

## STRATEGIC OBJECTIVE CLOSE OUT REPORT (SOCR)

**A. SO Name:** Increased Diversification of the Rural Economy

**B. Number:** 596-009

**C. Approval Date:**

On July 31, 2002, the AA/LAC amended the FY 2002-2006 Strategic Plan for the Central American Regional Program to include a new Rural Diversification Strategic Objective (596-009) and additional resources for ongoing strategic objectives in support of USAID's Opportunity Alliance for Central America and Mexico (OA). The OA is a U.S. initiative to address poverty in Mesoamerica and to reduce vulnerability to disasters, internal conflicts, and external shocks, through a trade-led, rural development initiative. The OA was intended to pioneer innovative ways of mobilizing private sector partners, other donors and private voluntary organizations to leverage maximum resources for a common agenda. The \$16.958 million Rural Diversification SO was specifically designed to help reduce the over-dependence of the regional economy on coffee while addressing structural problems inhibiting greater rural economic diversification.

**D. Life of SO Funding (by USAID Funding Accounts):**

\$13,470,000 Development Assistance (DA) 596-0187; Global Development Alliance (GDA) 020-0002 \$4,609,000; Mission buy-ins and OYB transfers \$11,745,039; Field Support \$100,000 936-3094.10 FANTA-AED for the Mesoamerican Food Early Warning System (MFEWS); DCA \$30,800 598-0017.00. Total \$29,954,839 (see Annex 2).

**E. Completion Date:** September 30, 2006 (see exceptions below).

The Central America and Mexico (CAM) Regional Program Transition Plan for FY 2005-2006 described the steps needed for a progressive migration of regional program management from USAID/G-CAP to USAID/El Salvador. This migration of responsibility involved the phased termination or transfer of current regional programs concurrent with the start-up of new programs in El Salvador. The Transition Plan called for the simultaneous start-up of the new CAM Regional Program (or CAMP) and early termination of the Central America Program (CAP) Strategy, both in terms of planned obligations (final obligations to take place in FY 2004 and funds to be expended by the end of FY 2006) and implementation. The transfer of regional program management responsibilities to El Salvador was to be complete by June 2006, with CAP strategy completion and close-out by not later than September 30, 2006. The management of two SO9 implementation instruments was transferred to the El Salvador regional program under agreement modifications dated May 24, 2006. The two instruments were the Participating Agency Program Agreement with the U.S. Department of Agriculture (USDA PAPA) and the Cooperative Agreement with Rainforest Alliance. The Management Agreement for the CAM Regional Strategy was amended on June 19, 2006, to extend (for specific key activities) the spending period of the regional SOs from

September 30, 2006 to September 30, 2007. The close-out of these SOs will be completed by the El Salvador Regional Program in collaboration with the Guatemala Mission by June 30, 2008. The specific activities extended under 596-009 were the USDA PAPA and the GDA Secretariat Cooperative Agreement with FINCA International.

**F. Counterpart Contributions:**

Section 110 of the FAA, “Cost Sharing and Funding Limits”, which requires at least 25% contribution of the costs of the entire program from the part of the cooperating country has been interpreted to apply only when the government of the country is directly benefited or is directly involved in managing the assistance that has been obligated under a SOAG to the host country government and does not apply to regional or multilateral assistance. In the case of the Central America and the Dominican Republic Quality Coffee Program, some components of the assistance could be interpreted as bilateral assistance in nature, especially since the Grant Agreement was to be signed by the participating countries rather than a regional organization. However, the assistance would primarily benefit the private sector rather than the participating governments, and the participating governments would not directly manage the assistance. Therefore, no counterpart was requested from the participating host country governments.

Per Acquisition and Assistance Policy Directive 02-10 issued July 11, 2002, there is no set formula for cost sharing for grants and cooperative agreements. The Activity Manager must document the factors considered in determining the amount of cost share.

**G. Other Partner Resources:**

SO9 design was based on the principles of the Opportunity Alliance and the language contained in the major implementation instruments reinforced this approach by emphasizing the critical role expected of contractors and grantees in mobilizing other resources to support the program, as well as helping the beneficiaries access financing for commercial activities. The rural diversification strategic objective included four Global Development Alliance (GDA) activities, with GDA funds complemented by additional funding from the USAID/G-CAP regional environment program (PROARCA) and the bilateral Missions. The four GDA activities included the Conservation Coffee Alliance with Conservation International and Starbucks International and the Central American Coffee Initiative/Diversification Component with TechnoServe. The flagship GDA was the Rainforest Alliance Certified Sustainable Products Alliance (CSPA) program to support the scaling-up of coffee, banana and timber product certification, and the increased sale of certified products. The fourth GDA activity was the Next Generation Microfinance: Banking the Unbanked program with FINCA International and VISA to provide financial services to poor entrepreneurs, previously deemed “unbankable” by commercial banking institutions.

## H. Geographic Impact Area:

The SO Grant Agreement (SOAG) was signed with the Ministers or Secretaries of Agriculture of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, and the Dominican Republic; the countries most affected by the coffee crisis in the region. Belize was subsequently included as an additional grantee for activities under Intermediate Result No. 2: Improved Competitiveness of the Rural Economy. USAID/Mexico participated in the GDA agreements with Conservation International and Rainforest Alliance via OYB transfers to SO6, the regional environment program PROARCA (596-0185).

## I. Principal Implementing Partners:

The Ministers or Secretaries of Agriculture of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, the Dominican Republic and Belize; USAID/Mexico; Chemonics International Inc.; Coffee Quality Institute (CQI); Conservation International (CI); Finca International; Michigan State University (MSU); Rainforest Alliance (RA); TechnoServe; U.S. Department of Agriculture (USDA); U.S. Department of the Interior; Geological Survey (USGS); VISA International.

## J. Summary of Overall Impact at SO and Intermediate Result (IR) Levels:

The progressive termination or transfer of regional programs from USAID/G-CAP to USAID/El Salvador during FY 2006 resulted in FY 2005 being the last complete year for reporting results.

SO/IR	Indicator	Baseline (2003)	FY 2004		FY 2005	
			Target	Actual	Target	Actual
SO 9	CA Quality Coffee Exports (000's of 60 kg sacks)	2,575	2,833	2,967	3,219	3,417
SO 9	CA Certified Banana Exports (million boxes)	0	20	21.65	23.57	27.8
SO 9	CA Certified Timber Exports (thousand board feet)	0	100	337.27	1,641.60	1,501.50
IR 1	CA Quality Coffee Exports (000's of 60 kg sacks) - Project	0	50	96.3	197	242
IR 1	Area of Coffee Certified (hectares) - Project	0	0	0	12,853	20,409
IR 2	Area of Bananas Certified (hectares) - Project	0	7,796	16,040	14,054	21,804
IR 2	Area of Timber Certified (hectares) - Project	0	1,238,937	1,238,973	1,050,855	1,459,104
IR 2	Persons Trained in Trade (TCB)	0	350	527	1,100	1,679

The FY2003 baseline value for aggregate quality coffee exports across the Central American region was 2.57 million sacks (60kg). The FY2004 target of a 10% increase to 2.83 million sacks was surpassed, as actual aggregate quality coffee sales increased by approximately 15% to 2.96 million sacks. The FY2005 target of 3.22 million sacks was also surpassed, with actual aggregate sales across the region of 3.4 million sacks, representing a 32% increase over the baseline. The aggregate value of sales of quality coffee across the region increased even more dramatically, from \$203 million in FY2003 to \$405 million (almost 100% increase) in FY 2005, due in part to a 50% increase in world coffee prices from approximately \$.60/lb in 2003 to approximately \$.90/lb in 2005. The volume of exports for direct project beneficiaries also exceeded targets in all cases.

Rainforest Alliance (RA) was tremendously successful in making certified coffee widely available to consumers. Overall sales of RA certified coffee from Certified Sustainable Products Alliance (CSPA) countries increased from 5,000 to 8,700 metric tons, a 76% increase. Gross sales of certified coffee from the region grew from \$12 million/year to \$21 million/year. The FY2004/FY2005 targets for sales of both certified bananas and certified timber were met or surpassed. The targets for certified banana sales for FY2004 and FY2005 were 20 million and 23.5 million boxes, respectively. Actual sales were 21.6 million and 27.8 million boxes. Cumulative CSPA results, including FY2005, on volume of certified wood products sold were 1,838,774 board feet, equivalent to \$3,312,906. In 2005, the CSPA reported 1,501,502 board feet sold, 140,000 board feet less than it was originally planned for 2005 (1,641,600). This small gap was the result of the RA decision to only report the volume of wood already shipped to the buyers. If the pending purchase orders (300,000 board feet approximately) that were in process to be shipped were included, the annual goal (1,641,600 board feet) would have been met and surpassed.

**K. Summary of activities used to achieve the SO and their major outputs:**

Objective: The regional Increased Diversification of the Rural Economy strategic objective (SO 9) was developed as part of a global effort by USAID to address the effects of a worldwide coffee crisis, the lack of rural enterprise competitiveness, regional drought and the economic impact of September 11. SO 9 was focused on a principal longer term constraint to rural prosperity in Mesoamerica, the lack of diversified income and employment opportunities in rural areas, a situation made more urgent by structural change in the coffee market. Central America's dependency on traditional commodity crops, such as coffee, bananas, and sugar, had had significant negative impact at both the macro and micro levels, with major financial losses to national accounts and lowered rural household incomes. Two studies, the Interamerican Development Bank's (IDB) "Managing the Competitive Transition of the Coffee Sector in Central America," and USAID's "Rural Prosperity in the Latin American and Caribbean Region," both documented the need to improve competitiveness and diversify rural opportunity in order to foster trade-led rural growth, and pointed to increasing nontraditional exports (NTEs) as an appropriate strategy. There were two intermediate results IRs: "Improved Competitiveness and Sustainability of Quality Coffee Exports" and "Improved Competitiveness of the Rural Economy." Activities under this strategic objective promoted diversification of both farm and non-farm production using public and private

sector alliances to address the need for more diverse income and employment opportunities, while stimulating economic growth in rural areas.

### IR1: Improved Competitiveness and Sustainability of Quality Coffee Exports:

The world coffee market changed considerably in the previous five years prior to the design of SO9 due to structural changes in demand, and increased coffee production in Brazil and Vietnam. Coffee prices dropped to their lowest levels in 30 years during 2000/2001 as a result of world oversupply. The crisis was most apparent in Central America and the Dominican Republic (CADR), where prices at the farm level fell below the cost of production for most coffee producers, causing serious economic hardship. Since these producers had only limited ability to significantly lower production costs, they would either have to shift to high-value coffees or diversify. USAID responded to this situation with a program to help CADR compete in the upscale segments of the coffee market. The term quality coffee basically covers all coffees that are not traditional industrial blends, either because of their high quality and/or limited availability on the producing side, or because of flavoring and/or packaging and certification schemes. Specialty coffee consumption was growing rapidly in traditional consuming countries, while regular coffee consumption was stagnating. The comparative advantage of the Central American countries is in producing high quality coffee. Their competitive advantage lies in the agro-ecological conditions (altitude, micro-climates and soil) which provide the potential to improve quality and/or shift production toward quality coffees. Other advantages included the presence of bourbon variety coffee, the washed coffee industrial process, coffee producing tradition, processing capacity, and abundant labor. The overall USAID strategy in this sector was to promote rural prosperity by increasing the competitiveness of small and medium producers of quality coffee, and by diversifying the rural economy. The USAID Quality Coffee Program (QCP) helped coffee producers and processors develop and strengthen long-term relationships with exporters, importers, and retailers, and to increase their ability to negotiate prices, including premiums for quality. Enhanced quality and productivity, improved business linkages, market-oriented policies, and sound environmental management were essential elements of the program.

Within less than three years, the CADR coffee industry had embraced so thoroughly the concept of competition in world trade on the basis of quality production that what had historically been one of the most traditional sectors quickly emerged as a lead sector in the adoption of modern trade norms and standards, innovative market certifications and promotions, and new global trade alliances. USAID assistance was based heavily on the opportunity alliance model of public-private sector alliances, and shared some programmatic aspects with similar activities in East Africa and the Andean region. In the case of Central American quality coffee, the economic interest of the emerging specialty coffee industry in the United States provided the platform for a very strong alliance. U.S. businesses that profited from the wholesale trade, roasting, retailing, and services connected to quality coffee provided strong support to the USAID program out of economic self-interest in ensuring a consistent and high quality supply of specialty coffees. The Coffee Quality Institute (CQI) - a principal partner in the Quality Coffee Program - worked closely with a variety of coffee associations and businesses to provide

the institutional basis for the development of quality standards, quality control systems, and commercial market innovations for quality coffee, as well as providing access to industry experts as consultants and volunteers. CQI also became a leader in the development of a larger, global alliance that included Japanese and European specialty coffee industries. The other principal partners in the QCP were Chemonics International, the Department of the Interior Geological Survey (USGS) and Rainforest Alliance. Chemonics provided specific assistance at the farm level, in finding new buyers, improving quality, and developing sustainable business relationships. Mission Directors decided in 2004 that regional program activities would de-emphasize assistance at the firm/farm level. Activities being funded through bilateral buy-ins continued, but primarily through local partners and staff. USGS implemented the Specialty Coffee Internet Map Server (SCIMS) systems as a tool for marketing, promotion, origin, traceability and transparency of the specialty coffees. Rainforest Alliance had a role that was very much complementary to CQI, which was to create market conditions that could change the terms of trade in a way that would favor CADR coffee farmers and their employees. Whereas CQI's focus was to create the norms and standards for market segmentation based on quality, Rainforest Alliance was the leader in developing and expanding social and environmental responsibility certification, which helped contribute to adding value through product differentiation.

The USAID Quality Coffee Program transformed the competitive position of Central American coffee by creating objective and universal quality standards, training Central American cuppers in the use of these standards, developing more transparent and competitive trade practices in quality coffee, developing added value based on promotion of origin or other certifications, forming new trade alliances, and helping small farmers and cooperatives improve quality and access the emerging market for quality coffee. During the first nine months of implementation in FY 2003, the QCP completed administrative and financial diagnostics for twenty five producer groups, cupping lab diagnostics for six producer groups, and wet mill diagnostics for twenty producer groups. Timely technical assistance to small-scale producers late in the marketing year also resulted in the sale of three containers, 750 bags of coffee. While these were not major results, they constituted the foundation upon which significant achievements were expected during the 2003/2004 coffee harvest.

During FY04, the basis was laid for shifting world trade to a quality market through the adoption of the Specialty Coffee Association of America (SCAA) cupping standard in the "Q" auction and Cup of Excellence. The most important single achievement of FY04 was the successful initiation of the "Q" auction in four Central American countries. The "Q" auction was the first commercial scale, internet based auction for quality coffee, and offered the most radically open market solution to creating a transparent and competitive market based on quality. Performance in 2004 met or exceeded all expected targets. The goal for the first year was to auction seven container lots per country with no major problems in either the internet platform or post-auction logistics. In this trial year, the hope was that prices generated by the auction process would be favorable to producers and the buyers would recognize enough value in the auction to be willing to increase future purchases. The floor price for the auctions was set at about \$0.20 over the "C"

contract price. In fact, 28 lots were auctioned and 25 lots were sold at an average price of \$1.08, about \$0.38 over C contract. The high price was \$1.55, about \$0.85 over “C” contract. The “Q” auction attracted over 63 bidders from around the world, with most of the buyers split between the United States and Japan.

By the end of the year, ten cuppers from each of the seven host countries had received a rigorous training course, and over thirty from Guatemala, El Salvador, and Honduras had passed the SCAA administered test certifying them as Star Cuppers and preparing them to become “Q” raters, responsible for classifying coffees for the “Q” auction. These Star Cuppers created the minimum condition necessary for significant amounts of trade in the future, and much of the continued effort under the QCP would be in consolidating and expanding this technical team.

FY2004 also saw major achievements in the promotion of differentiated coffees, including both national origin and social and environmental certifications. El Salvador, which had the highest percentage of national production below 1,000 meters, was a leader in promotion of a quality image through the Cup of Excellence competition. Over 400 farmers submitted samples for the competition and over 60% were classified as quality coffee. Honduras, which had a reputation for lagging behind in quality, achieved the highest price in the region from a Cup of Excellence competition. Guatemala used a strong national promotional campaign to move into world prominence in quality coffee. The SCAA declared Guatemala to be the new benchmark in quality coffee and Santory Corporation of Japan launched a new line of “Rainbow Mountain” coffee with the ANACAFE seal certifying Guatemalan origin. In the first six months, sales of over 500 million cans outpaced Santory’s industrial capacity to supply the market.

One of the most critical accomplishments was the creation and consolidation of the alliance partnerships that would provide financial leverage, access to markets and industry expertise, legitimacy in world markets, and permanent working relationships for when USAID assistance ended. By the end of FY04, the QCP team working together under formal and informal alliances had grown to include many important economic and social organizations, including Transfair USA, Conservation International and Starbucks, CLUSA, World Relief, Catholic Relief Services (CRS), Forestrade, Utz Kapeh, TechnoServe, Specialty Coffee Association of America (SCAA), SCAJ (Japan), Smithsonian, Green Mountain, Dunkin Donuts, Kraft, Procter and Gamble, Sara Lee, Allegro, Timothy’s World Coffee, Volcafe, Atlantic Specialty, Diedrich’s, and UCC Ueshima of Japan. East African coffee farmers from Ethiopia and Rwanda had made visits to Guatemala and Costa Rica; Mexico and Colombia had requested to join the Central American “Q” auction; and, with the assistance of CQI and Rainforest Alliance, the Central American national coffee associations joined together for the first major regional promotion in Singapore and Japan.

The Rainforest Alliance cooperative agreement had tremendous success in making certified coffee widely available to consumers. Overall sales of Rainforest Alliance certified coffee from Certified Sustainable Products Alliance (CSPA) countries increased from 5,000 to 8,700 metric tons, a 76% increase. Gross sales of certified coffee from the

region grew from \$12 million/year to \$21 million/year. Kraft Foods launched certified coffee in four countries (US, UK, France and Sweden) and CEO Roger Deromedi and a delegation of senior Kraft executives visited certified coffee farms in El Salvador in January 2005. Kraft bought about 40% of El Salvador's certified coffee and was committed to paying up to 20% more for the certified beans and did indeed pay significant premiums. Demand within the various Kraft brands grew so quickly that they purchased more than they had committed to each year, and expected to nearly double their purchases again in FY2006. Rainforest Alliance also strengthened key relationships with buyers in Japan, Europe, the United States and Canada. UCC Japan, Gloria Jean's, Diedrichs Coffees, Timothy's World Coffee, Mayorga Coffee Roasters, Caribou Coffee, Mathew Algie, Lavazza, and Gala Coffee and Tea were undertaking substantial promotions of their Rainforest Alliance certified coffee products. During FY04, over 2,000 hectares of new coffee farms received Rainforest Alliance certification with assistance under the QCP. The highest priced Costa Rican coffee on the "Q" auction was Rainforest certified. In FY2005, the total hectares of certified coffee grew from 18,148 to 32,827. This growth was accomplished by training 159 extensionists and internal auditors (technical assistance providers), 24 new certification auditors, and by providing advanced training to 25 existing auditors. In addition, a substantial number of farms received diagnostic audits, which left the program poised for substantial growth in certified hectares in FY06 to fill the increasing demand.

Transfair USA began certification of new farms in Nicaragua, and CQI signed an MOU to sell Utz Kapeh certified coffees on the 2005 "Q" auction. Conservation International began work with Starbucks to expand certified farms in Panama and Mexico, and a farm in Guatemala received the first ever perfect 100% score from Starbucks' Preferred Supplier Certification Program.

At the farm level, over 29,000 farmers in 23 cooperatives in the region received direct assistance in quality improvement. First year trial shipments of 62 containers of quality coffee were sold from these groups to 14 new buyers, resulting in over \$1.8 million in sales. The average price premium in these sales was \$0.18 over the "C" contract. Within the first month of the 2004/2005 coffee cycle, 77 containers of premium coffee from El Salvador had been sold at premiums of between \$0.15 and \$0.30 over the "C" market.

During FY 2005, assistance under SO9 resulted in the establishment or strengthening of business relationships with over 40 roasters and importers in the United States, Europe and Japan. A Marketing *Tour de Café* was carried out with the purpose of providing an intensive educational overview of coffee at origin for marketers, which included the participation of Starbucks Coffee, S&D Coffee, Coffee Tree Roasters and Dallas Coffee, among others. New contacts between roasting firms and producer groups resulted in sales within months of the tour and should develop further sales in the coming years. Additionally, a Promotional Tour was undertaken to Japan and Singapore with the purpose of measuring the level of interest by the Japanese industry for buying big volumes of coffee during the Q-auctions, to learn the evolution and tendencies of the coffee industry in Japan and Asia in general, and to promote the Central American region as the most important origin of quality coffee in the world. For the first time in history,

the five Coffee Associations of Central America put together a presentation to promote the Central American Coffee as one of the region rather than as five non-related coffee associations and countries. This was a great step forward and an indication that the coffee associations have seen the benefit of working more regionally and undertaking a joint marketing campaign for the region. It also provided the opportunity for the five Central American Associations to understand the Japanese market and their demands for consistency and quality in their coffee.

During its second year, the Q-auction was able to sell forty-two coffee lots, a total of 10,184 bags of 69 kg at a weighted average of \$1.43/lb. it attracted six new buyers and two new bidders, along with ten buyers who participated previously in 2004. There was an increase in demand for green coffee; the farmers had learned how to negotiate price based on quality and for the buyers, the Q-auctions had guaranteed a standard measurement of quality, traceability and transparency, thereby saving them valuable time and resources. They could also purchase significant volumes of quality coffee as compared with the boutique auctions where the quantities were significantly lower. The social responsibility component enabled US coffee buyers to communicate their commitment to improving local conditions in a responsible manner. Clearly the impact of a quality measurement in Central America will be of long-lasting value to both producers and buyers in the coffee industry, allowing for the recognition of the higher quality and consistency that Central American producers can deliver to the market.

A total of 97,436 sacks of 60kg of quality coffee were sold with the assistance of the Quality Coffee Program, both through private transactions and the Q-auctions, totaling \$15,448 million and representing an increase of 206% for project beneficiaries compared to the previous year.

Under the USAID GeoCafe project PASA with the USG Department of Interior Geological Survey (USGS), the USGS National Center for Earth Resources Observation and Science (EROS) Data Center implemented the Specialty Coffee Internet Map Server (SCIMS) systems in the Dominican Republic, Costa Rica, and Guatemala. The three national systems share some basic functionality and basic look-and-feel, but differ on their overall design and contents. Each country took the basic interface developed by EROS and designed their system according to their needs and that of their coffee markets. Clients are now able to access a web-based system that provides information on the production, processing and marketing of coffee; assists coffee producers in establishing direct contact with buyers and obtaining premium prices for their quality coffee; promotes mechanisms for coffee monitoring and trace-back; and, allows for the delimiting of geographical areas that form the basis of labeling (appellation) systems. The Quality Coffee Program provided training to approximately 1,600 persons (and indirectly another 10,000 beneficiaries) through the CQI Coffee Corps and Chemonics in areas such as quality evaluation, barista, proper coffee roasting and packaging, wastewater management in environmentally protected areas, and cupping. A total of 99 Star Cuppers were trained under this program, and the Star Cuppers were tested in order to determine those cuppers that met the standards to be Q-graders. A cadre of twenty-two professional coffee cuppers are now licensed Q-graders who can provide services to the

coffee industry consistent with the standards created by the Specialty Coffee Association of America (SCAA). This has allowed the implementation of a standard methodology among producing countries using the SCAA format that is consistent with the needs of the buyers in consuming countries (U.S., Japan and Europe).

USAID also began a major gender initiative during FY05, with the launching of the Women in Coffee Leadership Program. The purpose of the program was to improve the institutional capacity of origin countries via a leadership development program for women working throughout the coffee value chain. A network of twenty-three women working in the coffee sector from nine different countries was formed (twelve from CADR and eleven from North America) with the purpose of establishing on-going relationships of strength and empowerment to enable the creation of leaders who can help their countries to compete more successfully in the high quality coffee segment, improve the technical skills of participants, foster new commercial relationships, and create a network of human capital.

#### IR2: Improved Competitiveness of the Rural Economy:

The rural diversification program was approved in August 2003 and the major components (business development services, sanitary and phytosanitary standards (SPS), and agricultural statistics) needed to be further defined and focused prior to beginning implementation during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of FY 2004. During FYs 2005/6, the development challenge for Central America that was being addressed by SO9 came into sharp focus. Significant economic growth meant competing in global markets, and competing in global markets meant: (i) meeting the emerging market standards for product quality, and (ii) competing as a regional supply market. Two events signaled the degree to which the regional economy was increasingly becoming more relevant than the economies of individual countries. The United States ratified the DR-CAFTA regional free trade agreement that became operational during 2006, and the largest company in the world, Wal-Mart, made a major investment in the regional economy, purchasing 33% (increased to a majority shareholding in 2006) of over 300 Central American supermarkets held by CARHCO, the largest Central American company. A further event in 2005 showed the direction of competition in the global marketplace. Chiquita Brands announced that it was willing to risk its most valuable corporate asset, its “Chiquita” brand image, in the European market by launching a co-branded banana with Rainforest Alliance. In doing so, Chiquita confirmed that competition in global markets would increasingly be based on new and higher quality standards, and that these quality standards would include certified production practices that complied with environmental and social norms.

SO9 achieved significant results in the establishment or strengthening of quality standards across the region focused primarily on quality coffee, food safety standards for fruits and vegetables for the regional supermarkets, social and environmental certification of bananas, timber and coffee, and sanitary-phytosanitary (SPS) norms and standards for agricultural exports to the United States and Europe. Although the activities under SO9 were implemented during a period not exceeding two years or two crop cycles,

significant results were also achieved in increasing sales based on the adoption of these market standards. Most of the effort under SO9 was directed toward improving the competitiveness of the Central American private sector by improving private sector capacity to meet production and marketing standards, strengthening value chain linkages and marketing, and enhancing the value of sustainable management of natural resources through environmental certifications in bananas, coffee, and timber.

The U.S. Department of Agriculture (USDA) Initiative for Improved and Harmonized Agricultural Statistics and Sanitary-Phytosanitary Regulatory Infrastructure in Central America addressed the two public sector constraints to increased agricultural trade and rural economic growth that had been identified by the Ministries of Agriculture as being of critical importance and of common interest to all governments. To address these problems, USAID developed a program that directed assistance to both the private and public (government-to-government) sectors through separate activities that would be closely coordinated. The private sector assistance was market oriented and demand driven, targeting specific technical constraints faced by farms and agricultural industries in achieving compliance with SPS and other quality standards and was implemented through the USAID-PFID activity. However, private sector efforts would not be effective without a stronger, better harmonized, and more effective SPS and statistical regulatory environment, physical infrastructure, and enforcement capacity. The complexity of SPS measures, increased trade and additional information have all put additional and different demands on the animal health, plant protection, and food safety services of developing countries. The poor quality of agricultural statistics and especially the lack of standardization among countries in statistical methods affected food and trade policies of all types, by depriving the governments of a way to reliably measure the nature and extent of production and trade. The primary statistics harmonization activity/product developed under the program was the bi-weekly Regional Crop/Livestock Condition and Progress Bulletin which consolidated the standardized information and made it easily accessible to data users in the region via a web page.

During FY2005, the pace of implementation of activities for improvement and harmonization of sanitary and phytosanitary (SPS) regulations and infrastructure was increased. Implementation had been delayed due to ongoing negotiation of the terms of the CAFTA treaty, which included specific provisions for USG assistance in the area of SPS. A decision was made by the inter-agency Trade Capacity Building (TCB) committee, which included USAID, USDA, and USTR to integrate the work plan under this activity into a broader SPS negotiation framework, which was not clearly defined until early FY2005. Despite this approximately nine month delay over the planned startup of regional training activities, significant progress was made. A work plan and priority list was agreed to among the USG agencies involved in the inter-agency SPS work group and the Ministries of Agriculture of the five Central American countries expected to ratify CAFTA. Based on this work plan, USDA provided fourteen major training activities in the region, with at least one activity in each country. As of October 2005, training had been provided to 327 Central American governmental technicians by USDA and FDA teams in areas such as pre-audit; plant inspection; the Hazard Analysis and

Critical Control Point (HACCP) system for beef, dairy, and poultry; FDA labeling requirements; and SPS equivalency systems.

The lessons learned in the QCP influenced early decisions in rural diversification, such as the decision to focus on regional quality standards including SPS regulations, and to shift the focus of the Michigan State University/Partnership for Food Industry Development (MSU/PFID) Access to Markets Program (AMP) away from firm level assistance in export agriculture and into development of regional trade in fruits and vegetables directed to the growing supermarket sector, while still emphasizing food safety and quality. An increased emphasis was placed on SPS issues, particularly Good Agricultural Practices (GAPs), as a necessary component of all market activities. AMP was implemented in Guatemala, Nicaragua and El Salvador and involved a tightly structured yet flexible set of technical components to respond to the technical challenges experienced by small and medium farmers in accessing emerging markets. The highly successful set of best practices resulting from previous experience under the bilateral USAID/Guatemala SO4 (Increased Rural Household Incomes and Food Security) AGIL program were refined and enriched under the AMP Quality Assurance Program. The Quality Assurance program consisted of: a modified Good Agricultural Practices program based on Euro-Retailer Produce Working Group Good Agricultural Practices (EurepGAP) and Food and Drug Administration (FDA) standards that more closely fit the reality of Central America called Central American Produce Good Agricultural Practices (CAPGAP); a Good Post Harvest Practices program; a unique Good Business Practices program (developed in-house); a specific assistance package in production and marketing; and the installation of model GAP farms (called “window display” farms in Nicaragua). The AMP program also supplied research and development support that was not available from local sources, e.g., determining the best approach to package fresh vegetables supplied by program producers, and provided support for producer capacity building and market linkage development via hosting producer visits to import countries and key trade shows, particularly if there was a concrete/pre-arranged opportunity for sales that could result from a given producer-buyer interaction.

CAPGAP were the first regional standards for good agricultural practices and included traceability; record keeping and internal self-inspection; varieties and rootstocks; site history and site management; fertilizer use; water use; crop protection; harvest and transfer to packing facilities; produce handling in packing facilities; waste and pollution management, recycling and re-use; worker health, safety and welfare; and, transportation. Accepted by the major technical assistance groups and key stakeholders across the region, and ratified by the Central American Retail Holding Company (CARHCO), the largest regional supermarket chain where Wal-Mart is now the majority shareholder, they also cleared the road for CAFTA implementation. The food safety dimension of the PFID-F&V work in the Central America region was thus directly linked to the CAFTA process and was therefore highly applicable to ongoing and planned FDA and USDA initiatives in the region, especially those relating to occupational and environmental safety and health across borders. The verification of compliance for specific market export standards was carried out in partnership with the Program for Integral Protection of Agriculture and the Environment (PIPAA), a public-private entity associated with the

Ministry of Agriculture (MAGA) in Guatemala. PIPAA did not “certify” the growers; they only verified compliance with market standards as put forth by the intended market, most often the local supermarkets. If a group wanted to export to Europe, it was necessary to seek certification from a EurepGAP authorized entity such as Latu Systems. However, given the fact that PIPAA had verified their compliance with CAPGAP, the EurepGAP certification was much easier and faster to obtain as a result. PIPAA also assured that technicians trained in CAPGAP met a minimum set of standards and set up a clearing house of trained technicians who could act as third country inspectors (Hortifruti/Costa Rica technicians verifying compliance of La Fragua producers, for example). During FY2005, training in CAPGAP standards was provided to 1,353 persons and 57 small farm groups. With PIPAA, 20 CAPGAP diagnostics were performed for new groups, and training programs were scheduled for an additional 1,700 small farmers. Supermarket sales of groups receiving direct assistance from AMP totaled \$2.9 million, and over 11 million pounds of vegetables (peas, beans, mini squash) produced by farmers implementing the GAP program were sold in European, U.S. and regional markets with a combined value of over \$4.3 million.

TechnoServe began implementation during June 2004 of the Diversification Component (agriculture and coffee) of the GDA Central American Coffee Initiative in El Salvador, Honduras and Nicaragua to generate income and rural employment in alternate industries in non-competitive coffee-dependent regions. Ten producer groups were identified with baseline sales of \$514,000 and the target was to increase the level of annual sales by \$2 million. Efforts were mainly directed toward the development of the fruits and vegetables sector, mainly targeting markets that required superior quality (e.g., freshness, reliable supply), such as the growing supermarket segment; other sectors included roots and tubers, tree crops and agro-forestry. The assistance included providing business support and technical assistance to the farmers and entrepreneurs, supporting access to financing for required investments, increasing support at the industry level, and targeting export markets. These diversification activities generated \$1.76 million in incremental sales and 287 new full time jobs (field labor and plant/processing) and indirectly benefited over 4,000 rural poor.

Rainforest Alliance (RA) demonstrated remarkable progress under the GDA Certified Sustainable Products Alliance (CSPA) in certification programs for bananas and forest products, in addition to coffee. Rainforest Alliance certification became the centerpiece of the Chiquita corporate responsibility strategy, and in just over six months of FY04, Rainforest was able to certify twelve new independent banana farms and generate sales of over two million boxes of certified bananas in Guatemala and over 700,000 boxes in both Honduras and Nicaragua. Over 2,000 hectares of banana production were certified for social responsibility, and certification was improved and maintained in 8,000 hectares owned by Chiquita, with an impact on 9,306 permanent and 8,100 temporary farm workers. In forestry, sales of certified timber and wood products from alliance activities conducted with SO9 partners in Mexico, Guatemala and Honduras were valued at \$960,000 for the period to September 2004.

In FY05, Rainforest Alliance had an increase of 22% in sales of boxes of certified bananas, resulting in gross sales of \$97,328,243. Growth in total hectares certified varied by country. Some countries had substantial growth, such as Guatemala and Honduras, while other countries saw a cutback in certified production (Costa Rica and Panama). The end result was a 5% increase in total hectares certified. Much of the increase in certified hectares in Guatemala was the result of CSPA project ground work laid in FY04, by training internal auditors and certification auditors. In FY05, 17 internal banana auditors were trained in Honduras, and 11 new banana certification auditors were trained in Nicaragua. After 13 years of effort and unprecedented changes, Chiquita introduced Rainforest Alliance certified bananas in nine European countries. Half of the company's European supply carried the RA seal of approval – 500,000 boxes or about 50 million individual bananas a week in supermarkets throughout the region.

The Certified Sustainable Products Alliance had an impressive impact in the forestry sector in Mexico and Central America; project goals were focused on breaking down the “lack of market access myth” for certified sustainable forestry products, as well as to add value to rubbish woods, lesser known tropical species, improve the competitiveness of both producers and processors. It was able to reach buyers for certified sustainable products, close negotiations, and respond effectively to demand through improvements in producer and industry competitiveness and an organized certified sustainable supply. Real and substantial results were produced; 1,501,502 board feet of certified wood (\$2,261,232) was exported in FY05, a cumulative total to date of 1,838,774 board feet with a value of \$3,312,906. Certified wood buyers such as Earth Source, North American Wood Products, *Selva Verde* Products, Global Building Products, Aspen and Gibson Guitars, were constantly increasing the demand for certified wood, with emphasis on high value added products. 220,131 additional hectares were certified in FY05, reaching a cumulative total of 1,459,104 certified hectares of forestry products. The scarcity of chains of custody for certified products in order to avoid contamination with non-certified products was an early obstacle encountered during the implementation of the CSPA project. By the end of the program a total of 44 chains of custody were certified in the region. In Guatemala, technical assistance was provided to the community of *Arbol Verde* in the Petén for the production of a commercial sample of interlocking boards made from 89m3 *Santa Maria* and *Manchiche* for *Industrias Ecologicas S.A.* which was planning the construction of 400 wooden houses using these non-traditional species (NTS), for which few market outlets existed. It was sold at the attractive price of \$21/m2 (\$1.96/bf), the same price as highly-prized mahogany. In Honduras, technical assistance was provided to certified forest products cooperative *Coatlahl* and *Taller de Muebles S.A.* for the manufacture and marketing of 3,600 wooden doormats made from NTS *Santa Maria* and *Rosita* in coordination with Nepenthes, a Danish NGO. A total volume of 213m3 generated a gross income of \$65,620, at a premium of 20% over the normal price for these species.

The objective of the Next Generation Microfinance: Banking the Unbanked GDA alliance in Guatemala, Honduras and Nicaragua was to build a pilot partnership between FINCA International and a VISA member bank to take a new look at microfinance clients who at one time had seemed “unbankable” and who now represented a growing and

viable market to be served, as well as introducing cutting edge technology and sound electronic payment principles into the microfinance industry. FINCA built a partnership with *Banco del Café* (BANCAFE) in Guatemala under which FINCA clients would receive services which neither party alone could deliver effectively. The services were to be delivered via a single instrument, a co-branded FINCA/VISA/BANCAFE debit-remittance card. FINCA/Visa and BANCAFE developed a set of product innovations based on Visa payment card technology, BANCAFE financial services, and FINCA's client training and management methodology.

As reported to USAID, FINCA Guatemala's banking partner, Bancafe, was liquidated in October 2006, forcing FINCA Guatemala to suspend its operations on this project. Most of FINCA's assets in Bancafe had been transferred to Banrural. The disruption caused by the closure of Bancafe meant that all operations conducted through Bancafe had to be redirected through Banrural. In addition, the savings accounts established under the GDA project were transferred to Banrural, and the co-branded debit cards were rendered null and void from the date that Bancafe was closed.

An LAC Regional Loan Portfolio Guarantee (No. 598-DCA-03-LPG-001) was signed with Ecologic Enterprises Ventures to stimulate economic growth by strengthening Ecologic's ability to finance loans to small and medium agribusinesses and ecotourism businesses located in Mexico, Guatemala, Nicaragua, Panama and Peru.

The Mesoamerican Food Early Warning System (MFEWS) began implementation during FY04 with the objective of providing systematic warnings as to conditions that threatened rural livelihoods in the region, with the principal concern being economic access to food, rather than food production per se. Within eight months, offices were established in Guatemala, Honduras, and Nicaragua; field data was being gathered and supplied to a client network; and rapid assessment training was provided in response to requests from clients in the MFEWS network. The effectiveness of MFEWS data gathering and analysis was evidenced by the growth in the number of users requesting to be included in the distribution list of MFEWS alerts. Within USG agencies in the region, the number of users grew from ten to sixty. The number of total users grew from 32 to 326, including 110 local institutions across the region.

**L. Prospects for long-term sustainability of impact and principal threats to sustainability:**

Past experience had shown that diversification is not easy, especially from relatively nonperishable cash crops like coffee and grains. Based upon market conditions, growers have to determine whether or not they will phase out of agricultural production and move into other businesses. Unprofitable producers or inefficient production areas should not be subsidized. In the face of the dramatic fall in coffee prices, the initial response of the Central American governments and national coffee associations was to request massive foreign assistance in riding out the crisis and ameliorating the impact on rural families. Since the USG approach to assistance emphasized the need to compete in world markets rather than the maintenance of the status quo, the outset of implementation of SO9 was

often characterized by weak interest, and even skepticism, on the part of Central American governments and partners who would have preferred a more traditional approach of market controls, quotas, and subsidies. However, the number of major new business alliances being formed, the internet auctions being launched and, most important of all, the increase in quality coffee exports, were all strong indications of the success being achieved in segmenting the world coffee market based on premium prices for quality. Pessimism on the part of the governments and coffee sectors was quickly replaced by pride in this early success and enthusiasm for competition in the global marketplace. Within less than three years, the CADR coffee industry embraced so thoroughly the concept of competition in world trade on the basis of quality production, that what had historically been one of the region's most traditional sectors quickly emerged as a lead sector in the adoption of modern trade norms and standards, innovative market certifications and promotions, and new global trade alliances. With the merging of SO9 into the new CAM SO2 (Economic Freedom: Diversified Expanding Economies) at the regional and bilateral levels, the successful leadership of the coffee industry in the modernization of Central American trade practices will continue to be of significance to a longer-term trade based USAID economic growth strategy.

At the same time, CAFTA offers the potential to increase opportunities for income growth in rural areas. Most of the effort under SO9 was directed toward improving the competitiveness of the Central American private sector by improving private sector capacity to meet production and marketing standards, strengthening value chain linkages and marketing, and enhancing the value of sustainable management of natural resources through environmental certifications in bananas, coffee, and timber. By facilitating public-private partnerships and building local business capacity, the approach to diversification did not entail picking the next winner but rather promoting the ability to respond to demand (consistent quality and quantity supply, adaptability) under the premise that "demand pulls supply." Much of the work under SO9 was directly linked to the CAFTA negotiation process, such as trade capacity building (TCB), the adoption of regionally harmonized standards (e.g., Central American Produce Good Agricultural Practices – CAPGAP), and the government-to-government focus on alliance building for sanitary and phytosanitary (SPS) compliance (a working team that included USTR, USDA, EPA, FDA, USAID, and representatives of Ministries of Agriculture, Economy, and Health from six Central American and Caribbean countries). All the activities under SO9 were demand-driven and therefore inherently linked to market-based adjustments to assure sustainability.

## **M. Lessons Learned:**

### **Quality Coffee Program:**

- The quality coffee program (QCP), which existed for just 30 months, was too short in length and was ending just as the work and results were gaining momentum. The program barely operated during two coffee crop cycles with the first spent in the implementation teams getting organized, the beneficiaries being selected, the work plans being prepared, and basic training getting started. Only one season was really available to apply the theory from the training to the real needs of the groups.

- Several problems limited the initial effectiveness of project implementation. Host country commitment to the SO9 trade and competitiveness approach to the coffee crisis was sometimes weak. Security concerns placed country clearance and advance travel planning requirements on implementing partners that made it very difficult for them to move quickly between countries in the region in response to specific, firm level production and marketing problems or opportunities. The complexity of relationships in a program that relied heavily on partnerships and alliances and operated in seven host countries made communication and coordination very challenging. By the end of 2004, these problems had been addressed and effectiveness increased significantly. The changes made addressed the need for better leadership and communications in a complex, alliance building program. During 2004, Mission Directors also decided that regional programs would de-emphasize assistance at the firm/farm level. Activities which were funded through bilateral buy-ins continued, but primarily through local partners and staff. This policy decision improved communications and effectiveness, and reduced the travel planning burden. At the same time, the policy reinforced the decision to strengthen the CQI role, which was directed to trade promotion rather than firm level assistance. CQI had a more natural, sustainable relationship with host country coffee institutions, and had proven very effective in building industry alliances. The greatest contributing factor to improved effectiveness, however, was the dramatic change in attitude and commitment from host country governments and coffee associations. As early quality coffee marketing success became evident, Guatemala, Costa Rica, Nicaragua, and El Salvador enthusiastically embraced global competition based on coffee quality.
- Several members of the QCP team felt that there could have been better communication on what the other countries in the program were achieving, which possibly could have increased the effectiveness of their own work. While the explanation was that the program had to be run under the idea that the coffee industry in each country had their own unique systems that had to be respected (think regional, act local), in retrospect it was acknowledged that a mechanism could have been developed to permit a greater interchange of information between members of the different implementing teams.
- The regional scope had the perceived benefits of allowing the successes of one country to be shared with others, leveraging program resources to be applied regionally or replicated, and introducing a more regional approach to the challenges facing the producers. The difficulty of the regional approach was the rivalry between local governments, the coffee associations and the different approaches and perspectives of the various USAID missions. Producers, exporters and countries continued to be concerned with protecting their own interests, sales and profits. Nicaragua, Honduras and El Salvador were struggling to establish a share of the quality market and looking for new initiatives to help them gain that foothold. Guatemala and Costa Rica, whose coffees commanded the region's and some of the world's highest prices, were relatively cool to a regional approach and saw no net benefits in joining forces with the region's other countries to develop, market and promote *Central America* as a coffee origin.
- The need to think long-term and design a program that can continue after the USAID support is completed; where the knowledge and skills become part of the institutional

capacity. Examples include the licensed Q Grader program which produced 29 individuals who have the knowledge and skills to help their countries become more competitive in the premium price segment of the coffee market, and the Women in Coffee Leadership Program.

### **Rural Diversification Program:**

- When working with newly formed producer groups, it is necessary to consider a 3-5 year period of technical assistance to fully graduate producers to sustainable operations. The unexpected cutback in funding prevented the provision of the final support that the producer groups expected in order to be able to fully consolidate their businesses. The first year should be used to identify industries, producer groups and buyers, plan the intervention(s) with producer groups and build productive infrastructure. The second year should be dedicated to implementing the planned assistance with the producer groups, supervising the commercial relations and maintenance of quality standards; and the third year should be dedicated to establishing the sustainable support structure for the producer groups.
- In order to maximize efficiency and final impact it is recommended that there be a review of performance and attainment of agreed upon targets at the end of the first year in order to focus the assistance in subsequent years on the high performing groups.
- The success of the diversification packages was conditional on first selecting the target industries and then selecting the producer groups that could compete in these productive activities. It is important to study both the industry and producer groups in order to match the industry risk level to the producers risk tolerance and potential scale. For example, ornamental plants were not given preference as a target industry under this project because of the high-risk levels and extensive investments required for start-up. Securing buyers and commercial linkages from the beginning also allows the producers to tailor production to end-buyer quality specifications and plan for the incorporation of the technology needed to reduce risks and costs, and improve efficiency, as well as securing the financing for working capital and investments.
- It is also necessary to identify the best position within the value chain to occupy based on producer capacity and risk levels. For example, producers in the Jorge Salazar cooperative had greater success exporting through intermediaries compared with other producers who sought to earn higher margins by exporting directly.
- Producers must have the sufficient scale and/or group organization to ensure constant supply and volume in order to be able to enter and establish a permanent presence in the attractive high value markets, as opposed to just taking advantage of short term “wins” when prices are high.
- The selection of producers with entrepreneurial vision is essential to creating sustainable businesses. A diagnostic needs to be carried out in a participative manner with each producer group that considers all the relevant aspects of the business in order to develop an assistance plan tailored to their specific needs and assure producer buy-in.

**N. A summary of performance indicators used and an assessment of their relative usefulness for performance management and reporting:**

Significant achievements are discussed in Section J which summarizes overall impact at SO and IR levels, as well as the discussion in the subsequent section of the activities used to achieve the SO and their major outputs. In general, the indicators accurately and clearly reflected the focus of technical approaches and program activities under SO9, as well as meeting the criteria of being: direct, objective, practical, adequate, results-oriented, within USAID's manageable interest, useful, easy to communicate, and credible. Activities under SO9 improved the competitiveness and sustainability of quality coffee exports (IR1) and of the rural economy (i.e., the other rural non-traditional exports – IR2). The overall result was increased competitiveness; the comparative advantage of Central America was in the production of competitive, quality-differentiated commodities and niche products. The SO level indicators – CA Quality Coffee Exports, CA Certified Banana Exports, and CA Certified Timber Exports – reflected the highest level of achievement and program impact for the rural diversification activities under both intermediate results. The two intermediate results served as an organizing tool for the public and private sector rural diversification alliances to address the need for more diverse income and employment opportunities in rural areas by increasing access to markets for, and improving the business skills of, small and medium-scale producers of higher quality commodities and products. The DR-CAFTA negotiations and future implementation also had to be taken into account. The intermediate result level indicators reflected the SO level indicators reduced to the level of the direct program beneficiaries – the exports of quality coffee and the land areas for certified coffee, bananas, and timber. Another indicator at the IR level was that of the number of persons trained in trade i.e., trade capacity building (TCB). Each intermediate result was comprised of a set of lower level results that were logically linked to the processes for achieving the objectives of the strategic objective.

**O. A list of evaluations and special studies conducted during the life of the SO:**

Given the limited time span of actual implementation under SO9 none were undertaken. However, with the merging of many of the SO9 activities into the new CAM SO2 “Economic Freedom: Open, Diversified, Expanding Economies” at the regional and bilateral levels, they will eventually be subject to an evaluation and/or special study.

**P. A list of activity close-out reports prepared for contracts, grants, and cooperative agreements:**

- Participating Agency Service Agreement No. 596-P-00-03-00133-00 (August 7, 2003 to September 30, 2006) with the U.S. Department of the Interior Geological Survey (USGS) for the Specialty Coffee Internet Map Servers (SCIMS) Activity for Central America and the Dominican Republic.
- Cooperative Agreement No. 596-A-00-04-00039-00 (January 30, 2004 to July 30, 2006) with Michigan State University for the Food Industry Development – Fruits and Vegetables (MSU/PFID-F&V) Regional Activity.

- Cooperative Agreement No. 596-A-00-03-00035-00 (December 20, 2002 to July 19, 2006) with the Coffee Quality Institute (CQI) for the Central America and Dominican Republic Quality Coffee Program (CADR QCP).
- Task Order No. 816 under Contract No. PCE-I-00-99-00003-00 (January 16, 2003 to March 31, 2006) with Chemonics International Inc. for the Central America and Dominican Republic Quality Coffee Program (CADR QCP).
- Cooperative Agreement No. 596-A-00-04-00061-00 (March 4, 2004 to September 30, 2006) with TechnoServe for the Central America Coffee Initiative Activity.

**Q. Names and contact information of individuals who were directly involved in various phases of the SO:**

USAID/Guatemala: Kurt Rockeman and Charles Oberbeck (SO9 Team Leaders); Loren Stoddard, Lilian Monterroso, Carmen A. Gonzalez, Glenda de Paiz (CTOs); (502) 2422-4000.

Chemonics International Inc.: Preston Motes, Program Manager; John F. Klunk (Chief of Party). [cafedecalidad@chemonics.net](mailto:cafedecalidad@chemonics.net) (202) 955-3300.

Coffee Quality Institute (CQI): Margaret Swallow, Executive Director; David Roche, Chief Technical Director; Gerry La Rue, Chief of Party. [www.coffeeinstitute.org](http://www.coffeeinstitute.org) (859) 572-9770.

Michigan State University (MSU): Robert Korstanje, PFID F&V Associate Director; Richard Clark, Chief of Party. (517) 232-2214 [www.pfid.msu.edu](http://www.pfid.msu.edu)

U.S. Department of the Interior Geological Survey (USGS) Center for EROS: Larry L. Tieszen, Deputy Manager of International Programs; Eric van Praag, Senior Scientist. <http://eros.usgs.gov> (605) 594-6155.

U.S. Department of Agriculture (USDA): Joseph L. Hain, International Cooperation and Development (202) 720-1818; Scott Goldman, Development Resources Specialist. [www.fas.usda.gov](http://www.fas.usda.gov).

Finca International: Rupert Scofield, Executive Director; Tim Huson. Guatemala Country Director. [www.villagebanking.org](http://www.villagebanking.org) (202) 682-1510.

Conservation International Foundation: Kathryn Kelly [www.conservation.org](http://www.conservation.org) (202) 912-1000.

Rainforest Alliance: Tensie Whelan, Executive Director; Luis Duchicela, Chief of Party. [info@ra.org](mailto:info@ra.org) [www.rainforest-alliance.org](http://www.rainforest-alliance.org) (212) 677-1900.

TechnoServe: Norman Montenegro, Project Manager; Manuel Lupo, Honduras Country Director. [www.technoserve.org](http://www.technoserve.org) (202) 785-4515.

**R. Information Sources:**

- Procurement instruments and the periodic progress reports, annual and final reports submitted by the implementing partners under the various procurement mechanisms.
- USAID/G-CAP annual portfolio review reports and financial management reports.
- Evaluation reports and special studies (see listing in Section N).
- Activity close-out reports (see listing in Section O).

**S. Annexes:**

Annex 1: Acronyms

Annex 2: Analysis of SO9 funding by implementing partner and funding source

## Annex 1: Acronyms

ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AMP	Access to Markets Program (MSU/PFID)
ANACAFE	National Association of Coffee Producers
BANCAFE	<i>Banco de Café</i> (Coffee Bank)
BANRURAL	Rural Development Bank
CADR	Central America and the Dominican Republic
CAFTA	Central American Free Trade Agreement
CAM	Central America and Mexico Program
CAPGAP	Central American Produce Good Agricultural Practices
CARHCO	Central American Retail Holding Company
CLUSA	Cooperative League of the United States
COP	Chief of Party
CQI	Coffee Quality Institute
CTO	Cognizant Technical Officer
DA	Development Assistance
DCA	USAID Development Credit Authority Program
EDC	Eros Data Center (USGS)
EPA	Environmental Protection Agency
EROS	USGS Center for Earth Resources Observation and Science
EurepGAP	Euro-Retailer Produce Working Group Good Agricultural Practices
FDA	Food and Drug Administration
FORESTRADE	Corporate name for international commodities company promoting, certifying and marketing organic, sustainably produced products
GAP	Good Agricultural Practices
GBP	Good Business Practices
GMP	Good Manufacturing Practices
GIS	Geographic Information System
GOG	Government of Guatemala
GPS	Geographic Positioning System
HACCP	Hazard Analysis and Critical Control Point
ICO	International Coffee Organization
ICP	In-Country Partner
IDB	Inter-American Development Bank
IMS	Internet Map Servers
IQC	Indefinite Quantity Contract
IR	Intermediate Result
LOP	Life of Project
MAGA	Guatemalan Ministry of Agriculture, Livestock and Food
M&E	Monitoring and Evaluation
MSU	Michigan State University
NCA	National Coffee Association

NGA	National Geospatial-Intelligence Agency
NGO	Non-Government Organization
NTE	Nontraditional Exports
NTS	Nontraditional Species
OYB	Operating Year Budget
PACD	Project Assistance Completion Date
PAPA	Participating Agency Program Agreement
PASA	Participating Agency Service Agreement
PFID-F&V	Partnership for Food Industry Development – Fruits and Vegetables (Michigan State University)
PIPAA	Program for Integral Protection of Agriculture and the Environment
QCP	Quality Coffee Program
RFID	Radio Frequency Identification
RS	Remote Sensing
SCAA	Specialty Coffee Association of America
SCIMS	Specialty Coffee Internet Map Servers
SO	Strategic Objective
SPS	Sanitary and Phytosanitary Standards
SOAG	Strategic Objective Agreement
SRTM	Shuttle Radar Topography Mission
TA	Technical Assistance
TCB	Trade Capacity Building
USAID	United States Agency for International Development
USAID/G-CAP	USAID Mission for Guatemala and the Central America Program
USDA	United States Department of Agriculture
USG	United States Government
USGS	United States Department of the Interior Geological Survey
USTR	United States Trade Representative

**Annex 2:  
Analysis of SO9 funding by implementing partner and funding source**

<b>Implementing Partner</b>	<b>Total</b>	<b>USAID/G-CAP 596-0187</b>	<b>GDA 020-0002</b>	<b>Mission Buy-Ins</b>
USGS	860,100	860,100	0	0
CQI	3,583,000	3,500,000	0	83,000
USDA	2,300,000	600,000	0	1,700,000
MSU	2,400,000	1,100,000	0	1,300,000
Chemonics	7,772,039	4,100,000	0	3,672,039
TechnoServe	1,500,000	0	1,500,000	0
FINCA	610,000	0	610,000	0
Rainforest	7,691,200	1,201,200	2,000,000	4,490,000
CI	999,000	0	499,000	500,000
<b>Sub-total</b>	<b>27,715,339</b>	<b>11,361,300</b>	<b>4,609,000</b>	<b>11,745,039</b>
Program Management	2,108,700	2,108,700	0	0
<b>Sub-total</b>	<b>29,824,039</b>	<b>13,470,000</b>	<b>4,609,000</b>	<b>11,745,039</b>
<b>Field Support</b>	<b>100,000</b>			
<b>DCA</b>	<b>30,800</b>			
<b>Total</b>	<b>29,954,839</b>			

**Analysis of Mission Buy-Ins**

<b>Implementing Partner</b>	<b>Total</b>	<b>Guatemala</b>	<b>El Salvador</b>	<b>Nicaragua</b>	<b>Panama</b>	<b>PROARCA/Mexico</b>
USGS	0	0	0	0	0	0
CQI	83,000	0	83,000	0	0	0
USDA	1,700,000	0	600,000	1,100,000	0	0
MSU	1,300,000	700,000	600,000	0	0	0
Chemonics	3,672,039	0	1,972,039	1,700,000	0	0
TechnoServe	0	0	0	0	0	0
FINCA	0	0	0	0	0	0
Rainforest	4,490,000	200,000	1,140,000	1,000,000	350,000	1,800,000
CI	500,000	0	0	0	0	500,000
<b>Total</b>	<b>11,745,039</b>	<b>900,000</b>	<b>4,395,039</b>	<b>3,800,000</b>	<b>350,000</b>	<b>2,300,000</b>

**Funds obligated through the SOAG No. 596-0187/020-0002**

<b>Implementing Partner</b>	<b>Total</b>	<b>USAID/G-CAP 596-0187</b>	<b>GDA 020-0002</b>	<b>Mission OYB transfer Nicaragua</b>
USGS	860,100	860,100	0	0
CQI	3,500,000	3,500,000	0	0
USDA	600,000	600,000	0	0
MSU	1,100,000	1,100,000	0	0
Chemonics	5,800,000	4,100,000	0	1,700,000
TechnoServe	1,500,000	0	1,500,000	0
FINCA	610,000	0	610,000	0
Rainforest	1,201,200	1,201,200	0	0
CI	0	0	0	0
<b>Sub-total</b>	<b>15,171,300</b>	<b>11,361,300</b>	<b>2,110,000</b>	<b>1,700,000</b>
Program Management	2,108,700	2,108,700	0	0
<b>Total SOAG</b>	<b>17,280,000</b>	<b>13,470,000</b>	<b>2,110,000</b>	<b>1,700,000</b>

**Analysis of direct obligations and SOAG sub-obligations**

<b>Implementing Partner</b>	<b>Total</b>	<b>SOAG</b>	<b>Direct Obligations</b>			
			<b>Mission Buy-Ins</b>	<b>GDA 020-0002*</b>	<b>Field Support</b>	<b>DCA</b>
USGS	860,100	860,100	0	0	0	0
CQI	3,583,000	3,500,000	83,000	0	0	0
USDA	2,300,000	600,000	1,700,000	0	0	0
MSU	2,400,000	1,100,000	1,300,000	0	0	0
Chemonics	7,772,039	5,800,000	1,972,039	0	0	0
TechnoServe	1,500,000	1,500,000	0	0	0	0
FINCA	610,000	610,000	0	0	0	0
Rainforest	7,691,200	1,201,200	4,490,000	2,000,000	0	0
CI	999,000	0	500,000	499,000	0	0
Prog. Man.	2,108,700	2,108,700	0	0	0	0
<b>Sub-total</b>	<b>29,824,039</b>	<b>17,280,000</b>	<b>10,045,039</b>	<b>2,499,000</b>	<b>0</b>	<b>0</b>
Field Support	100,000	0	0	0	100,000	0
DCA	30,800	0	0	0	0	30,800
<b>Total</b>	<b>29,954,839</b>	<b>17,280,000</b>	<b>10,045,039</b>	<b>2,499,000</b>	<b>100,000</b>	<b>30,800</b>

\*Participation of SO6 (SOAG 596-0185 PROARCA).