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AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES A.I.D. MISSION TO PANAMA

APO Miami 34002 - 0014  
Telephone 63-6011

September 25, 1987

Mr. Federico Vargas  
Director  
Coalición Costarricense de  
Iniciativas de Desarrollo  
San José, Costa Rica

SUBJECT: Cooperative Agreement No. 515-0237-A-00-7040-00

Dear Sir:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977, the Agency for International Development (hereafter referred to as "A.I.D.") hereby provides to the Coalición Costarricense de Iniciativas de Desarrollo (hereafter referred to as "CINDE" or "Recipient"), the sum of \$2,000,000 to provide support for a program in Non-Traditional Agricultural Export Technical Support ("Project") as described in Attachment 1, the Schedule of this Agreement, and Attachment 2, entitled "Program Description". Subject to the availability of funds, AID intends to increase the funding to \$3,500,000.

This Cooperative Agreement ("Agreement") is effective, and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending August 31, 1991.

This Agreement is made with CINDE, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled "Schedule", Attachment 2 entitled "Program Description", and Attachment 3 entitled "Standard Provisions for Non-US, Non-Governmental Grantees" which have been agreed to by your organization.

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Please sign the original and (7) seven copies of this letter to acknowledge your acceptance of the Agreement, and return the original and six copies to A.I.D.

Sincerely,

  
Michael S. Lenyon  
Regional Contracting Officer

**Attachments:**

1. Schedule
2. Program Description
3. Standard Provisions

ACCEPTANCE:   
CINDE \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dates: 9/25/87

Fiscal Data

Appropriation No. 72-1171021  
Budget Plan Code LDNA-87-25515-KG-13  
PIO/T No. 515-0237-3-70035  
Project No. 515-0237  
Total Estimated Amount \$3,500,000  
Total Obligated Amount \$2,000,000

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## SCHEDULE

A. Purpose of Agreement:

The purpose of this cooperative agreement with CINDE is to stimulate growth in the Costa Rican agricultural sector resulting in increased levels of employment and foreign exchange earnings by increasing the export of Costa Rican non-traditional agricultural products to U.S., European and Asian markets.

B. Period of Agreement:

1. The effective date of this Agreement is September 25, 1987. The expiration date of this Agreement is September 30, 1991.
2. Funds obligated hereunder are available for program expenditures for the estimated period September 25, 1987 through September 30, 1991.

C. Amount of Agreement and Payment:

1. The total estimated amount of this Agreement for the period shown in B.1. above is \$3,500,000.
2. AID hereby obligates the amount of \$2,000,000 for program expenditures during the period set forth in B.2. above and as shown in the Financial Plan below.
3. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3, Optional Standard Provision No. 1 entitled "Payment - Periodic Advance".

D. Financial Plan:

The following is the Financial Plan for this Agreement. Revisions to this Plan shall be made in accordance with the Standard Provision of this Agreement entitled "Revision of Grant Budget".

<u>LINE ITEM</u>	<u>TOTAL</u>
Salary	\$1,030,500
Benefits	31,700
Travel and Transportation (incl. Per Diem)	630,800
Allowance	141,000
Subordinate Agreements/Contracts	885,100
Other Direct Costs	780,900
TOTAL COST	<u>\$3,500,000</u>

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The above Financial Plan is illustrative in nature, and the Recipient can adjust individual cost lines by a factor not to exceed 15%. Any adjustment exceeding 15%, or any increase in the total Agreement amount requires the prior written approval of the Contracting Officer.

E. Special Provisions:

1. Estimated Level of Effort

<u>Position Description</u>	<u>Estimated Work Months</u>
Program Manager	45
Cacao Production Specialist	36
Short-Term Technicians	114

2. The following provisions are deleted from Attachment 3, Standard Provisions:
  - a. 2 - Payment - Cost Reimbursement
  - b. 16 - Negotiated Indirect Cost Rates - Predetermined
  - c. 20 - Title to and Care of Property (Cooperating Country Title)
  - d. 21 - Cost Sharing (Matching)
3. The terms "Grant" and "Grantee" are changed to "Agreement" and "Recipient", respectively wherever appearing in Attachment 3, Standard Provisions.
4. The Contracting Officer's Technical Representative (COTR) for the performance of this Cooperative Agreement is the Director, USAID/Costa Rica, or his designee. This individual shall have the following authority:
  - a) Certification of work performed on all vouchers submitted.
  - b) Necessary clarifications of, or minor, non-cost-related adjustments to, the program descriptions in Attachment II.
  - c) Approval of all reports, plans, timetables or other such technical submissions required under the Program Description.

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5. The Recipient must receive written authorization for short term technical assistance personnel, and their international travel from the Contracting Officer. To achieve this, the Recipient may submit to the Contracting Officer an estimated schedule on a quarterly basis. Any subsequent adjustments to the timing of this technical assistance, or minor adjustments to the length of any particular assignment, shall require the approval of the Contracting Officer's technical representative.

6. Personnel:

Prior to identification of personnel for Program activities, the Recipient shall submit to the Regional Contracting Officer complete bio-data including previous earnings for approval.

7. Salaries of short term and long term Personnel require prior written approval by the Regional Contracting Officer.
8. No equipment will be purchased without the prior approval of the Regional Contracting Officer.

F. Authorized Geographic Code:

The authorized Geographic Code for procurement of goods and services shall be in accordance with Provision 15 of the Standard Provisions.

G. Cost Sharing:

The Recipient shall provide a total 34% of total project costs. These contributions will be made by the assisted export producers as product development advances. Initial contributions will be furnished in kind (land use, farm and warehouse, chemicals, greenhouses, etc.). As the technology transfer activities become established, the producers will begin making counterpart contributions in cash as well, financing the activities as project funds are gradually withdrawn. Cash contributions will be made toward costs of training, technical assistance and other activities provided by the project. CAAP will devise for approval by the COTR, USAID/Costa Rica at the beginning of project implementation, a counterpart contribution monitoring system which will assist CAAP in coordinating inputs of various sub-project implementors.

CAAP's operating budget is provided by CINDE from an endowment received from AID in 1983. Program funding for CAAP has been provided from ESF local currency resources, jointly programmed by USAID Costa Rica and the GOCR under annual agreements. CAAP also received funds generated from PL-480 from the Ministry of Planning, jointly programmed with the Mission (PL-480 local currency is granted under an agreement directly

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between CINDE and MIDEPLAN.) The total annual local currency operating expense and program budget for CAAP, and thus its contribution to the NETS project, is equivalent to \$1,100,000 from ESF and PL-480 sources and represents 37% of the NETS project funding.

Producer Counterpart Contributions (\$000)

	<u>Total</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>
<u>Producers</u>	4,000	1,000	1,000	1,000	1,000
<u>CAAP (GOCR)</u>	4,400	1,100	1,100	1,100	1,100

H. Special Condition:

Prior to receipt of any funding from AID under this Agreement, CINDE shall establish a separate, dollar-denominated bank account to control the receipt and disbursement of the funds received from this Agreement.

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PROGRAM DESCRIPTION

A. General:

The program to be performed under this Cooperative Agreement is synonymous with the Project entitled "Non-Traditional Agricultural Export Technical Support", and will henceforth be so identified.

B. Acronyms

BANEX	Agro Industrial and Export Bank
BID	Inter American Development Bank
CACM	Central American Common Market
CBI	Caribbean Basin Initiative
CENPRO	Center for the Promotion of Exports and Investment
CINDE	Costa Rican Coalition for Development Initiatives
COFISA	Costa Rican Industrial Financing Corporation
GOCR	Government of Costa Rica
IESC	International Executive Service Corps
INCAE	Central American Institute for Business Administration
LAAD	Latin American Agribusiness Development Corporation
NTAE	Non-Traditional Agricultural Exports
CAAP	Private Agribusiness and Industrial Council
PIC	Private Investment Corporation
PIE	Production, Investment and Export Program

C. Project Objectives:

The objectives of the Project are:

- To strengthen the capabilities of the Costa Rican private sector (through assistance to the Private Agribusiness and Agroindustrial Council) in overcoming technical, policy, marketing, financial and administrative constraints to increased NTAE.
- Through assistance to CAAP, to increase investment in export oriented and non-traditional agricultural products in Costa Rica.
- To assist CINDE/CAAP in developing and implementing sector and macroeconomic policy reform leading to greater export of NTAE.

D. Project Activities:

CAAP will coordinate the use of NETS project funds to promote investment in non-traditional agricultural export products through the provision of dollar funded technical assistance, studies, training and trade promotional activities.

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CINDE is the principal implementation agent for the Mission's NTAE Development Strategy of January 1987. The NETS project is a part of that strategy, which has three segments: short- and long-term technical assistance, and investment and trade promotion. The project will address sectoral and project-specific production and marketing constraints through the provision of short-term technical assistance in three areas: policy reform, production and marketing assistance, and special studies.

Policy Reform. The project will contain limited dollar funds to assist CAAP in providing short-term studies and assessments aimed at resolving agricultural policy problems and making policy recommendations to stimulate growth of the NTAE sector. Such studies will focus on resolving issues relating to policy constraints to increased exports existing at a product level or sector level. Issues such as accession by Costa Rica to GATT and restructuring of export incentives are examples of areas that can be analyzed through the mechanism. Although the majority of the policy promotion initiatives will be financed from CAAP's local currency budget, dollar funds will be included in this project for thirty-eight person months of consultancies over the project life.

Production and Marketing Assistance. In a separately funded exercise, CAAP has procured market assessments for over seventy tropical or temperate crops which could be produced in Costa Rica. The study then eliminated products for which Costa Rica could not compete in marketing, due to price, seasonality, or market entry problems. The twenty four products which remained are being considered further for promotion as export crops, there being a potential for selection of up to twelve crops over the next four years. Three products (strawberry, cut flowers, ornamental plants) have already been selected for promotion by CAAP. The remainder of these commodities which meet feasibility criteria will be candidates for future promotion under the CAAP program.

The selection of products for promotion by CAAP is based first on the existence of a market, on the ability to reliably access that market from Costa Rica with a quality product and finally on the potential of the crop's production in Costa Rica. This screening process implies consideration of the product's medium term demand, of present and potential competition, of agronomic capacity and of Costa Rica's capacity to adapt its commerce to international practices and standards. In order to comply with the recent "Bumpers Amendment" and AID's PD (Policy Determination) 15, AID will not support production of agricultural commodities for export that are likely to have a significant impact on competing U.S. exports in third country markets. Therefore, no NETS project funds will be made available for the promotion of any commodity that can reasonably be expected to cause substantial injury to United States exporters or that are deemed in direct competition with U.S. agricultural exports abroad. Prior to funding any sub-project or activity, the COTR, USAID/Costa Rica will make a threshold determination

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for each commodity to determine whether or not there is a possible conflict situation. In such cases when the threshold determination is positive, an analysis will be undertaken to determine the effects of the increased Costa Rican export and the appropriateness of NETS funding to the sub-project. Such analyses may be financed through the Special Studies portion of NETS described below. Selecting from the list of product candidates developed as described above, CAAP will determine the technical and policy constraints to successful export production for each product and develop a product action plan to address these constraints. Each product action plan developed will include a definition of the product's export requirements, scope and timing for studies, definitions of technical assistance needs, training and market research needs, etc. Once the action plan has been detailed, NETS project funds will be used to provide technical assistance to production (quality assurance during growing and harvest), marketing (grading, packing, etc.), and to the design and dissemination of the investment package. In this regard, CAAP will coordinate its actions closely with the PROEXAG project, which is providing regionally focussed technical assistance to address marketing and technical NTAE constraints.

Short-term technical assistance will be provided directly to NTAE producers and exporters from NETS funds for improved cultural practices, identification and control of pests and diseases, soil and water management, harvest techniques, post-harvest handling and storage, market information interpretation, export procedures, and marketing of products which cannot meet fresh export grades. Two long-term technical advisors, one in program management for CAAP (45 pm) and one in cacao production (36 pm), will be contracted to provide continuity and coordination with the local producers which will benefit from the assistance and for CAAP's most complex commodity program, respectively. Funds are included in this project for 81 person months of long-term assistance and for 52 person months of short-term assistance in technology transfer and technical studies. In addition it is anticipated that up to 12 person months of this category will be used to fund in-country training in technical subjects such as post harvest handling, application of marketing information, cultivation and irrigation practice, disease and insect identification and control, etc.

Special Studies. As a final element, the project will contain a provision for special studies to identify further opportunities in agricultural exports not covered by other project components. These may be as diverse as commodity reporting for major export crops, the testing of private extension services, or laying the groundwork for a neutral quality control organization. Special studies related to the business climate as it relates specifically to agriculture may also be required. Also, should the export commodity threshold decision be positive, the subsequent analysis to determine whether the commodity in question should be supported may be financed from this project component. Twenty-four person months of short-term assistance will be provided for these studies.

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Investment and Trade Promotion. Investment and trade promotion in NTAE requires an amount of activity outside Costa Rica to help identify potential investors and buyers for Costa Rican products. The project includes funds for four or five years partial support of the foreign exchange costs of investment and trade promotion. The CAAP is already contracting studies in the United States to identify names and locations of companies involved in the production and marketing of the NTAE products targeted by CAAP as possessing potential for export. These studies will develop lists of companies which will be targeted for investment promotion and lists of companies targeted for trade promotion. The concentration of these companies will determine where CINDE/CAAP offices are to be located.

The Program of Investment Promotion (PIE) at CINDE is presently structuring an industrial trade promotion program which will provide assistance to local industry to gain access to export markets. The location of CAAP overseas offices will be coordinated with the structuring of the new PIE trade promotion program to maximize the use of resources and to assure no duplication of office structures. The initial CAAP office will be in Miami where approximately 85% of all perishable NTAE products from Costa Rica transit. The office function will be to provide CAAP information on market, standards, prices and to monitor Costa Rica products passing through Miami. This office will give CAAP the needed input to assist potential Costa Rican exporters in entering foreign markets with their products. Through this office, CAAP will also be able to assist Costa Rican NTAE exporters in defining market and customs/quarantine problems being encountered in Miami. This office will also be responsible for investment and trade promotion of agricultural products in Southern Florida. Up to two more overseas offices are being considered for CINDE/CAAP. A final decision on whether the agricultural investment and trade promotion function will be integrated into the PIE office network depends on company location studies. In any event, investment or trade promotion contacts developed by the Miami office will be passed to the appropriate regional PIE office which will be responsible for follow-up.

Attraction of foreign investors to agricultural or agroindustrial opportunities in Costa Rica will be initiated by presentations made by the PIE (or CAAP offices if separate ones are established) to potential investors. Site visits to Costa Rica will be attended to jointly by CAAP and PIE. CAAP will handle the agricultural elements of the visit and PIE the general investment environment aspects. Follow-up will be handled through the network of overseas offices.

Trade promotion of NTAE products will be handled directly between CAAP and the overseas offices where there is an official responsible for this trade promotion. Domestic investment promotion, too, is an important part of the CAAP program. The short term technical assistance envisioned under this Cooperative Agreement will provide the technical

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input to the CAAP TA programs being implemented and developed to provide local producers the technical know-how they need to produce quality competitive products for export. The overseas office network will provide CAAP the capacity to assist the exporter to secure market information and to market its product.

Long-Term Technical Assistance

Project Advisor: Given the complexities of the CAAP program and the need for close project monitoring, the Recipient will employ a long-term Project Advisor. The individual shall assist in the planning of CAAP's operations, develop budgets, ensure adequate sub-project design, and monitor sub-project progress.

Cacao Advisor: The Recipient will employ a long-term Cacao Advisor to develop a cacao technical package and coordinate its dissemination to farmers through the appropriate Costa Rican organizations.

E. Project Implementation Schedule

FY 88, Quarter 1

Bid and contract project advisor  
Bid short term technical assistance contract  
Receive budget and advance funds for Miami investment office  
CAAP submits CY 88 work plan for approval  
CAAP selects 4 new products to promote

Quarter 2

Project Advisor begins work  
Contract short term technical assistance firm  
Determine needs and schedule short term assistance  
Bid and contract cacao advisor  
Determine sites for agricultural investment offices, initiate offices  
CY 88 work plan approved MOU signed  
New product overviews and program designs

Quarter 3

Cacao advisor begins work  
4 new product programs begin  
Cacao promotion program begins  
CY 87 product programs make first reduction in CAAP funded budgets

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Quarter 4

Review performance of investment offices against targets

FY 89, Quarter 1

CAAP submits CY 89 work plan for approval  
Determine CY 89 short term technical assistance needs  
CAAP selects 4 new products to promote

Quarter 2

CY 89 work plan approved, MOU signed  
New product overviews and program designs  
Investment promotion budget reduced to 90% project financing

Quarter 3

4 new product programs begin  
CY 87 product programs make second reduction in CAAP funded budgets  
CY 88 product programs make first reduction in CAAP funded budgets

Quarter 4

Review performance of investment offices against targets  
Interim Evaluation

FY90, Quarter 1

CAAP submits CY 90 work plan for approval  
Determine CY 90 short term technical assistance needs  
CAAP selects 4 new products to promote

Quarter 2

CY 90 work plan approved, MOU signed  
New product overviews and program designed  
Investment promotion budget reduced to 60% project financing

Quarter 3

4 new product programs begin  
CY 87 product programs terminate  
CY 88 product programs make second reduction in CAAP funded budgets  
CY 89 product programs make first reduction in CAAP funded budgets

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Quarter 4

Review performance of investment offices against targets

FY 91, Quarter 1

CAAP submits CY 90 work plan for approval  
Determine CY 90 short term technical assistance needs

Quarter 2

CY 91 work plan approved, MOU signed  
Investment promotion budget reduced to 30% project financing

Quarter 3

CY 88 product programs terminate  
CY 89 product programs make second reduction in CAAP funded budgets  
CY 90 product programs make first reduction in CAAP funded budgets  
Final evaluation begins

Quarter 4

Review performance of investment offices against targets  
Project close out for NETS  
CAAP continues activities

F. Competition with U.S. Exports

The "Bumper Amendment" and A.I.D. policy prohibit support for the production of agricultural commodities for export that are likely to have a significant impact on competing U.S. exports in third country markets. Funds therefore will not be made available for any project or activity that is specifically and principally designed to increase agricultural exports in Costa Rica that can reasonably be expected to cause substantial injury to United States exporters. Funds will not be made available for the production of agricultural commodities for export to third country markets that are deemed to be direct competition with U.S. agricultural exports.

Prior to funding any NTAE project or activity, the Mission will make a threshold determination for each commodity with the following points of analysis:

- The export potential of the commodity in question
- The magnitude of production likely to result from the project
- The likely export markets
- The volume of U.S. exports of the commodity in question and similar commodities

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- The U.S. share of the world or applicable regional market which could reasonably be expected to be effected by increased Costa Rican exports of the commodity.

If this threshold determination is positive, USAID Costa Rica will contract a study to review the market, U.S. export participation in the market, and the effects of increased Costa Rican export to the market. Based on the study results as well as the project or activity documents, the Mission will determine the appropriateness of U.S. assistance to the export project. Each determination will be considered valid for the life of the project.

It seems clear that most NTAE products contemplated by our strategy will not affect U.S. exports in any significant way. However, these exports could affect U.S. production for domestic use. Special care must be taken to assure that export programs supported by AID will be developed on a fair and equitable basis to avoid subsidized export activities. Until Costa Rica exports wheat, soybeans, or dry milk under a USAID project, the Mission believes that there is little chance of conflict with the Bumpers Amendment or AID policy in this regard.