

2 JUN 1981

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ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown

SUBJECT: Project Authorization

Your approval is required for a grant of \$3.5 million from the Section 103, Agriculture, Rural Development and Nutrition Appropriation to ROCAP for the Regional Coffee Pest Control Project (596-0090).

Discussion: The purpose of the proposed Regional Coffee Pest Control Project is to develop an integrated system employing the combined efforts of regional and national institutions to help control the spread of coffee rust and other coffee pests, particularly as they affect small coffee producers. The project will be coordinated by the Cooperative Program for the Protection and Modernization of Coffee Culture in Mexico, Central America and Panama (PROMECAFE), a program which was created under the auspices of the Inter-American Institute for Agricultural Cooperation (IICA). Major implementing agencies will be PROMECAFE/IICA, The Center for Tropical Agriculture Research and Training (CATIE), The Regional International Organization for Agricultural Health (OIRSA), and The Central American Institute for Industrial Research and Technology (ICAITI). The project will assist in the acceleration and expansion of research and related activities in the following seven general areas: (1) biology and epidemiology of coffee rust; (2) methods for the control of broca; (3) efficacy assessments of chemical controls for coffee rust and broca; (4) residue analysis and use regulations of pesticides; (5) development and reproduction of rust resistant varieties; (6) development, adaptation and transfer of appropriate technologies for small coffee growers; (7) development of a coffee information network and data bank.

The total cost of the project is \$7,149,000 of which \$3,500,000 or 49% will come from an AID grant, \$1,576,000 from regional institution counterpart, and \$2,073,000 from national institution counterpart. AID funds will be used for specialist and support personnel (\$1,219,000); equipment and research facilities (\$523,000); operational research costs (\$518,000); training and materials (\$366,000); travel and per diem (\$223,000); contingency (\$350,000); and miscellaneous other costs (\$310,000). Counterpart funds will be used primarily for technical personnel, laborer, and administrative support costs.

The beneficiary target group will be the small coffee farmers and the coffee laborers on medium and large farms, who are composed of resident plantation laborers and migrant harvest workers.

The DAEC review of the Project Paper was Friday, May 1, 1981. As a result of the review, the following changes to the PP were made:

- 1) a condition precedent to initial disbursement was added requiring that the bilateral agreements between PROMECAFE/IICA and the national entities include the statement that the national institutions will, with regard to their activities, be they research, credit or extension services, give preferential treatment to small coffee farmers;
- 2) the output section of the log frame was modified to clarify that technification methodologies will be tested in Honduras and in one or two other countries;
- 3) the description of the state-of-the-art of coffee pest control in Central America was expanded; and
- 4) a flow chart to show how project activities relate to one another was added.

Waivers: The Mission has requested that procurement under the Development Grant be authorized from A.I.D. Geographic Code 941 countries in an amount not exceeding \$350,000 for (1) technical assistance from various Central American institutions; (2) testing for resistance against rust, and (3) training for Central American and Panamanian technicians. Accordingly, a waiver is required pursuant to Handbook I.B, Section 5B4b(2) and Section 5C4a(2)(b) to allow for the procurement of such goods and services from Code 941 countries.

At the Center for Coffee Rust Research in Portugal (CICF), plant material will be screened against all known races of rust, and short-term training will be provided to Central American and Panamanian technicians. To permit this, the Mission has requested a second waiver to procure such goods and services in an amount not exceeding \$350,000 from Portugal, a Code 899 country. Since commodities and services cannot be procured from the U.S., the waiver is justified on the basis of Handbook I.B, Section 5B4b(2) and Section 5C4a(2)(b).

Justification to Congress: Since the Project was not included in the FY 1981 Congressional Presentation, an Advice of Program Change was transmitted to the Congress on May 14, 1981, and the waiting period expired May 29, 1981.

Clearances obtained: An Initial Environmental Examination recommending a negative determination was approved by the LAC Environmental Officer on May 1, 1981.

Recommendation: That you sign the attached Project Authorization.

Attachment:

a/s

PROJECT AUTHORIZATION

Name of Entity: Inter-American Institute for  
Agricultural Cooperation

Name of Project: Regional Coffee Pest Control

Number of Project: 596-0090

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Regional Coffee Pest Control project for the Inter-American Institute for Agricultural Cooperation (the "Grantee"), involving planned obligations of not to exceed Three Million Five Hundred Thousand United States Dollars (\$3,500,000) in grant funds ("Grant") over a five-year period from date of authorization, subject to the availability of funds in accordance with the AID/OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of supporting a regional effort within Central America and Panama to (a) develop information on the epidemiology of rust and the effectiveness of selected fungicides, (b) develop residue and tolerance data for the uniform registration of pesticides, (d) develop and reproduce high-yielding rust resistant varieties of coffee, (e) develop and adapt appropriate technologies for the small coffee farmer and (f) develop a comprehensive coffee information network.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, and except as provided in subsection 3.e. hereunder, financed by A.I.D. under the Grant shall have their source and origin in the United States or in countries that are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Condition Precedent to First Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D., signed working agreements with the Organismo Internacional Regional de Sanidad Agropecuaria (OIRSA) and the Centro Agronomico Tropico de Investigacion y Ensenanza (CATIE) which shall include a detailed work plan for the first year of the Project and the parties' responsibilities and contributions to the Project.

c. Condition Precedent to Disbursement for Project Activities in Participating Countries

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance Project activities in a participating country, the Grantee shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) An executed agreement with each participating national institution which shall govern the relationships of the parties, define the contributions of the parties and shall provide that each participating national institution will, with regard to research, credit and extension activities, give preferential treatment to the needs of small coffee farmers.
- (2) A detailed work plan for the first year of the Project.

d. Covenants

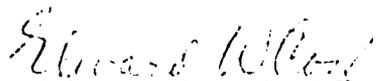
The Grantee shall covenant that, unless A.I.D. otherwise agrees in writing, it will:

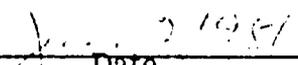
- (1) Provide such goods and services for the Project during the period May, 1981 through May, 1986 as may be agreed upon between the Grantee and A.I.D., in an amount not less than \$1,576,000 equivalent.
- (2) Furnish to A.I.D., in form and substance satisfactory to A.I.D., on an annual basis each year after the first year of the Project, prior to carrying out Project activities in a participating country, a consolidated work plan and budget for all Project activities for that year.

e. Waivers

(1) Goods and services for training and testing for rust resistance, financed by A.I.D. under the Project Agreement in an amount not to exceed \$350,000 may have their source and origin in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

(2) Goods and services for training and testing for rust resistance, financed by A.I.D. under the Project Agreement in an amount not to exceed \$350,000 may have their source and origin in Portugal, an A.I.D. Geographic Code 899 country. Exclusion of procurement from Free World countries other than countries included in the Central American Common Market and Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

  
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Acting Assistant Administrator  
Bureau for Latin America  
and the Caribbean

  
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Date

Clearances:

GC/LAC:BVeret: hr date 5/24/81

LAC/CEN:PFarley: 28 date 5/29

LAC/DR:CPeasley: 11 date 5/21/81

LAC/DR:MBrown: 97 date 5/14/81

GC/LAC:DA <sup>DA</sup>Adams:ckg:5/21/81:x29183