



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A.I.D.
MISSION TO EL SALVADOR
C/O AMERICAN EMBASSY
SAN SALVADOR, EL SALVADOR, C.A.

PD-ABY-538
121469

July 9, 2003

MEMORANDUM

TO: PPC/CDIE/DIO

FROM: Lucy de González, SDC (~~MT Gonzalez~~)

SUBJECT: Copy of document

Attached please find copy of the following document:

- Amendment to the Activity No. 519-0438 "Rural Organizations and Environmental Conservation", under the Strategic Objective "Expanded Access and Economic Opportunities for Rural Families in Poverty".

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ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: ^{WOP} William Patterson, Water and Environment Office (WE) Director 
John Pennell, Economic Growth and Education Office (EGE) Director 

SUBJECT: Rural Organizations and Environmental Conservation Activity – ROCA-No. 519-0438, Activity Document Amendment under Strategic Objective (SO) “Expanded Access and Economic Opportunity for Rural Families in Poverty”.

I. ACTION REQUESTED: Approval to amend the ROCA Activity No. 519-0438 to: a) increase the Life-of-Activity (LOA) funding level by \$2,791,000 from \$9,273,000 to \$12,064,000; b) expand assistance for agriculture development and export promotion in order to increase the sales of agriculture products, the number of direct beneficiaries, and rural employment; and c) approve the revised program description of the Specialty and Quality Coffee Activity.

II. BACKGROUND: ROCA was originally approved on March 27, 1998 at a funding level of \$7.3 million and an Activity Completion Date (ACD) of September 30, 2002. The Activity was subsequently amended on May 2, 2001 to include earthquake reconstruction activities and extend the ACD to September 2003; and on September 4, 2002 to increase the LOA funding level by \$1,973,000 to a new total of \$9,273,000 and extend the ACD to June 30, 2005.

Original Activity interventions were organized around two components: 1) Technical assistance by a U.S. institution through sub-grants and sub-contracts to Second Level Organizations; and (2) Unsolicited proposals/small grants to institutions not assisted by the U.S. institution. Under these components the only on-going intervention is one: to improve and increase small farmer production and sales implemented by CLUSA of El Salvador. The current active ROCA programmatic areas approved in September 2002 are: *Agriculture development and export promotion*, which includes activities to: (a) support non-traditional crops, production and marketing managed under a cooperative agreement with FINTRAC, Inc; (b) help improve El Salvador’s Sanitary and Phyto-sanitary (SPS) capability as part of the Central America Free Trade Agreement (CAFTA) process, and (c) increase the sales of Specialty and Quality Coffee which is being implemented through the National Cooperative Business Association (NCBA a.k.a. CLUSA) Cup of Excellence Program, the Guatemala/Central America Program (GCAP) contract with Chemonics Intl., and the GCAP Cooperative Agreement (C.A.) with the Coffee Quality Institute.

III. DEVELOPMENT CHALLENGE: Despite the important improvements achieved to help El Salvador increase access to technology, challenges still remain to agricultural production. Agriculture production and sales are constrained by the lack of crop diversification, the low quality and reliability of production, a limited understanding for producing to meet market demands, limited access to technology such as low cost irrigation, calendarization of production, lack of environmentally sound pest management practices, and limited experience with export requirements. Many farmers and agribusinesses lack the business and management skills and knowledge about good agricultural and manufacturing practices to meet export requirements to adequately market their produce.

Also, the world-wide coffee price crisis has had an adverse effect on producers resulting in decreased job creation and reduced incomes. Consequently, poverty in rural areas has been exacerbated. USAID-GCAP

and USAID/El Salvador are taking measures to alleviate and improve this situation by supporting activities that reward quality and specialty coffees in response to market demands.

In addition, the Government of El Salvador (GOES), entrepreneurs, laboratories, and farmers lack the knowledge and capacity to meet SPS requirements for export.

IV. RESULTS TO BE ACHIEVED: The interventions under ROCA will continue to contribute to Intermediate Result (IR) #3 “Expanded Equitable Access to Financial, Technological, and Marketing Services by the Rural Poor” by supporting agriculture development and export production in order to increase sales and generate rural employment. The expected additional results from this amendment are:

- agriculture sales increased from \$7.8 to \$12 million;
- employment increased from 572,000 labor days to 775,000 labor days;
- the number of direct client/farmer beneficiaries increased from 1,100 to 1,600;
- a core capacity in SPS monitoring and compliance in the Ministry of Agriculture, private sector, and private testing labs established; and
- 15 rural enterprises assisted to meet SPS requirements for export to the United States and Europe.

The following table illustrates the impact of the proposed additional interventions (discussed below) with respect to EGE targets established in the approved Performance Management Plan (PMP), and specifically the agricultural indicators and targets. The PMP will be adjusted accordingly (see Section VII).

Indicator	Current targets to FY 2005 as established in PMP	New proposed targets to FY 2005 through this Amendment
Number of male (m) and female (f) direct beneficiaries receiving agricultural, technological and marketing services (cumulative)	60,000 (m) 21,000 (f)	60,450 (m) 21,050 (f)
Increased export and domestic sales of farmers and agribusinesses	\$7.8 million	\$12 million

V. ILLUSTRATIVE INTERVENTIONS: The current approved programmatic areas will continue the same: Agriculture Development and Export Promotion and Improve Small Farmers Production and Sales. The key interventions proposed for the \$2,791,000 increase in ROCA are: a) \$1,991,000 to expand assistance for agriculture development and export promotion in order to increase the sales of agriculture products and increase rural employment, b) \$500,000 under the Specialty and Quality Coffee Activity to further expand the support to the El Salvador coffee sector and the G-CAP coffee program; and c) 300,000 to support small farmers’ production and sales.

Under the programmatic areas described below, WE and EGE are jointly proposing to:

- a) Expand the geographic coverage beyond the current assisted areas, thereby generating a major nation-wide impact;
- b) Provide support to other agricultural sub-sectors which have not yet benefited from USAID assistance, such as the ornamental plants sector;
- c) Expand training for export farmers and rural enterprises with real potential to export and to be able to comply with SPS requirements; and
- d) Promote contacts and increased sales between rural enterprises and brokers/buyers.

1. Agricultural Development and Export Promotion: This programmatic area is aimed at increasing production and sales of high value agriculture commodities and to assist the Government of El Salvador

(GOES) and private sector to comply with SPS requirements in order to expand exports. Interventions include:

Non-Traditional Crops, Production and Marketing. \$1,500,000 from ROCA funds (including \$700,000 of FY 2001 reprogrammed to earthquake activities and \$800,000 approved in September 2002) are financing the Agriculture Economic Reactivation Activity which is being implemented under a cooperative agreement with FINTRAC, Inc (an additional \$2,000,000 earthquake funds were authorized to finance this agreement). Under this Amendment an additional amount of \$1,991,000 is proposed to continue seeking to increase sales of quality, reliable, improved produce primarily to local markets, undertake market research, identify buyers, and increase export sales.

Sanitary and Phyto-sanitary (SPS). In September 2002 you approved the amount of \$750,000 to improve El Salvador's Sanitary and Phyto-sanitary capability as part of the Central America Free Trade Agreement (CAFTA) process. Under this Amendment no additional funds will be added to this area; however we are herein providing an update of the already approved SPS intervention: The purpose of the SPS intervention is to enable the Salvadoran private sector and the GOES to comply with non-tariff barriers to export agriculture products to the U.S. and other markets. The GOES has asked USAID and other donors for assistance in the SPS area through the Trade Capacity Building committee under CAFTA. Prior to the second round of negotiations for CAFTA, USAID notified the GOES through the USTR led Task Force of our commitment to provide assistance to this sector. The most recent request for assistance includes a specific intervention to provide training as part of a campaign for the safe handling and use of pesticides.

Role of other donors: USDA is providing \$300,000 to the Ministry of Agriculture (MAG) to conduct five pest risk assessments (PRAs) with local currency funds. The Inter American Bank (IDB), through a loan to MAG, will help restructure and modernize MAG's Animal and Plant Health Directorate. MAG has informed USAID that it will need additional technical assistance and training for the four new divisions that will be created with the IDB loan.

USAID/Washington activity: EGAT, LAC, and several Central American Missions approved Development Alternatives Inc. (DAI) to conduct evaluation and benchmarking studies on SPS systems in Central America. The first DAI team completed their assessment in El Salvador in March 2003. In their preliminary report, the team mentioned that SPS transaction costs and trade barriers are resulting in regulatory avoidance by some exporters or are unfairly penalizing those who are willing to follow the formal procedures. They added that, among Salvadoran entrepreneurs, there is market and regulatory misinformation.

The second team (the benchmarking team) visited El Salvador the last week of May and the first week of June. The overall aim of this regional analytical exercise is to review and "benchmark" each country's SPS management capacity, considering the implications for the most important agricultural and food product imports and exports and related technical assistance requirements. Final reports from these teams are expected to be available in July 2003.

Illustrative interventions under SPS: The current options that WE and EGE are exploring, subject to further input from the benchmarking study, are:

- Capacity building for firms that process agricultural products for exports to enable them to comply with the technical requirements established by the importing country, with special attention to those in the United States;
- Capacity building for the Salvadoran private sector regarding international standards and requirements in control of residue analysis, pesticide control, quality control for fruits, vegetables, fishery and other agricultural products;

- In coordination with the IDB loan restructuring of MAG's Animal and Plant Health Directorate, providing limited technical assistance and training for the four new divisions that will be created with the IDB loan;
- Provide training to farmers as part of a campaign for the safe handling and use of pesticides; and
- Develop best practices for laboratories in different types of testing such as food safety, pesticide residues, etc.

Specialty and Quality Coffee: A \$1,200,000 Specialty and Quality Coffee Activity was previously approved by you. The purpose of this Activity is to increase the sales of Specialty and Quality Coffee which is being implemented through the National Cooperative Business Association (NCBA a.k.a. CLUSA) Cup of Excellence Program, the Guatemala/Central America Program (GCAP) contract with Chemonics Intl., and the G-CAP Cooperative Agreement with the Coffee Quality Institute. Under this Amendment, an increase of \$500,000 is proposed to a new total of \$1,700,000 to further expand the support to the El Salvador coffee sector and the G-CAP coffee program, as described in Attachment 1.

2. Improve small farmer production and sales: This programmatic area is aimed at increasing access to services needed for agricultural production by small farmers. Traditionally, technology transfer has occurred through the direct provision of technical assistance by government extension agents. During the last several years, both local and international NGOs have played an increasingly important role in carrying out technology transfer activities in rural El Salvador. Still, however, access to technology and marketing services by small farmers remain a constraint to agricultural production. Under an agreement with CLUSA of El Salvador, ROCA has helped small farmers to increase access to these services. WE and EGE propose to allocate \$300,000 under this area to continue assisting small farmer's production and sales.

VI. SUPPORTING ANALYSIS AND CONSULTATION PROCESS: The illustrative interventions have been selected based on consultations with the private and public sectors; coordination with G-CAP to support the regional specialty Coffee Activity; and specific requests from the GOES on SPS matters related to CAFTA, in order to generate a coherent response in conjunction with USAID/W, who is conducting the SPS assessment in Central America.

VII. IMPLEMENTATION AND MANAGEMENT PLAN: The EGE SOAG with the GOES will be amended to obligate ROCA funds, in order to proceed with the subsequent changes to the implementing instruments. It is expected that the \$2,791,000 hereby increased will be implemented as follows: 1) for the expansion of assistance for agriculture development and export promotion (\$2,491,000), WE and EGE propose follow-on interventions through assistance instruments with a U.S. organization for \$1,991,000 and \$500,000 to increase the G-CAP Regional Agreement for the Specialty and Quality Coffee Activity (Attachment 1); and 2) for the expansion of assistance to improve small farmers production and sales, a follow-on award to a local organization for \$300,000. If this is the case, then a justification for an exception to competition will be required to be approved by the Agreement Officer. If the requested exception to competition is not approved the WE office has identified an alternative USAID/W instrument.

Moreover, due to the short-term lifespan of the already approved intervention for SPS matters, WE and EGE propose negotiating a Task Order under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) and/or the Partnerships for Food Industry Development (PFID) IQCs. Pesticide training can be provided through the Human Capacity Development Activity (HCD) START contract. The core USAID management team will continue to be composed of the ROCA FSNPSC CTO, financed under this Activity, and the WE Director.

Gender/disabled: It is very common to find small farmers, especially in ex-conflict areas, with some type of physical limitation, or women who are heading a household and doing some type of farming activity. Poor women and disabled individuals face especially limited access to assets, education, and training. and

often have low incomes. Many women and disabled people work directly on their own small farms and/or rely on income from farm employment for their survival. The implementers will be required to make every effort to benefit women and/or people with disabilities.

VIII. PERFORMANCE MANAGEMENT PLAN (PMP): The EGE SO Results Framework will not be changed with this Amendment. The PMP approved by you on April 8, 2003 already includes the indicators for the proposed activities. Once you have approved the interventions described herein, the EGE PMP targets for agriculture will be adjusted accordingly as shown in Table under Section IV, Results to be Achieved.

IX. FINANCIAL REQUIREMENTS: The total proposed increase for financing the expansion of the described interventions is **\$2,791,000** with a proposed total LOA funding of \$12,064,000 through June 30, 2005. The proposed funding distribution for programmatic interventions is as follows: 1) \$2,491,000 for the expansion of assistance for agriculture development and export promotion: \$1,991,000 for non-traditional crops production and marketing, and \$500,000 to increase the G-CAP Regional Agreement for the Specialty and Quality Coffee Activity (Attachment 1); and 2) \$300,000 for the expansion of assistance to improve small farmers' production and sales.

Attachment 2, Financial Requirements, shows in Table 1 the on-going ROCA areas of assistance; the amount already approved under each area as well as the proposed increase until the completion of the Activity, June 2005. Table 2 shows FY 2003 and FY 2004 planned obligations. The approximate amount of \$348,000 for USAID Management and \$200,000 for studies/assessments were already approved by you. No additional funds for this purpose will be budgeted under this Amendment.

X. COUNTERPART CONTRIBUTION: The September 2002 Action Memorandum on Host Country Counterpart Contribution prepared by the Strategic Development Office (SDO) approved by you, and the subsequent SOAG amendment No. 10 on this matter, identified only the SPS area, training and USAID Management line items to be subject to counterpart contribution. This Activity Amendment is not allocating additional funds under those line items. Therefore, no additional counterpart contribution will be required from the GOES. The provision for counterpart contribution on SPS and USAID Management was already contemplated in amendment No. 10.

XI. CHECKLIST: As per the e-mail dated March 14, 2003, USAID/Washington has approved the FY 2003 Country Checklist for USAID/El Salvador. A Revised Assistance Checklist for the ROCA Activity is included as Attachment 3.

XII. INITIAL ENVIRONMENTAL EXAMINATION (IEE): A revised IEE Amendment is presented in Attachment 4. No funds will be obligated until the Bureau Environmental Officer (BEO) has approved the amended IEE.

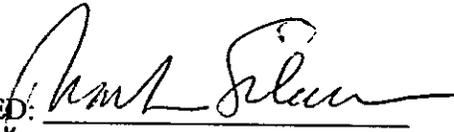
XIII. CONGRESSIONAL NOTIFICATION: The FY 2004 CBJ, notifying FY 2003 and FY 2004 obligations, was sent to the Hill on March 17, 2003 and expired without objection on March 31, 2003.

XIV. AUTHORITY: As provided in ADS Section 103.3.14.2a, LAC Mission Directors are delegated the strategic planning authority pursuant to ADS Chapter 201, as set forth in ADS Section 103.3.8.1b. WE, EGE, and SDO offices confirm that the changes to the ROCA Activity proposed in this Action Memorandum and the approvals requested herein, including the proposed increase in LOA funding and the proposed increase in targets, are in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.11.1 for "Increasing the Authorized Life of SO Funding Level". Further, such offices confirm that the proposed amendment to the ROCA Activity will not require an amendment to either the Mission's approved strategic plan or the

current management contract between USAID/El Salvador and the Assistant Administrator for the LAC Bureau. Therefore, you have the authority to approve the modifications described herein. In addition, under ADS Section 103.3.14.2a, Mission Directors in the LAC Region were delegated the authorities in ADS Section 103.3.5 to implement approved strategic, special or support objectives stated in ADS Section 103.3.8.2 with certain exceptions and exclusions. This includes the general authority set forth in ADS Section 103.3.5a(3), as well as the authority set forth in ADS Section 103.3.5c(1) to "Negotiate, execute, amend, and implement grants, loans, memoranda of understanding, and other implementing and ancillary agreements and documents with foreign governments and public international organizations." Accordingly, since none of the exceptions or exclusions applies to the requested amendment to the ROCA Activity, you have the authority to approve an amendment to the EGE SOAG to reflect the requested changes to the ROCA Activity.

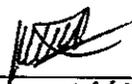
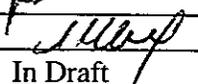
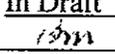
XV. RECOMMENDATION: It is recommended that you approve this ROCA Activity Amendment to:

1. Increase the LOA Funding by \$2,791,000 from \$9,273,000 to a new total of \$12,064,000;
2. Approve the interventions described herein;
3. Concur with the Mission Environmental Officer's recommendations concerning the Amended IEE for the ROCA Activity; and
4. Authorize the Mission to prepare and negotiate a SOAG Amendment with the GOES to reflect changes proposed herein to the ROCA Activity.

APPROVED: 

DISAPPROVED: _____

DATE: 7/7/03

Drafted by:	RCuellar, WE	<u></u>	Date: <u>JUL 3/03</u>
Cleared by:	NMata, SDO	<u></u>	Date: <u>7/3/3</u>
	FBreen, CONT	<u>In Draft</u>	Date: <u>June 17, 2003</u>
	BP Paige, RCG	<u>In Draft</u>	Date: <u>June 17, 2003</u>
	BMyers, RLA	<u></u>	Date: <u>7/7/03</u>

List of Attachments:

- Attachment 1- Revised Specialty and Quality Coffee Activity Description
- Attachment 2- Financial Requirements
- Attachment 3- Revised Assistance Checklist
- Attachment 4- Amended Initial Environmental Examination

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amendments thereto. As noted above, the proposed amendment to the ROCA Activity will not require an amendment to either the Mission's approved strategic plan or the current management contract between USAID/El Salvador and the Assistant Administrator for the LAC Bureau. Therefore, you have the authority to approve the modifications described herein. In addition, under ADS Section 103.3.14.2a, Mission Directors in the LAC Region were delegated the authority to implement approved strategic, special or support objectives stated in ADS Section 103.3.8.2 with certain exceptions and exclusions. This includes the general authority set forth in ADS Section 103.3.8.2a, as well as the authority set forth in ADS Section 103.3.8.b1 to "negotiate, execute, amend and implement strategic, support and special objective grants, loans, memorandum of understanding, and other implementing and ancillary agreements and documents with public international organizations and foreign governments." Accordingly, since none of the exceptions or exclusions applies to the requested amendment to the ROCA Activity, you have the authority to approve an amendment to the EGE SOAG to reflect the requested changes to the ROCA Activity.

XV. RECOMMENDATION:

It is recommended that you approve this ROCA Activity Amendment to:

1. Increase the LOA Funding by \$2,775,000 from \$9,273,000 to a new total of \$12,048,000;
2. Approve the interventions described herein;
3. Concur with the Mission Environmental Officer's recommendations concerning the Amended IEE for the ROCA Activity; and
4. Authorize the Mission to prepare an amendment to the SOAG with the GOES to reflect changes to the ROCA Activity.

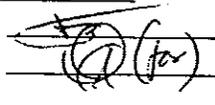
APPROVED: _____

DISAPPROVED: _____

DATE: _____

Drafted by: RCuellar, WE 

Date: 6/6/02

 Cleared by: NMata, SDO
 FBreen, CONT 
 BPaige, RCG
 BMyers, RLA
 TCornick, DDIR

Date: _____
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Office of the Controller
REVIEWED

 06/17/03
 DATE city 6/17

PROGRAM DESCRIPTION

USAID/EL SALVADOR QUALITY COFFEE ACTIVITY

1. THE CRISIS IN EL SALVADOR

The Salvadoran coffee industry has been significantly effected by the price crisis not only because it faces historically depressed prices but also, in contrast to other coffee producing countries, historically low production levels,¹ as a consequence of an aging plant stock, and a lack of investments and replanting during the war. The compelling reason for donor intervention lies in the social implications of unemployment if the coffee sector is not restructured. At the same time, there are significant trade opportunities that can be expanded with USG assistance under the Opportunity Alliance. There are several areas that USAID can support to assist the small and medium-sized coffee producers in combination with urgent internal measures that the coffee industry itself needs to undertake in concert with national and international financial institutions and the Government of El Salvador (GOES).

In addition to the economic relevance that coffee has for El Salvador, the crop has an enormous environmental importance since it represents almost all the forested areas for the country given it is mostly shade-grown; thereby contributing to soil and water retention, being a sustainable source of permanent firewood, acting as a forest capturing carbon-releasing oxygen, and serving as an excellent habitat for biodiversity.

In El Salvador, about 70,000 direct jobs were lost as a consequence of the crisis during the 2001/2002 season. This represents almost 17% of agricultural employment and 4% of national employment. Other Central American countries and southern Mexico are facing a similar situation. For example, in Matagalpa, Nicaragua, thousands of workers had to flee to the city in search of food when coffee farms stopped hiring them. In El Salvador, the GOES has limited capacity to provide support to the coffee sector. The GOES has announced a plan to provide alternative jobs for the displaced seasonal coffee workers. However, funds for investments in new plantings, conversion to high quality coffee and business development remain limited.

The total area cultivated in El Salvador is estimated at 161,000 hectares (has). There are about 23,000 coffee producers from which 87% are small farmers with farms less than 17.5 has. The production of these small farmers represents 21% of total production. There are

¹ The 2000/01 crop was the second lowest in 30 years, dropping by 37% on the previous crop, the biggest percent reduction in the world. The 2001/02 remained at the same level of the 2000/01. The 2002/2003 is expected to be lower than the previous ones. Consequently costs of production per unit have skyrocketed. Coffee growers in El Salvador therefore face a two-edged sword of low prices and high costs.

also 119 agrarian reform coffee cooperatives, which produce 8.8% of total production and farm approximately 18,000 has. There is not a quantification of the presence of small and medium farmers in areas 800 meters above sea level; however the Fundacion PROCAFE and the Union of Agrarian Reform Coffee Cooperatives (UCRAPROBEX) consider that there are a significant number of these types of producers in medium to high altitudes.

The main coffee producing departments in El Salvador are: Santa Ana, Ahuachapan, Sonsonate and La Libertad, located in the western part of the country.

During the 2000/2001, 72 exporters were active, 51 of them exported less than 20,000 hundredweights each.

El Salvador has a comparative advantage to produce high quality coffee, particularly in shade grown farms located higher than 800 meters above sea level. Enhanced quality, productivity, improved business linkages, and sound environmental management are essential elements of the program for improving the competitiveness of coffee producers for export.

2. REGIONAL IMPLICATIONS

The financial crisis in coffee is placing at risk the political, social and economic stability of producing countries. Among the most affected are the Central American nations, Mexico, Peru and Colombia where the consequences are already present:

- In Central America coffee revenues have decreased by approximately US\$1.3 billion compared to the 1980s. This amount surpasses the average lending the CA region receives from multilateral institutions.
- Central American governments have implemented different support programs for their coffee industries, but due to fiscal constraints their limited assistance capacity has withered.

3. USAID ROLE FOR ASSISTANCE IN EL SALVADOR

The crisis faced by the region has important implications for U.S. foreign, economic and social policies. USAID has launched the "Global Development Alliance" as a business model that can serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America, and others in support of shared objectives. Further, USAID has launched an Opportunity Alliance program and dedicated funds to address trade related development challenges, including addressing problems in the coffee sector. USAID/El Salvador working with El Salvador's Ministry of Agriculture (MAG), the Salvadoran Coffee Council (CSC) and PROCAFE, who in turn had consulted with the grower's

associations, have identified several options for joint action as part of a regional and bilateral coffee program for El Salvador.

The LAC quality coffee strategy responds to the changing global environment, changing roles for government, business and non-profit organizations, to address the current crisis in the coffee sector. The USAID Guatemala Central American Program Mission in Guatemala (G-CAP) manages the LAC program which is coordinated by the local USAID Missions. USAID and the Central American Ministers of Agriculture signed an Agreement of Cooperation entitled "Increased Competitiveness and Sustainability of Higher Quality Coffee Exports" The objective of the regional coffee program is to increase competitiveness and sustainability of higher quality coffee exports in Central America and the Dominican Republic. This objective will be achieved through:

- Enhancing coffee quality, productivity and environmental management
- Improving business practices and linkages
- Value added transformation
- Enabling market-based policies to function.

In addition, USAID/El Salvador expects to sign an agreement with the GOES, which will include assistance to promote increased sales of specialty and quality coffee. This assistance will focus on the private coffee producers and processors.

USAID/G-CAP Regional Coffee Program

USAID/Guatemala-Central America Program (G-CAP) is managing a regional effort through a contract signed on January 2003, with Chemonics Intl. and a Cooperative Agreement signed on December 2002, with the Coffee Quality Institute (CQI), which will be guided by each bilateral mission.

During February 11 to 13/2003, G-CAP organized a regional meeting in Guatemala city with the following objectives: 1) Introduce Mission agricultural officers and principal counterparts to the two implementing partners, Chemonics and the CQI, and their proposed programs, 2) Present and clarify priority action areas and identify initial tasks in each country for inclusion in the Chemonics and CQI first annual work plans, and 3) Clarify operational procedures related to overall program management including buy-ins to the implementing instruments, communications, approval, etc. The Mission will collaborate with USAID/G-CAP in the bilateral intervention and will buy into the G-CAP implementation instruments.

Chemonics will focus its efforts in coffee quality, marketing, and entrepreneurial development through technical assistance and training provided by a core team of experts in the aforementioned areas plus short-term consultancies on specific topics to be identified throughout the activity development.

With core funds, CQI will: a) provide short-term consultancies with an estimated two weeks per consultant, in areas related to coffee quality through a “coffee corps” concept of volunteers (alike to the Farmer to Farmer program) and b) manage one expanded auction program in El Salvador designed to promote expanded sales of medium to high volumes of quality coffee.

El Salvador Quality Coffee Program

The high quality and sustainable coffees are referred to in this description as “quality coffees.” The term “quality coffee” in this description refers to coffee that generates higher revenues due to their high standards in both quality (cup-value and reduced defects) and superior supply-chain or production management processes. These typically include coffees known as specialty (gourmet), premium grade, sustainable coffee (organic, fair-trade, shade grown), and those produced under consumer friendly certification schemes. The term “quality coffee” covers basically all coffees that are not traditional industrial blends, either because of their high quality and/or limited availability, or because of flavoring and/or packaging and certification schemes.

The remainder of this document describes the proposed USAID bilateral program to increase competitiveness and sustainability of higher quality and specialty coffee in El Salvador. The El Salvador Quality Coffee program to increase competitiveness and sustainability of higher quality coffee exports will focus on the following: (1) Enhanced coffee quality, productivity and environmental management (2) Improved business practices and linkages, and (3) Support value-added transformation. The country program will be implemented in conjunction with the USAID/GCAP program previously described.

4. El Salvador Program Objective

The overall strategy for USAID’s work in the rural sector is to promote rural prosperity by increasing the competitiveness of small and medium-sized producers, processors, exporters and businesses. The El Salvador program objectives are increased competitiveness and sustainability of quality coffee exports. The program will seek to increase the volume and fair market value of exports of quality coffee by 10 percent in three years. The program indicator will measure the change in exports of quality coffee. Data on exports and sales of quality coffee in El Salvador can be obtained from the Salvadoran Coffee Council.

An event important to highlight is that during the months of November and December 2002, the coffee associations together with the CSC and PROCAFE held working meetings facilitated by INCAE, to develop a common vision and strategy on the future of Salvadoran coffee. Some of the major outcomes of these meetings are: to focus on quality, promote and improve the image of Salvadoran coffee in international markets, competitiveness, value added and marketing. The proposed USAID El Salvador quality coffee program is responsive to the vision and strategy that the Salvadoran coffee sector has agreed upon.

Customer Focus: The program will focus on the small- to medium-scale producers, cooperatives and processors – who are likely to be at a disadvantage regarding access to technology, information, and credit – as the primary beneficiaries. The project will also take advantage of the natural endowments that El Salvador small coffee and medium farmers and cooperatives have in producing quality and premium coffees (altitude, microclimates, cultivars, and low pesticide use) while focusing on promoting quality coffees that sell at higher premiums.

Model to be implemented

The following stages illustrate the model of the proposed interventions:

Stage 1: Improved coffee quality production at the farm level with a focus on practices to improve quality and post harvest handling, working in parallel with identification of geographic areas with the potential to produce high quality coffee.

Stage 2: Improved coffee quality processing by minimizing defects at the mills, thereby preserving and enhancing quality obtained at the farm.

Stage 3: Market identification and linkages established with buyers and roasters through differentiation.

Stage 4: Sales of quality coffee which will result in increased income to farmers

The model is not necessarily linear or sequential. The program can implement activities at several stages simultaneously.

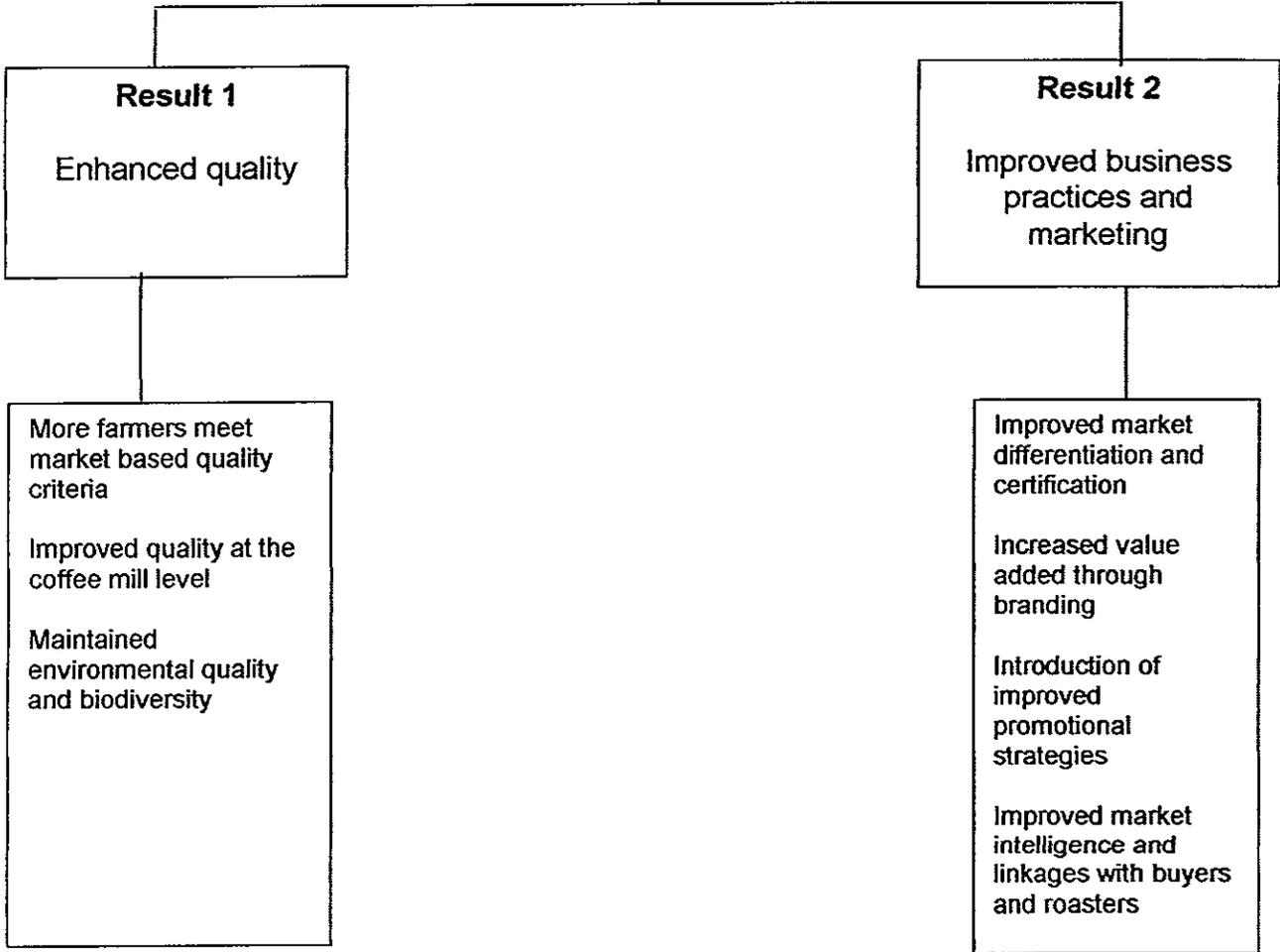
Implementation arrangements

As mentioned in other sections of this document, the El Salvador program will be developed in conjunction with the USAID/G-CAP regional coffee program, mostly through buy-ins to the Chemonics contract and the CQI cooperative agreement. Buy-ins will be made through MAARDS which will be generated and approved internally at the USAID/El Salvador mission and be finally authorized by the USAID/Guatemala Contracting Officer.

We expect to buy services from Chemonics in the areas of coffee quality, marketing, and entrepreneurial development through technical assistance and training, and from the CQI we expect to fund an expanded auction event and bring short-term consultants on specific topics to be identified throughout the life of the activity.

Increased competitiveness and sustainability of El Salvador's exports of quality coffee

Indicator: 10 percent increase in volume and the fair market value of exports of quality coffees from El Salvador



5. ENHANCED COFFEE QUALITY COMPONENT

In order to take advantage of higher coffee prices paid for high quality and specialty coffee, coffee growers and processors must maintain and increase high quality production and post harvest production techniques. By producing a quality bean and by improving post harvest processing and handling, coffee growers can significantly improve quality by reducing the number of defects in coffee beans, one of the most crucial factors in delivering high quality coffee to the market.

The key elements of USAID's efforts to enhance quality are:

- Identify the quality requirements of coffee buyers and roasters in order for the program to provide technical assistance so that the producers and processors may respond to the market demands
- Support improved production, post harvest and handling techniques to assist producers and processors to meet norms, standards and certification criteria as specified by the market

5.1 PROGRAM INTERVENTIONS

To improve the quality of coffee, El Salvador's program will focus on practices to improve quality, post harvest and processing. It is known that quality is diminished or lost during processing, even if the fresh cherries come from high altitudes. There is extensive knowledge about how to maintain high quality through the post-harvest handling of fresh cherries, but most of this knowledge has not been transmitted to the small and medium processors, or cooperatives with processing facilities. With proper technical assistance and training, this target group will have the opportunity to control the quality of the product and get a better price for their product. Therefore it is necessary to develop interventions in the areas of production, post-harvest and processing to maintain and/or enhance coffee quality.

5.1.1 Improved quality production, post-harvest and handling techniques

Improving quality begins on the farm. Farmers need to grow high quality coffee and get it to the wet mill in optimum conditions. Mechanisms should be put in place at the coffee collection centers to measure quality and compensate the producer for the delivery of quality coffee. It is not unusual to find good quality cherries damaged by fermentation because of transportation delays. Therefore, improvements in rural roads are vital for the GOES and international financial institutions to support. Supporting producers (especially the small ones) in developing organizational and cooperative approaches will help overcome many managerial problems and improve quality. For example, cooperatives can help producers work with quality standards and guidelines in harvesting, and empower producers in price negotiations.

A strategy of improving quality entails managing the entire coffee production process in an integral way, from the coffee planting and harvesting to the storage and shipping of green coffee. Starting with the minimum necessary production conditions, that are ideal agroecological conditions, particularly altitude, producers must manage a variety of elements to avoid defects and maintain quality during the production and harvest processes.

Illustrative activities may include:

- Identify the quality requirements of coffee buyers and roasters in order for the program to provide technical assistance so that the producers may respond with production improvements to the market demands.
- Supporting producer groups and/or cooperatives in business development skills (entrepreneurial development).
- Identifying specific geographic areas with potential for quality coffee production and key actions agreed upon with farmers and processors to improve quality and achieve greater market penetration.
- Supporting improved production techniques such as proper time of harvesting, to assist producers to meet norms, standards and certification criteria as specified by the market.
- Providing technical support packages that would assist producers to meet the requirements of some of the specialty coffee roasters and buyers
- Promoting contract farming for quality and specialty coffee.

5.1.2 Minimizing defects in the milling

The inadequate processing of coffee in the wet and dry mills can affect the quality of previous stages of production. The proper use of mills in quality coffee production will be an important part of the El Salvador activities. Most investments will have to be leveraged from private sector alliance partners or the InterAmerican Development Bank/World Bank. Technical assistance will be provided for post-harvest and processing. These will include technical assistance to improve the use of the wet and dry milling processes, roasting, packaging and exporting.

To improve the quality at the coffee mill level, interventions will include:

- ◆ Providing short-term technical assistance and training for the management and utilization and maintenance of environmentally sound wet and dry mills.
- ◆ Supporting alliances between producers, processors, and roasters for improved, consistent, and sustainable quality.

5.1.3 Cupping

Adequate tools must be used to measure and evaluate the “cup-value” of coffee samples. This requires establishing adequate cupping laboratories in the mills. The project will provide support for the training and certification of expert cuppers and setting up a group of master cuppers, who can train other cuppers. Additional support can be provided to establish cupping labs, as needed.

The program will enable coffee farmers and processors to better understand the difference between coffee quality standards through the provision of small coffee cupping labs established in strategic coffee producing areas.

5.2 Expected Results

At the end of the strategy period the expected results for this component are:

Improving quality at the farm level

- Coffee producers actively organizing and participating in cupping trials and who fully understand the procedures for grading
- Coffee producer groups and/or cooperatives with improved management skills.
- More small and medium farmers meet market-based quality criteria
- A program established to assist 10 producer groups/cooperatives to meet the requirements of some of the specialty coffee roasters and buyers

Improving quality at the coffee mill level

- Ongoing training provided at the mills in de-pulping, fermentation, drying and coffee classification
- Increased coffee processing at the mills that qualify for sale as high quality or premium coffee
- Strengthened alliances between producers, mill operators, and roasters.

Cupping

- More cuppers trained to respond to market demands and trends
- Cupping labs installed in different geographic areas and/or small/medium mills

5.3 Performance indicators

- Increased processing of quality coffee measured by the increase in exports
- 3 strategic plans for enhancing quality developed for three producer groups and/or cooperatives
- 20 mill owners/members introducing quality preservation and enhancement techniques
- 5 coffee millers using new production operation and post-harvest handling for producer associations
- Three mills meeting market-based quality certification standards
- Two alliances formed between producer groups/cooperatives, mill operators, and roasters
- 5 cupping laboratories installed and 5 master cuppers extending training.

6. IMPROVING BUSINESS PRACTICES COMPONENT

Improving the quality of coffee is a necessary but not a sufficient condition to increase sales of quality coffee. Coffee producers and processors need to modernize their business practices and marketing. The producers can take advantage of higher prices available in the quality coffee market by improving market differentiation, increasing value added, improving promotional strategies, and improving market intelligence and linkages with buyers and roasters. By enhancing the reputation and raising awareness about the quality of coffees grown in El Salvador, producers and associations will be better able to sell to the growing high revenue markets in the United States, Europe, and Japan.

Important business opportunities exist for coffee producers, roasters, associations, and buyers as the quality of the coffee improves. However, the size of the quality and premium market is still limited and the standards set by the industry for entry require that additional measures be taken by the coffee sector. Business skills need to be strengthened for private producers and particularly for small businesses, associations, and cooperatives.

Technical assistance and training will be provided in the following areas to improve the business practices of producers and processors. The priorities for assistance are:

- Improved market differentiation
- Increased value-added
- Improved promotional strategies introduced
- Increased market intelligence and business linkages.

6.1 Improved Market Differentiation

Market differentiation is an effective means to increase access to higher revenue markets and achieve market reputation and recognition. The consumers in a 'mature' market demand more information about the type and quality of the products that they buy. El Salvador's coffee producers and exporters can gain benefits from their efforts in market differentiation, certification, and regional classification or appellation.

6.1.1 Certification Programs: Certification systems cover a range of programs from organic coffee, gourmet labeling, fair-trade designations, to eco-friendly and shade-grown designations. Differentiation through certification is an approach that has already started in El Salvador, but certification is still limited.

The range of certified coffees are not standardized. They are confusing to some consumers and producers, and many have not been able to capitalize on consumers' willingness to pay higher prices for these certified coffees. There is a clear need to simplify and reduce certification hurdles. For instance, some certification schemes recognize other certification schemes within their criteria, but the producer and end buyer may not be aware of this.

USAID will provide assistance to standardize and facilitate the use of certification systems as long as a market demand is identified for a particular seal. Certification must be seen as a means and not an end, on which a producer can differentiate his/her coffee and get better returns. USAID will assist El Salvador to expand certification programs and help producer groups, small and medium-sized farmers, and producers to meet certification standards for which market demand exists. A marketing initiative for Salvadoran specialty coffees is expected to focus on those projects already in operation or those that have had significant results in the past. This might be coordinated with the Salvadoran Coffee Council, considering its links with local and international trade associations, including its regular participation in trade events where, albeit on a limited scale, coffees from El Salvador are promoted.²

Examples of the type of assistance that USAID may provide working with different certification programs is described below for the Starbucks alliance, Rainforest Alliance certification program, the Itzalco Premium program, organic coffee, and fair trade coffee.

Starbucks's Alliance: Starbucks has launched a new program to provide price incentives for purchases of premium quality coffee that meets environmental and fair labor practices. Some private Salvadoran coffee growers are in contact with

² The four coffee associations participate in the decision making process within the Council since they form part of its board of directors. The Council is a forum that serves as a private - public sector coordination model.

Starbucks to meet these standards and there will be strong competition in Central America to produce and process coffee that meets Starbucks' standards. USAID assistance can effectively work with local producers and processors to help them meet these standards and to improve certification that these standards are being met.

Itzalco Premium: There is also a supply of approximately 43,000 46-kg bags of gourmet coffee (Itzalco Premium)³ that is being sold with a price premium of nearly US\$60 per 46 kg. bag. This coffee is grown under strict quality standards including an altitude requirement of more than 1,400 meters above sea level. If this last criterion is applied to lower altitudes to create a new brand identity aimed at other high quality niche markets, a considerable supply of Strictly High Grown or High Grown coffee could be made available. USAID may provide assistance for a certification program for this new brand of coffee.

Rainforest Alliance certified: The "Coffee and Biodiversity Project" was established to differentiate Salvadoran coffee as environmentally friendly, through a certification program that guarantees the observance of production and processing criteria that are environmentally, socially and biodiversity friendly. The certification seal awarded was Rainforest Alliance certified through its local SalvaNatura NGO counterpart. This US\$750,000 World Bank funded program managed by Procafe made possible the certification of close to 1,000 has. and another 7,600 has. were in the process of being certified. Only 10% of the project costs were earmarked for the marketing phase. USAID may work with this certification program to effectively add value to the existing supply of certified coffee and avoid the disenchantment of pioneer producers.

Organic Coffee: Similarly, through a USAID funded project through CLUSA, between 4,000 to 8,000 46 kg. bags of certified organic coffee are being exported with a price premium of more than US\$40 per 46 kg. bag. One major limitation to market expansion has been the steady narrow supply of Salvadoran organic coffee. USAID assistance could be provided to expand this certification program and take advantage of the available "know how" and the growing interest of local producers and international consumers in organic coffee.

Fair Trade Coffee: Another area worth supporting for certification is the fair-trade seal, which at this moment is under-utilized in El Salvador.

6.1.3 Regional Classification Programs: The characteristics of coffee from the Central America region and El Salvador can take advantage of geographic identification or

³ This is the result of a project carried out by the Salvadoran Coffee Council between Dec/93 and May/97. Its cost was 10.99 million colones (the European Community provided 8.7 and the CSC the rest)

appellation systems to improve product marketing. Appellation has been used successfully for the wine industry. Appellation started in France, interestingly enough as a solution to a supply glut. Geographic identification is a more promising distinctive marketing device since it is the one that builds the highest differentiation. Coffee bearing other distinctive signs (organic, fair trades, etc.) can be produced in any country, but in no other place than in “Comasagua” for instance, can coffee from “Comasagua” be produced. El Salvador is well positioned to start a process of geographic identification recognition because it is a member of the World Trade Organization and as such has ratified the agreements on Trade and Intellectual Property Rights, which govern the international protection of geographic identification. In this regard, the local research and extension agency, PROCAFE has already initiated some work at the local level. Also, another potential candidate to conduct this type of work could be PROMECAFE, IICA’s regional coffee organization.

In El Salvador’s 2000-2001 harvest, Fundacion PROCAFE started an identification program for regional quality coffee producing areas. PROCAFE identified 100 geographic sites (between 1,000 and 1,600 meters above seal level) and sampled them. Subsequently, PROCAFE classified the areas using agroecological criteria, graded and cupped each sample and selected 25 sites for further exploration and delimitation of the same consistent quality boundaries. This effort is at an early stage and USAID could support its expansion to other geographic areas. Another potential intervention is the validation by international cuppers of the results obtained so far.

6.2 Increased value added: Market development and branding

In order to increase value added for production and increase access to profits beyond the production and sale of green coffee beans, producers and producer groups can promote efforts to achieve vertical integration between processing and marketing of their coffee. Producers can increase their share of total value by both developing downstream supply chain linkages and pursuing promotion strategies that highlight their high quality coffee lines.

Illustrative activities include:

- Developing private labels and gaining more direct access to consumers through participation in international, regional, and national meetings.
- Reducing the reliance on intermediary traders, where appropriate, to reduce the costs of transactions.
- Capturing product-oriented value by marketing processed or transformed coffee that can provide higher incomes.
- Promoting brand recognition that can increase penetration of the market.

6.3 Introduce Improved Promotional Strategies

To increase familiarity with El Salvador's quality coffees, it is necessary to more actively promote El Salvador's coffee among buyers and traders. The image of Salvadoran coffee needs to be revised to target market demands. USAID plans to provide support for regional and international travel to promote El Salvador's coffee, participation in market fairs and exchanges in order to increase linkages and sales to US and other buyers. Publications in magazines, articles, etc. may be promoted. USAID may support cost effective, targeted promotional strategies based on a clear understanding of the market place and consumer preferences.

6.3.1 Cup of Excellence: One innovative way of gaining international market recognition by expanding awareness of El Salvador's high quality coffee through competitions such as the Alliance for Coffee Excellence, Inc. (ACE) Cup of Excellence. Guatemala, Nicaragua, and Brazil with the support of ACE and the Specialty Coffee Association of America have successfully employed a Cup of Excellence program that resulted in increased sales at higher prices.

USAID will provide support to El Salvador for a Cup of Excellence program. The Cup of Excellence competition identifies the best coffees of a country through a selection process divided in two stages: 1) in the first stage a team of local cuppers assess and pre-selects, in accordance with pre-established criteria, coffee samples from participating producers and millers; 2) in the second phase, a panel of cuppers of international reputation visits the country to carry out a final assessment and final selection. Finally, the best coffees are auctioned through the internet. An additional advantage is that cuppers and international buyers will have the opportunity to learn more about Salvadoran coffee facilitating the promotion of contracts and sales.

It is worth mentioning that the Cup of Excellence program, in the medium term, has the potential to revert or improve the negative "differentials" or discounts set for Salvadoran Coffee under the C contract, thereby generating a benefit to all coffee growers and not for only those that participate in the competition.

This assistance will be provided through an FY2003 grant to the National Cooperative Business Association (NCBA/CLUSA) and through coffee consultants in FY 2004-05 or the regional contract.

6.3.2 CQI Expanded Auction Program: The Cup of Excellence activity has an auction component, but it is limited in the size of the coffee lot and the number of producers that qualify under its program. CQI will manage an expanded electronic auction that will allow for larger lot sizes and more growers to participate, while still focusing on high-quality.

Two auctions are planned. The first will be funded through core funds and the second one would be financed using El Salvador mission funds.

6.4 Improving Market Information and Linkage with Buyers and Roasters

USAID will help improve the competitiveness of small- and medium-sized coffee growers and processors by supporting improved access to marketing information sources. Specific areas of assistance may be:

- Conduct cooperative research with Central American counterparts to identify consumer trends, new market opportunities, and standards set by roasters and buyers
- Design and implement a communication and information network that would allow the participating Salvadoran small and medium sized growers to be informed about potential buyers
- Maintain a data base of coffee growers who produce quality or specialty for export
- Increase the use of electronic trading and internet style auctions to increase direct sales of high quality and premium coffees.
- Modernize the services provided by the Salvadoran Coffee Council by improving its web page. Such services could include: issuance of documents to speed-up the export process, prices in real time, cupping results, bulletin boards, etc.
- Establish linkages with buyers and roasters either directly or through intermediate buyers. USAID will provide funds to increase business linkages and sales contracts for quality coffee.

6.6 Expected Results

By the middle of June 2005, the expected results for improved business practices are:

Market differentiation:

- Gourmet labeling, organic certification, fair- trade designations, and eco-friendly and shade-grown designations established for 10 producer groups
- Basic foundations established for a geographic indications of origins (appellations).

Increased value-added

- Two business arrangements or joint ventures established between producers, exporters, and specialty coffee companies
- Brand recognition program developed for at least one group of producers.

Introduction of improved promotional strategies

- Quality and specialty coffee Cup of Excellence competitions undertaken
- Two companies/cooperatives using E-trade and other new auctions to increase direct sales
- Two expanded auctions carried out by the Coffee Quality Institute.

Increased market intelligence and linkages with buyers and roasters

- Market intelligence system established
- Two business relationships established and business contacts facilitated for 30 relationships.
- Two programs established to assist specific producer groups to meet the requirements of some specialty coffee roasters and buyers.

6.6 Performance Indicators

- Two business relationships established and business contacts have been facilitated
- Sales of quality and premium coffee increased for 10 producer groups.
- Quality and specialty coffee campaigns launched
- Market differentiation programs established
- 10 percent increase in volume and the fair market value of exports of quality coffees.

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USAID El Salvador Coffee Quality and Marketing Program		Total	Approved	Req. Increase
USAID El Salvador budget \$1.7 million				
ENHANCED COFFEE QUALITY				
1. Support improved quality production and handling techniques	21%	350,000	250,000	100,000
2. Minimizing defects in the milling:	18%	300,000	200,000	100,000
3. Cupping labs	3%	50,000	50,000	-
Sub total	41%	700,000	500,000	200,000
IMPROVING BUSINESS PRACTICES				
1. Improved Market Differentiation				
--Certification Programs	18%	300,000	300,000	-
-- Regional Classification Program (appellation)	0%			
2. Inc value added: Market development & branding	6%	100,000		100,000
3. Introduce Improved Promotional Strategies	6%	100,000		100,000
--Cup of Excellence	18%	300,000	300,000	
4. Improving Market Information and Linkage with Buyers and Roasters	12%	200,000	100,000	100,000
Sub total	59%	1,000,000	700,000	300,000
TOTAL		1,700,000	1,200,000	500,000
Approved as per action memo dated Sept/02		1,200,000	1,200,000	

S.O. "EXPANDED ACCESS AND ECONOMIC OPPORTUNITIES FOR RURAL FAMILIES IN POVERTY
ACTIVITY "RURAL ORGANIZATIONS AND ENVIRONMENTAL CONSERVATION (ROCA 519-0438)

ATTACHMENT 2

TABLE 1

Program Areas	Cumulative Obligations As of 9/30/02	Approved Program To be Obligated	TOTAL LOA APPROVED	Proposed This Increase	Proposed New LOA
1) Agriculture Development through U.S. Institutions Sub-Grants and Contracts and Small Awards					
- TechnoServe, EWW, Training	5,275,000	0	5,275,000	0	5,275,000
- CLUSA of El Salvador	4,404,000	0	4,404,000	0	4,404,000
	871,000	0	871,000	0	871,000
2) Agriculture Development & Export Promotion	1,400,000	2,050,000	3,450,000	2,491,000	5,941,000
- Non-traditional Crops Production and Marketing	700,000 (a)	800,000 (a)	1,500,000	1,991,000 (b)	3,491,000
- Speciality and Quality Coffee	350,000	850,000	1,200,000	500,000	1,700,000
- Sanitary and Phytosanitary Assist. (SPS)	350,000	400,000	750,000	0	750,000
3) Small Farmer Support				300,000 (b)	300,000
4) USAID Management/studies, assessments	348,000	200,000	548,000	0	548,000
- USAID Management Staff	248,000	100,000	348,000	0	348,000
- Studies and Assessments	100,000	100,000	200,000	0	200,000
TOTAL	7,023,000	2,250,000	9,273,000	2,791,000	12,064,000

(a) Implemented by FINTRAC

(b) Implementing Institution To Be Determined

TABLE 2

Program Areas	Annual Obligation Plan		
	FY 2003	FY 2004	TOTAL
1) Agriculture Development and Export Promotion	3,075,000	1,466,000	4,541,000
- Non-traditional Crops Production and Marketing	1,975,000	816,000	2,791,000
- Speciality and Quality Coffee	700,000	650,000	1,350,000
- Sanitary and Phytosanitary Assist. (SPS)	400,000	0	400,000
2) Small Farmer Support	300,000	0	300,000
3) USAID Management/studies, assessments	200,000	0	200,000
- USAID Management Staff	100,000	0	100,000
- Studies and Assessments	100,000	0	100,000
TOTAL	3,575,000	1,466,000	5,041,000

**STRATEGIC OBJECTIVE GRANT AGREEMENT
"EXPANDED ACCESS AND ECONOMIC OPPORTUNITIES FOR RURAL
FAMILIES IN POVERTY"**

**ASSISTANCE CHECKLIST FOR ACTIVITY NO. 519-0438
"RURAL ORGANIZATIONS AND ENVIRONMENTAL CONSERVATION"
JUNE 2003**

Part A. -- Planning (in alphabetical order)

1. **Activity Information Sheet.** (See ADS 203.3.9) Does this activity require an Activity Information Sheet ("AIS"). If so, has it been prepared or, if there is already an AIS for the activity, has it been reviewed and updated. See Additional Help document, database for accessing Blank Activity Information Sheet (AIS) Template (<http://www.usaid.gov/pubs/ads/200/200sbj.doc>), available at <http://cdie.usaid.gov/npc/> (accessible only within the USAID firewall); or send an e-mail request to npctemplate@dec.cdie.org.

[Contact: PPC, Parrie Henderson, 202-712-1025]

Please comment

THIS PROVISION DOES NOT APPLY.

2. **Agricultural Activities (Bumpers Amendment)** (FY 2003 Act Sec. 513(b), as interpreted by the conference report for the original enactment). No funds may be used for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training) that would compete with a similar commodity grown or produced in the United States unless the activity
- (a) Is designed to increase food security in developing countries and where such activities will not have a significant impact in the export of agricultural commodities of the United States; or
 - (b) Is a research activity intended primarily to benefit American producers.

THIS RESTRICTION WAS INCLUDED IN THE CONTRACT AND GRANTS WITH THE IMPLEMENTERS OF THE ACTIVITY.

3. **Communist Assistance** (FAA Sec. 620(h)). Arrangements should be made to ensure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries.

Please comment.

THIS RESTRICTION DOES NOT APPLY.

4. Adverse Economic Impact Upon the United States.

****(a) Impact on U.S. Jobs: Relocation; Export Zones; Violation of Workers' Rights*** (FY 2003 Act, Sec. 533, see ADS 225). Assistance may not be provided

- (1) To a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business;
- (2) For the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply, unless the President has determined and certified that such assistance is not likely to cause a loss of jobs within the U.S. [Note: this subsection has not been included since the FY 2002 Act but is still in PD 20]; or
- (3) For an activity that contributes to the violation of internationally recognized workers rights of workers in the recipient country. This is applied commensurate with the level of development of the recipient country and not to preclude assistance for the informal sector including micro and small-scale enterprise and smallholder agriculture. However under the provision in the FY 2003 Act, these exceptions no longer apply to the right of workers to associate, to organize and bargain collectively, and the prohibition on the use of any form of forced or compulsory labor.

Please comment.

PROVISIONS (1) (2) AND (3) DO NOT APPLY TO THIS ACTIVITY. THE ACTIVITY DOES NOT CONTRIBUTE TO THE VIOLATION OF INTERNATIONALLY RECOGNIZED RIGHTS OF WORKERS IN THE RECIPIENT COUNTRY. THE MISSION IS NOT AWARE OF ANY COMPLAINT OR NOTIFICATION OF VIOLATION UNDER THIS ACTIVITY.

(b) Production of Surplus Commodities (FY 2003 Act Sec. 513(a)). Assistance may not be provided to establish or expand production of any commodity for export if the commodity is likely to be in surplus on world markets and substantial injury will be caused to U.S. producers of the same, similar, or competing commodities.

Is this restriction applicable? Please comment.
THIS RESTRICTION IS INCLUDED IN THE CONTRACT/GRANTS WITH THE IMPLEMENTERS OF THE ACTIVITY.

5. Environment

- (a) **Environmental Assessment** (FAA Sec. 117; 22 CFR 216 (USAID Regulation 16), see ADS 204). 22 CFR 216 requires an Initial Environmental Examination, unless the proposed assistance falls within certain exceptions and other actions.

Please comment.

THE ACTIVITY IS OPERATING UNDER A REVISED INITIAL ENVIRONMENTAL EXAMINATION (IEE) APPROVED ON SEPTEMBER 17, 2002 (LAC-IEE-02-60). SINCE THE LOA FUNDING WILL BE INCREASED IN FY 2003, A REVISED IEE WILL BE SUBMITTED TO BEO/W FOR THEIR APPROVAL.

- (b) **CITES - Convention on International Trade in Endangered Species of Flora and Fauna** (FY 2003 Act, "Development Assistance" heading under Title II). No funds may be used in support of activities which contravene CITES.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- (c) **Debt-for-Nature Exchange** (FAA Sec. 463). Assistance that will finance a debt-for-nature exchange must

- (1) Support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves; or
- (2) Promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- (d) **Tropical Forest Degradation** (FAA Sec. 118). Funds may not be used for

- (1) The procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems;

- (2) Actions that will significantly degrade national parks or similar protected areas that contain tropical forests, or introduce exotic plants or animals into such areas;
- (3) Activities that would result in the conversion of forest lands to the rearing of livestock;
- (4) The construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) that pass through relatively undegraded forest lands;
- (5) The colonization of forest lands; or
- (6) The construction of dams or other water control structures that flood relatively undergraded forest lands.

However, funds may be used for activities in (3) through (6) above if an environmental assessment indicates that the proposed activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner that supports sustainable development.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

6. **Expropriation and Land Reform** (FAA Sec. 620(g)). Assistance may not be used to finance compensation to owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

7. **Family Planning.**

- (a) **Abortions and Involuntary Sterilizations Prohibited** (FAA Sec. 104(f); FY 2003 Act Sec. 518 and, "Child Survival and Health Programs Fund" heading under Title II). Funds may not be used

- (1) To perform abortions as a method of family planning or to motivate or coerce any person to practice abortions. (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options.)
- (2) To pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations.

- (3) To pay for any biomedical research that relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.
- (4) To furnish assistance to any country or organization if the President certifies that the use of these funds by such country or organization would violate the three provisions above.
- (5) To lobby for or against abortion.
- (6) To furnish assistance to any organization or program that supports or participates in the management of a program of coercive abortion or involuntary sterilization.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

(b) Voluntary Family Planning Support (FY 2003 Act, Title II, under heading "Child Survival and Health Programs Fund"). Funds may be made available only to voluntary family planning projects that

- (1) Offer, either directly or through referral to, or provide information about access to, a broad range of family planning methods and services (as a legal matter, Development Assistance only).
- (2) Meet the following requirements:
 - (a) Service providers do not implement or are not subject to quotas, or targets, of numbers of births, family planning acceptors, or acceptors of a particular form of family planning (quantitative estimates or indicators for planning and budgeting purposes is acceptable);
 - (b) The project must not provide payment of incentives, bribes, gratuities, or financial rewards for becoming a family planning acceptor or achieving numerical target or quota;
 - (c) The project must not deny any right or benefit, including right of access to any program of general welfare or right of access to health care, as a consequence of any decision not to accept family planning services;
 - (d) The project must provide comprehensible information of the health benefits and risks of method chosen; and
 - (e) The project must ensure that experimental drugs and services are provided only in the context of scientific study in which participants are advised of potential risks and benefits.

- (3) No applicant may be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning (as a legal matter, Child Survival and Health Programs Fund account only).

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

(c) *Certifications for Foreign Organizations* (FY 2000 Act Sec. 599D). [Note: NOT applicable to FY 2003 funds because it was not included in the FY 2003 Act but it still applies to FY 2000 Act funds]. Notwithstanding any other provision of law, population assistance may made available for any foreign private, non-governmental, or multilateral organization until the organization certifies that it will not, during the availability of these funds --

- (1) Perform abortions in any foreign country, except where the life of the mother would be endangered, or in cases of rape or incest; or
- (2) Violate the laws of any foreign country concerning the circumstances under which abortion is permitted, regulated, or prohibited, or engage in activities or efforts to alter the laws or governmental policies of any foreign country concerning the circumstances under which abortion is permitted, regulated, or prohibited.

The President may waive (1) and (2), but if he does so, the amount of funding for population assistance is reduced by \$12.5 million. That amount is to be transferred to the Child Survival and Disease Programs fund for assistance for infant and child health programs that have a direct, measurable, and high impact on reducing the incidence of illness and death among children. The waiver authority is limited to allow the provision of \$15 million to organizations that do not certify.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

8. ***International Conferences*** (FY 2003 Act Sec. 541, see Guidance on Funding Foreign Government Delegations to International Conferences, Mandatory Reference to ADS 302, 303, 306, 308, 350, and 522). Development Assistance funds may not be used to pay the costs for participation of another country's delegation at international conferences held under the auspices of multilateral or international organizations.

Is this applicable? Please comment.

NO FUNDS UNDER THIS ACTIVITY WILL BE USED TO PAY FOR THE PARTICIPATION OF A GOVERNMENT DELEGATION OF THE RECIPIENT COUNTRY TO INTERNATIONAL CONFERENCES

SPONSORED BY MULTILATERAL OR INTERNATIONAL ORGANIZATIONS.

9. **Legislative Action** (FAA Sec. 611(a)(2)). If the obligation is more than \$500,000 and requires legislative action within the recipient country, there must be a basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance.

Is this restriction applicable? Please comment.

RATIFICATION OF THE SOAG AMENDMENT WILL BE REQUIRED. MISSION DOES NOT ANTICIPATE DELAYS THAT MAY AFFECT THE TIMELY IMPLEMENTATION AND THE ACCOMPLISHMENT OF THE PURPOSE OF THE ASSISTENCE.

10. Loans

(a) (FAA Section 122(b)). In making loans, USAID must consider the following:

- (1) Information and conclusion on the capacity of the country to repay the loan at a reasonable rate of interest.
- (2) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?
- (3) If repayable in dollars, the interest rate must be at least 2 percent per annum during a grace period which is not to exceed 10 years, and at least 3 percent per annum thereafter, but no higher than the applicable legal rate of interest of the country in which the loan is being made.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

(b) **Productive enterprises competing with U.S. enterprises** (FAA Sec. 620(d)). No FAA loan funds may be used for any productive enterprise that will compete with U.S. enterprises, unless

- (1) There is an agreement by the recipient country to prevent export for use or consumption in the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan; or
- (2) If in the absence of such an agreement, the President has established import controls to effectuate that agreement.

This may also be waived by the President due to national security interest.

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- 11. Military Purposes** (FAA Sec. 531(e)). Congress has explicitly provided that ESF funds may not be used for military or paramilitary purposes.

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- 12. Nuclear Resources – Export of** (FY 2003 Act Sec. 506). Assistance may not be used to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology.

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- 13. Police and Prisons** (FAA Sec. 660). Assistance may not be used to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in Sections 660, 119 and 534 of the FAA and 536 and 582 of FY2003 Act).

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- 14. Publicity, Propaganda, and Lobbying** (FY 2003 Act Sec. 540; Anti-Lobbying Act, 18 U.S.C. 1913). Assistance may not be used to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

- 15. PVOs – Funding Sources for U.S. PVOs** (FY 2003 Act Sec. 501). If assistance is to be made to a United States private voluntary organization (PVO) (other than a cooperative development organization), it must obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government. This may be waived in certain circumstances. Check with the Bureau for Humanitarian Response, Office of Private and Voluntary Cooperation (BHR/PVC) to see if the U.S. PVO has met the requirement.

Is this applicable? Please comment.

IF DURING THE IMPLEMENTATION OF THE ACTIVITY IT IS DETERMINED THAT U.S. PVOs ARE NEEDED TO CARRY OUT PLANNED ACTIVITIES, THE WE OFFICE WILL CHECK WITH BHR/PVC TO SEE IF THE U.S. PVOs HAVE MET THIS REQUIREMENT.

Part B. Congressional Notifications.

- *1. **General Notification** (FY 2003 Act Sec. 515; FAA Sec. 634A). Obligations must be notified to Congress. This is usually accomplished through the annual Congressional Presentation. It may be the subject of a Special Notification, as below. Additionally, a new Congressional Notification must be made 15 days in advance of the obligation if the amount of the obligation has increased 10 percent from that previously notified.

Is this applicable? Please comment.

THIS PROVISION APPLIES. THE FY 2004 CBJ, NOTIFYING FY 2003 AND 2004 OBLIGATIONS, WAS SENT TO THE HILL ON MARCH 17, 2003 AND EXPIRED WITHOUT OBJECTION ON MARCH 31, 2003.

2. **Special Notification.** For activities, countries, and other actions requiring special notification see the attached memo entitled "Changes Made by the FY 2003 Foreign Operations Appropriations Act to Current Law."

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

Part C. Obligating Documents

1. **Source, Origin, and Nationality** (See ADS 310).

(a) **General** (FAA Sec. 604(a)). All procurement must be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with Agency rules. If planning procurement elsewhere, a waiver must be obtained.

Please comment.

THE AGREEMENT PROVIDES PROCUREMENT FROM THE UNITED STATES (GEOGRAPHIC CODE 000) AND, IN ACCORDANCE WITH LOCAL PROCUREMENT POLICY, FROM EL SALVADOR. SHOULD PROCUREMENT FROM ELSEWHERE BECOME NECESSARY, A WAIVER WILL BE OBTAINED IN ACCORDANCE WITH AGENCY NORMS AND REGULATIONS.

(b) Automobiles -- buy only U.S. made motor vehicles (FAA Sec. 636(i)). Assistance may not be used to finance the purchase, sale, long-term lease, exchange, or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained.

Please comment.

THIS PROVISION APPLIES. VEHICLES PURCHASED UNDER THIS ACTIVITY ARE/WILL BE U.S. MANUFACTURED

(c) Agricultural Procurement (FAA Sec. 604(e)). Agricultural commodities and products thereof must be procured within the U.S. unless the commodity or product could not be reasonably produced in the U.S. in fulfillment of the particular assistance program. Waivers are available in some circumstances.

Please comment.

THIS PROVISION DOES NOT APPLY.

(d) Construction or Engineering Services (FAA Sec. 604(g)). No engineering or construction services may be procured from advanced developing countries eligible under Code 941 that have attained competitive capability in international markets, *unless*

- (1) The advanced developing country is receiving direct economic assistance under the FAA, and
- (2) Its own assistance program would permit U.S. firms to compete for similar services.

Please comment.

THIS PROVISION DOES NOT APPLY.

2. **Cash Transfers – Requirement for Separate Account** (FY 2003 Act Sec. 529(b)). If assistance is in the form of a cash transfer or nonproject sector assistance, all such cash payments must be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance).

Please comment.

THIS PROVISION DOES NOT APPLY.

3. **Capital Assistance**

- (a) Mission Director Certification/Assistant Administrator Determination** (FAA Sec. 611(e)). When capital assistance is proposed (for example, construction), and total U.S. assistance for it will exceed \$1 million, the Mission Director must certify and the Regional Assistant Administrator must

take into consideration the country's capability to maintain and utilize the assistance effectively.

Please comment.

THIS PROVISION DOES NOT APPLY.

(b) *Developmentally sound projects* (Jobs Through Export Act of 1992, Sections 303 and 306(b)), Pub. L. 102-549, 22 U.S.C. 2421b and 2421d(b). If assistance is being provided for a capital activity, the activity must be developmentally sound and measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level.

Please comment.

THIS PROVISION DOES NOT APPLY.

(c) *U.S. Engineering Services* (FAA Sec. 601(d)). If using capital (for example, construction) assistance, U.S. engineering and professional services must be used to the maximum extent, consistent with U.S. interests.

Please comment.

THIS PROVISION DOES NOT APPLY.

4. *Assistance Generating Local Currency* (FY 2003 Act Sec. 529). If assistance is furnished to a foreign government under arrangements that result in the generation of local currencies

(a) USAID must

- (1) Require that local currencies be deposited in a separate account established by the recipient government;
- (2) Enter into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized; and
- (3) Establish by agreement the responsibilities of USAID and the host government to monitor and account for deposits into and disbursements from the separate account.

(b) Local currencies, or an equivalent amount of local currencies, can be used only to carry out the purposes of the Development Assistance or Economic Support Fund chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government.

- (c) USAID should take all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account is used for the agreed purposes.
- (d) If assistance is terminated to a country, unencumbered balances of funds remaining in a separate account should be disposed of for purposes agreed to by the recipient government and the United States Government.

Please comment.

THIS PROVISION DOES NOT APPLY.

5. **Printing Costs.** The Bureau for Legislative and Public Affairs (LPA) must approve printing costs of a report of study (except feasibility, design, or evaluation reports or studies) more than \$25,000. [Note: While the requirement for this review is not in the FY 2003 Act, the USAID guidance still applies.]

Please comment.

ALL REPORTS IN EXCESS OF \$25,000 WILL BE SENT TO LPA FOR APPROVAL OF PRINTING COSTS BEFORE THEY ARE SENT TO THE PRINTING HOUSE.

6. **Alcoholic Beverages and Certain Entertainment Expenses** (FY 2003 Act Sec. 549). Development Assistance or Economic Support Funds may not be used for alcoholic beverages or entertainment expenses that are substantially of a recreational nature.

Please comment.

THIS PROVISION DOES NOT APPLY.

7. **State Department Notification of Bilateral Agreements With an Obligation of \$25 Million or More** (see ADS 349). The date of signing and the amount involved must be cabled to State Office of Assistant Legal Adviser for Treaty Affairs (L/T) immediately upon signing and the full text of the agreement should be pouched to State/L/T within 20 days of signing.

Please comment.

THIS PROVISION DOES NOT APPLY SINCE FUTURE AMENDMENTS WILL NOT OBLIGATE \$25 MILLION OR MORE (AS PER REVISED ADS SECTION E350.5.5.(a) 2).

8. **Engineering and Financial Plans** (FAA Sec. 611). Before an obligation of more than \$500,000, there must be

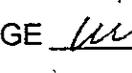
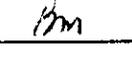
- (a) Engineering, financial, or other plans necessary to carry out the assistance;
- and

(b) A reasonably firm estimate of the cost to the U.S. of the assistance.

And, if the plan relates to a water or water-related land resource construction, the plan should include a computation of benefits and costs. This figure must be computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.).

Please comment.

REASONABLY FIRM ESTIMATES OF COSTS HAVE BEEN DEVELOPED AND INCLUDED IN THE DESIGN DOCUMENTATION OF THE ACTIVITY. THESE ESTIMATES ARE BASED ON ANALYSES MADE BY WE STAFF.

Prepared by: RCuellar, WE  Date: JUNE 9/03
JSegovia, SDO  Date: JUNE 9/03
Cleared by: NMata, A/SDO  Date: 6/19/03
WPatterson, EGE  Date: 6/9/03
BMyers, RLA  Date: 7/7/03

U:sdo\chklist_519-0460_ROCA - June4, 2003

Additional Help: 200-203
File Name: 202saa_050503_cd32
Revision: 05/05/2003
Effective Date: 05/01/2003

AMENDMENT INITIAL ENVIRONMENTAL EXAMINATION

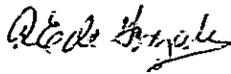
Activity Location: El Salvador

Activity title and number: Rural Organizational and Environmental Conservation # 519-0438

Increase in LOA \$2,791,000

New Total LOA: \$12,064,000

Life of Activity: From June 23, 1998 through June 30, 2005

IEE Prepared by: Rafael Cuellar, CTO 
Elizabeth de Gonzalez, WE 

Recommended Threshold Decision: Categorical Exclusion
Positive Determination

Mission Threshold Decision: Concur with Recommendation

Date Prepared: July 3, 2003



Mark Silverman
Mission Director

7/7/03

Date

ATTACHMENT A

Activity Description:

The USAID/El Salvador Mission intends to raise the LOA by \$2,791,000 to a total new LOA of \$12,064,000 with the Government of El Salvador for the Rural Organizations and Environmental Conservation Activity (No. 519-0438). (LAC -IEE-02-60). This amendment does not contemplate a modification of the technical approach of the current approved activities.

The purpose of the ROCA Activity is to increase the availability of environmentally sound agricultural technologies and marketing services to primary-level organizations such as cooperatives, producers groups, and low-income small producers, through secondary level organizations, e.g., cooperative federations, agro industries, and/or NGOs. As a result of the devastating earthquakes of 2001, the purpose was modified to include assistance to beneficiaries located in earthquake affected municipalities and include rehabilitation and reconstruction of small productive infrastructure at the family and community level.

In September, 2002, ROCA was amended to include activities to improve coffee quality and expand the sales of specialty and premium coffees; and to assist the GOES to increase agricultural exports by addressing non-tariff barriers and improve agricultural exports and also provide the same support to private entrepreneurs in sanitary/phytosanitary capacity strengthening. It is expected that US contractors in collaboration with both governmental and non-governmental institutions will continue to implement these supplementary interventions in the agricultural sector. These types of activities will continue in the present amendment.

On March 31, 2003, Washington approved the Environmental Impact Assessment (EA) for the use of specified pesticides for this activity. A pesticide IEE prepared in accordance with 22 CFR 216.3 (b) will be submitted to LAC BEO if the program will support the use and/or procurement of pesticides not specifically addressed in the current EA. The document also establishes that before the end of each fiscal year, USAID must prepare a report evaluating the effectiveness and appropriateness of the mitigation measures.

Determination: The current approved IEE (LAC-IEE-02-60) for the ROCA Activity allows for a **Categorical Exclusion** for those activities to increase the availability of environmentally sound agricultural technologies and marketing services to primary-level organizations such as cooperatives, producers groups, and low-income small producers, and those under the technical assistance and training for non-tariff barriers to increase agriculture exports and for the technical assistance and training for phytosanitary assistance and promotion of specialty and quality coffee. These three activities under this

Amendment will not have an effect on the natural or physical environment. Therefore, those sub-Activities qualify for a categorical exclusion under Section 216.2 (2) (i), "Education, technical assistance, or training..." of 22CFR.

LAC-IEE-02-19 has a **positive determination** for purchase and use of pesticides in the Agribusiness Development and Export promotion activity under the Earthquake Reconstruction Activity. This activity is now included in project 519-0438 and under this amendment. The determination for that activity under this amended IEE remains **positive**.

Clearances: WE:BCarr: [Signature] Date: 3/20/03
EGE:JPennell [Signature] Date: 7/2/03
[Signature] SDO:NMata [Signature] Date: 9/3/03
RLA:BMyers [Signature] Date: 2/7/03