framework of regional integration. It reflects the lines of action included in the PLANLAC, as well as in the guidelines issued by the CORECA Council of Ministers at its Fourth Special Meeting, held in Panama in June 1988.

The Project forms part of a regional effort established in the Training and Study Program on Agrarian and Rural Development for the Central American Isthmus and the Dominican Republic (PRACA), which receives technical assistance from the Rural Development Program of IICA. PRACA is made up of bodies responsible for agrarian reform or agrarian transformation in each of the member countries, and promotes the exchange of experiences and jointly seeks solutions to common problems posed by the development and consolidation of agrarian settlements.

The desire of the countries of the Central American Isthmus and the Dominican Republic to participate in formulating a regional program with related national projects was set on record during the signing of the Proceedings of the Technical Committee of PRACA in San Jose, Costa Rica, in April 1990.

The exchange of institutional experience related to agrarian reform which began with the formulation of this Project will continue in the monitoring, follow-up and evaluation activities that arise from the execution of both the national project and the Regional Program.

As a member of CORECA and PRACA, the Dominican Republic maintains strong ties with the Central American region and is affected by its development proposals.

In the Proceedings of the Technical Committee of PRACA (signed in San Jose in April 1990), the Dominican Republic indicated its desire to participate in the regional program and execute the related national project.

II. PROJECT DESCRIPTION

1. Justification

The reformed sector is of great importance to the economy of the Dominican Republic, both because of its resources and the jobs it provides, as well as the share it contributes to national food production.

The agrarian transformation process should be improved

Although notable progress has been made in the country's agrarian reform sector, its resources have not been used efficiently nor effectively. This is demonstrated in low production and productivity levels of crops in a large number of settlements, and in the low quality of life of a large part of the farmers.

The support received by the agrarian settlements comes almost entirely from the State, which does not have sufficient technical and financial resources to meet the demand for services and resources required by the sector for its development. This problem will worsen in the current situation in which public spending is restricted because of the economic crisis.

The Project will contribute to reactivating the reformed sector and will help to improve the overall economy. It will support and finance profitable production activities and promote a process whereby campesino settlements will gradually become independent from the State, by transforming them into efficiently managed and financially sound enterprises.

Furthermore, the active participation of beneficiaries will be promoted at the different administrative levels of the Project and, through a technical and administrative training process, will upgrade self-management capabilities for the efficient handling of the settlements' production and commercial activities.

2. Objectives

General

Standards of lying of the families on the settlements should be improved and dependence on the State reduced

To contribute to the socioeconomic strengthening and consolidation of participating campesino settlements, in order to reduce their economic dependence on the State and upgrade the standard of living of the families

Specific

To diversify agricultural and non-agricultural production

- To strengthen the technical and administrative management capabilities of the settlements
- To boost production and productivity levels
- To create new jobs for settlers and their families
- To incorporate women and young people into agricultural and non-agricultural production activities
- To improve the efficiency of State services in support of production

Incorporating rural women and youth into the production process is seen as of great importance.

3. Strategy

The Project strategy aims at optimizing the production capacity of a selected group of campesino settlements through the promotion of campesino management, with a view to gradually reducing the settlers' dependence on the State.

The period established for executing the Project is five years, during which time a certain number of settlements will be incorporated annually until the goal is reached.

The principal elements of the strategy are:

- Conduct joint activities to strengthen the administrative capacity of production units and related organizations
- Establish mechanisms to ensure the channeling of technical assistance services and timely credit to farmers
- Select campesino settlements on the basis of their economic and social potential to become economically independent and efficiently managed small businesses

The settlements should be consolidated through the establishment of self-managed campesino enterprises.

The operating strategy will cover the following basic elements:

- First of all, it is proposed that a development fund finance agricultural and non-agricultural activities, complemented with the additional resource of farm credit to finance working capital for the production plans.
- In the second place, a training program will be given to technicians, outreach workers and campesinos to upgrade their skills and the technical, administrative and financial management capabilities of the production units.
- At the same time, the Project will place a middle-level technician, known as an outreach worker, in each of the beneficiary campesino settlements, the principal duties for whom will be: to strengthen the technical and administrative capabilities of the settlement; to develop the farm production planning process; to support campesino training; and, to act as a liaison between the settlement and the institu-

Outreach workers and middlelevel technicians working at the settlements will play an important role in Project activities. tions that provide support services for production, complementing the services provided by the Project.

4. Components

The Project consists of three related components:

Component 1. Rural Development Fund

The Fund will finance farm-level investments for agricultural and non-agricultural projects. The criteria used to select these projects are technical and financial feasibility, impact on production, productivity, earnings and job creation.

The Fund's resources would be used exclusively for purposes of the Project and for its own organization. It will include financing for the settlements and the enterprise management mechanism, which would be the responsibility of the outreach worker.

Component 2. Farm credit

This component is aimed at financing, through the established banking system, the working capital needed to carry out the production plans of the beneficiary settlements.

The executing unit of the Project will work to obtain banking support for annual production plans; It will negotiate the required budget lines, highlighting the comprehensive nature of the Project in which institutions, beneficiaries and technicians work together in support of production.

Component 3. Training

Participatory training methods will be used

This component is aimed at strengthening the technical and administrative skills of beneficiaries. The training events will use participatory training methods that favor self-management and the use of appropriate technology.

Training is directed at the campesinos, outreach workers and technicians of the institutions providing support to the Project. All of them will participate in training whose content and methods are designed to contribute, when combined with technical and administrative assistance, to meeting the development needs of the settlements.

All the training activities will be closely coordinated with the training component of the Regional Program.

Three production models were designed for the Project, to be financed by the Rural Development Fund and the farm credit component.

Model 1. Irrigated rice

This model will be developed for an area of 29,339 hectares, incorporating 23 settlements, with an average of 331 families each. The construction and rebuilding of farm infrastructure such as irrigation canals and drainage systems are proposed, in order to extend the cultivated area and to make use of the technological crop package designed, which requires correct land preparation and a good water management supply.

The package includes new high-yield varieties and other technological changes that will increase crop production and productivity in the selected settlements, where single cropping is now a widespread practice. Plans for this model include the construction of 15 grain-collection warehouses and two farm machine shops to support production.

The technological base of the production models is of fundamental importance, particularly in introducing high-yield varieties.

Model 2. Irrigated small crops

This model will be developed for an area of 23,185 hectares and will incorporate 58 settlements with an average of 121 families each. It is proposed that current land use be maintained and that cropping practices be improved for rice, sorghum, kidney beans, corn, cassava, pigeon peas, industrial tomatoes, red onlons, okra, sweet potatoes and bananas.

For the settlements included in this group, plans include the construction of irrigation and drainage systems and the establishment of 36 collection centers and two agricultural machinery shops.

The machine shops considered in both production models will be managed by young people whose parents are farmers.

Model 3. Small rain-fed crops

This model includes seven settlements totaling 3,676 hectares (7% of the total Project area), with an average of 160 families per settlement. In this model, the activities are largely determined by the amount of rainfall the settlements receive. Current land use includes crops such as maize, cassava, pigeon peas, kidney beans and pineapple. It is proposed that these crops be maintained with improved cultivation practices. Three collection warehouses will be built for the settlements' crops.

Settlement beneficiaries will promote small livestock projects such as: beekeeping (11); broilers (33); goat raising (22); and hog fattening (48). Familiar, up-to-date and appropriate technology will be used in all these projects.

Small projects for beekeeping and raising chickens, goats and hogs will be promotea Non-agricultural projects will also be developed, including: input stores (32); pottery workshops (13); and small-scale animal feed plants (36). These will create jobs for young people and women.

4. Goals

- To increase agricultural production on 88 settlements that cover a total of 56,200 hectares
- To increase the cultivated area by 19 percent, by the fifth year of the Project, as compared to what the situation would have been without the Project
- To increase crop production as much as 24 percent (in the case of plantains) and 280 percent (in the case of rice) by the fifth year of Project implementation
- To hold 1,114 training events for 44,560 participants
- To upgrade the standard of living of 17,449 farmers

A breakdown of agricultural production goals is presented below:

Crop	Year 0	Year 5
Rice (fanegas = 125 kilos)	1 044 960	3 971 592
Sorghum (quintals)	389 760	612 480
Kidney beans (quintals)	121 184	298 560
Maize (quintals)	101 380	200 640
Cassava (quintals)	365 400	880 320
Pigeon peas (quintais)	150 080	323 760
Ind. tomatoes (quintals)	974 400	2 227 200
Red onion (qq)	139 200	417 600
Okra (sacks)	185 600	232 000
Sweet potatoes (quintals)	194 880	315 000
Plantains (thousands)	612 480	208 000
Pineapple (thousands)	4 480	6 160

Production goals for small projects

In some cases, production will increase fourfold, as is envisaged for rice (estimated to increase from one mison to four million fanegris in five years)

By the fifth year, the cultivated

area in the area selected for

the Project will have increased

by 19 percent.

Item	Year 1	Year 2	Years 3-10	
Broilers (kilos)	26 496	82 080	82 944	
Fattened hogs				
Production(kllo)				
Hogs purchased	2 560	2 560	2 560	
Hogs sold	12 400	12 400	12 800	
Bee production (kilos)				
Honey	1 500	1 500	2 000	
Pollen	500	500	500	
Wax	75	75	100	

Goat production

Production (kilos)	Year 1	Year 2	Year 3	Years 4-10
Milk	15 300	23 220	31 800	36 000
Meat	16 800	2 280	3 471	7 460

Production goals for nonagricultural projects

Small plant project

Production (kilos)	Year 1	Year 2	Years 3-10
Feed to fatten hogs	89 660	107 598	1 19 550
Feed to fatten goats	29 890	35 865	39 850

5. Project Beneficiaries

Direct Project beneficiaries are 17,449 small-scale farmers in 88 agrarian reform settlements located in the southern, southeastern, northern and eastern regions of the country. The Project will indirectly benefit 94,551 dependents of the direct beneficiaries.

Project beneficiaries belong to a selected group of agrarian reform settlements. They have low income levels, high unemployment and a high illiteracy rate.

The group was selected from a total of 328 settlements in the country, on the basis of the following criteria:

Legal aspects

The absence of legal problems concerning the land tenure situation

Technical and production aspects

An area where more than 80 percent of the land can be used for agricultural purposes; size of landholdings (more than two hectares for agricultural use and more than five hectares for livestock use); irrigation infrastructure less than 50 percent of that required; availability of suitable maps and appropriate soils

Economic and social aspects

Collective settlements should consist of at least 30 families, and settlements made up of individual owners should have at least 70 families. The net income per landholding should be insufficient to cover the cost of the basic basket and there should be no possibility of relocation of the members of the settlement.

Direct beneficiaries: 17,500 plot holders in 88 settlements Indirect beneficiaries: 94,500 dependents of the direct beneficiaries.

Plot holders whose income is insufficient for covering the cost of the basic bread basket will be selected.

Administrative and financial aspects

More than 20 percent of the small-scale farmers on the settlement should not have access to credit. Organization for production should exist.

6. Support Services for Production

There will be State support for the generation and transfer of technology, machinery, inputs, training, irrigation and creait, among other items The national institutions that will provide support services for production and for the Project are:

Ministry of State for Agriculture (SEA)

The Ministry will provide services related to the generation and transfer of technology, agricultural machinery, distribution of agricultural inputs and agricultural marketing.

Dominican Agrarian Institute (IAD)

The Institute will provide services related to training and social outreach, agricultural technical assistance, farm machinery and production processing. It is the institution through which the Project will be organized and executed.

National Institute for Water Resources (INDRHI)

This Institute will provide technical assistance in the operation and conservation of irrigation systems.

Investment Fund for Economic Development (FIDE)

FIDE will administer the Rural Development Fund.

Agricultural Bank

The Bank will serve as the channel for a large share of the resources allocated to the Rural Development Fund and to farm credit.

In addition, the Project will establish a basic organizational structure and a national administrative committee will be formed.

III. ORGANIZATIONAL STRUCTURE

1. Executing Unit

The Project Is structured at two levels: national and regional. At the national level, plans include a national steering committee and a national executing unit. At the regional level, operations will be conducted by a regional coordinating committee and an executing unit.

In addition to a native at steering committee and a trational executing unit, a coordinating committee and an executing unit will operate in leach region.

The national executing unit will coordinate its annual operating plans with those of the executing unit for the Regional Program.

The national steering committee will be formed by a national representative of the PRACA agreement (the Director of IAD); a representative of FIDE, responsible for administration of the Rural Development Fund; a representative of the Agricultural Bank, the principal financial intermediary; the national coordinator of the Project; and three representatives of agrarian reform campesino organizations that sit on the Board of Directors of the IAD.

The national executing unit will be located in IAD's Planning Department and will be administered by the national Project coordinator. It will have three technical units: training, technical assistance, and follow-up and analysis.

Regional coordinating committees

These committees will be executive in nature, and will be formed in each of the 11 IAD Regional Directorates and in the two decentralized projects. The Regional Directorates of the Ministry of Agriculture, the INDRHI District Irrigation Director, participating non-governmental organizations and four representatives of campesino organizations will participate.

and evaluated from a regional perspective.

The Project will be executed

Regional executing unit

In each of IAD's Regional Directorates and decentralized projects, an executing unit consisting of a training specialist will be established. Administratively, the unit will come under the Regional Director of the IAD, but, technically, it will report to the Project's national executing unit, which will establish the guidelines for its execution in the region, and will provide the technical support and supervision required for it to perform its functions satisfactorily.

The mechanisms for monitoring and following-up on Project execution operate out of the national executing unit, which will have a specialized unit for this purpose, to the regional executing units, which will prepare periodic progress reports on Project achievements and report to IAD's Regional Directors and the national executing unit.

The organizational structure of the Project, with an administrative body and an executing body, and with broad participation by beneficiaries, will contribute to effective monitoring and follow-up of Project execution.

2. Plan of Action

The execution period of the Project is five years. The following is the program of general activities to be carried out:

Prior to Project Implementation

- Official approval of the Project by the participating agency and establishment of pertinent agreements with the cooperating agency or agencies
- Preparation of an addendum to the PRACA agreement, which will include arrangements for obtaining cooperating agency funds and channeling them from the regional financial bodies to the national bodies

PRACA's Board of Directors will establish the operating procedures for the Project.

- Meeting of the PRACA Board of Directors to approve amendments to the agreement and to establish operating procedures for the Project
- Installation of the executing unit (designation of the working team, and so forth)
- Preparation of the operating rules of the executing unit
- Preparation and discussion of the first annual plan of operation

Project execution (annual activities)

- Hiring of outreach workers (first year)
- Preparation of the production plan for the rural settlements
- Preparation of the agricultural and non-agricultural investment project for the rural settlements
- Processing and approval of investment projects
- Processing and approval of funding requests
- Execution of investment projects
- Follow-up on investment projects
- Preparation of the regional and national training plan
- Execution of regional and national training activities
- Follow-up on training activities
- Evaluation of Project actions

At the end of the fifth year, a final evaluation of the Project will be made and should include the beneficiaries, the executing unit, the rules of procedure, the operating norms of the Project and, particularly, Project performance.

3. Resources

The organizational structure of the Project's executing unit requires the following human and physical resources:

There will be training at the regional and national levels

Human resources

- A national coordinator
- A training program coordinator
- A training specialist
- A department coordinator for follow-up and evaluation
- A computer professional
- An administrative assistant
- Four training technicians
- Two follow-up and evaluation technicians
- Three technical assistance professionals
- Four training technicians (for the regions)
- 14 field technicians
- Two secretaries

Physical resources

- Four four-wheel-drive vehicles
- A PS2-55 computer
- Two typewriters
- Nine desks for technicians
- Two desks for secretaries
- A table for meetings
- Four file cabinets
- A photocopying machine
- Two air conditioners

4. Participating Institutions

Dominican Agrarian Institute (IAD)

The Institute will participate by providing support services to production and to campesino organizations. It will be the headquarters for the national and regional executing units.

Investment Fund for Economic Development (FIDE)

FIDE, of the Central Bank, will be in charge of administering the Rural Development Fund and of channeling resources to the financial intermediaries authorized by the Monetary Board, in accordance with the norms and procedures established for that purpose.

The Project will have a multiplier effect on the training of human resources.

The Central Bank's Investment Fund for Economic Development (FIDE) will administer the Rural Development Fund.

Agricultural Bank

A large part of the resources allocated to the Rural Development Fund and to farm credit will be channeled through this financial intermediary.

The Ministry of State for Agriculture (SEA) and the National Institute for Water Resources (INDRHI) will provide Project beneficiaries with services related to the generation and transfer of production technology and technical assistance for irrigation infrastructure, above and beyond IAD's support services for production and organization.

IV. COSTS AND FINANCING

1. Costs

Cost of the Project: US\$24.2 million

The cost of the Project amounts to US\$24.2 million. A breakdown of the costs by component and executing unit for the execution period is presented below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total (us\$ x 000)	%
Rural Development Fund	3 085.5	4 251.1	2 407.3	1 228.4	217.0	11 189.3	46.3
Farm credit	4 380.3	3 790.4	2 024.1		38 1.1	10 575.9	43.8
Training	167.9	198.6	230.3	258.1	268.9	1 123.8	4.6
Executing unit	263.4	265.2	259.6	246.6	246.6	1 281.4	5.3
Total	7 897.1	8 505.3	4 921.2	1 733.0	1 113.6	24 170.4	100.0

2. Financing

More than 60 percent of the financing will come from external contributions

External financing amounts to US\$16,503,200. It will cover 100 percent of the Rural Development Fund and 30 percent of farm credit resources. It will also cover a portion of training costs and of the activities of the executing unit.

The local contribution is US\$7.667 million and will be used to finance farm credit and the executing unit.

The amounts of financing by source and Project components are listed below:

Component	External	Local	Total (us\$ x 000)
Rural Development Fund	11 189.3	0.0	11 189.3
Farm credit	3 172.7	7 403.0	10 575.7
Training	1 123.8	0.0	1 123.8
Executing unit	1 017.4	264.0	1 281.4
Total	16 503.2	7 667.0	24 170.2

The disbursement schedule, by source of funding, required to fulfill the plan for incorporating the settlements and to cover the operations of the executing unit appears below.

Funding source and disbursement plan

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total (us\$ x 000)
External	4 775.1	5 795.6	3 449.3	1 684.7	798.5	16 503.2
Local	3 122.1	2 709.7	1 471.8	48.4	315.1	7 667.1
Total	7 897.2	8 505.3	4 921.1	1 733.1	1 113.6	24 170.3

The local contribution will be used to finance farm credit and the executing unit.

The local contribution is intended to cover 70 percent of the requirements of the farm credit component and 21 percent of the costs related to the executing unit. Thus, 100 percent of the Rural Development Fund, and training, is to be financed by external contributions, in addition to the balance of the farm credit component (30%) and expenses of the executing unit (79%).

V. ANALYSIS

1. Technical Analysis

The agricultural component is technically sound, since the institutions participating in the Project are completely familiar with the technology to be used in the different farm models.

The proposal promotes a management model through the active participation of the beneficiarles at all levels of decision-making in Project execution; it ensures better provision of services and resources and will boost the business skills of beneficiary farmers.

Another element ensuring technical soundness of the Project is the location of production activities in areas with suitable agricultural conditions, where technology transfer has already been initiated and is beginning to be assimilated by the farmers.

2. Institutional Analysis

The Dominican Agrarian Institute, which is the institution that will be responsible for executing the Project, has national coverage and representatives in all the areas selected, which is an important factor for channeling resources and services. The IAD and other participating institutions have technical and administrative personnel aualified to carry out the activities proposed.

The country has broad experience and personnel trained in the agricultural technology required to implement the Project.

Campesino representatives will sit on the Board of Directors of the Dominican Agrarian Institute, which will ensure more dynamic action on the part of the public sector

Project administration and organization will be independent as far as management and use of resources is concerned. This is feasible and will facilitate the participation of different levels involved in Project administration and in decision-making for the management of resources. The participating entities are the national steering committee of the Project, campesino representatives on the IAD Board of Directors and the Director of IAD's Planning Department.

The local contribution to the farm credit component consists of the resources in the current credit portfolio of the banking system, which has demonstrated interest in negotiating, through the Project, the financing for settlements' annual production budgets.

The local contribution to expenditures of the executing unit will be provided through the regular IAD budget.

3. Legal Analysis

The project is in line with the legal framework of the country

Participating institutions, and particularly those that form the executing unit, are established bodies empowered to conduct the activities planned. Currently, they function in a decentralized manner and with less participation of beneficiaries.

For banking matters and management of the Rural Development Fund, the FiDE and the Agricultural Bank are institutions with broad experience in the management of funds for development and investment projects.

4. Financial and Economic Feasibility

The financial analyses show that the Project is profitable

The project is financially feasible. The figure for net present value (NPV), internal rate of return (IRR) and benefit/cost ratio (B/C), show that it is profitable. The results are presented below, by production model.

Measures of profitability

Model/Project	IRR (%)	NPV (US\$ X 000)	B/C	
Farm model				
Rice	>100	2 371.1	1.53	
Small irrigated crops	59.35	348.4	1.38	
Small rain-fed crops	83.23	149.0	1.84	
Small livestock projects				
Beekeeping	49.25	9.7	1.45	
Brollers	47.30	16.7	1.05	
Goats	69.92	24.4	1.73	
Hog fattening	54.57	9.3	1.16	
Non-agricultural projects				
Small-scale feed plants	>100	21.8	1.24	
Pottery workshop	>100	30 .1	1.58	

5. Project Impact

The gross value of agricultural production will increase by US\$3.704 million, rising from US\$3.444 million without the Project to US\$7.148 million with the Project. The irrigated rice model will account for 77 percent of the production increases, the small irrigated crops model, 18 percent, and the small rain-fed crops model, five percent.

The Projects' agricultural activities will generate an increase of 385,000 work days per year, from 175,000 work days per year without the Project to 560,000 work days per year with the Project. Job creation by model will be as follows: irrigated rice, 72 percent; small irrigated crops, 25 percent; and small rain-fed crops, three percent.

The agricultural component of the Project will generate 115,000 jobs





