

## Data Sheet

<b>USAID Mission:</b>	Central America Regional Program
<b>Program Title:</b>	Increased Diversification of the Rural Economy
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	596-009
<b>Proposed FY 2004 Obligation:</b>	\$3,250,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$0
<b>Year of Initial Obligation:</b>	FY 2002
<b>Year of Final Obligation:</b>	FY 2004

**Summary:** The Rural Diversification Strategic Objective supports the President's Opportunity Alliance for Central America and Mexico. The Opportunity Alliance responds to the challenge of addressing poverty issues in Mesoamerica, while reducing vulnerability to external shocks and disasters, through a trade-led, rural development initiative to forge stronger institutional ties within the region. The Opportunity Alliance is pioneering innovative ways to mobilize private sector partners, donors, and voluntary organizations to leverage resources in support of a common agenda. This strategic objective was developed in close collaboration with USAID bilateral missions in the region to support other regional and bilateral efforts to help reduce dependence on traditional crops and address structural problems that constrain rural economic growth and diversification.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Coffee quality and marketing (\$250,000 DA). USAID-funded technical assistance will help increase the competitiveness and sustainability of small- and medium-scale coffee producers by: enhancing quality at the farm and coffee wet mill levels; introducing better business practices; improving market differentiation and certification; increasing value added; enhancing promotional strategies; improving market information and linkages with buyers and roasters; and encouraging market-oriented policies to enhance coffee export competitiveness. Principal contractors and grantees are: Chemonics International (prime), the Coffee Quality Institute, the United States Geological Survey, and the Rainforest Alliance (sub).

Competitiveness of the rural economy (\$2,500,000 DA). USAID will help develop a more competitive rural private sector in Central America by facilitating the development of alliances and networks to address immediate problems. Alliances and networks will improve access to markets, facilitate effective business partnerships, improve business skills, and increase sales of higher quality goods and services produced in rural areas. Principal activities will focus on business development and market intelligence, sanitary and phytosanitary services (regulatory capacity, admissibility, accreditation, and quality assurance), regional agricultural statistics, and policy. Principal agencies are: the U.S. Department of Agriculture (USDA) National Agricultural Statistics System, the USDA Animal and Plant Health Protection Service, and other contractors and grantees to be determined.

Electronic alliance (\$500,000 DA). USAID will establish a regional information system to facilitate public-private alliance brokering, public outreach, information sharing, and results reporting. The system will include an innovative web-based toolkit, with links to related sites, to promote alliances, consolidate partnerships, facilitate timely communication and virtual consultation, improve progress reporting and publicity, and increase access to information in order to enhance competitiveness and improve risk management. Activities will begin during FY 2004. The principal contractor is to be determined.

#### FY 2005 Program:

In FY 2005, activities will be reprogrammed into the new Regional Program Plan (SO 596-022 Economic Freedom: Open, Diversified Expanding Economies) under the Central America and Mexico (CAM) Regional Strategy.

**Performance and Results:** The Rural Diversification Strategic Objective will increase the sale of nontraditional goods, services, and crops (including high quality coffees) by small- and medium-scale producers. Implementation began in the second quarter of FY 2003, with activities for improved coffee quality and marketing concentrated in the regions within the Dominican Republic and the six countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) that are the main producers and exporters of high quality and premium coffees. These activities emphasize small- and medium-scale producers as the first line beneficiaries within the context of a market-driven approach.

In the first nine months of implementation, USAID assessed 25 producer groups for managerial and financial needs in Guatemala (6), El Salvador (8), Honduras (3), Nicaragua (3), Costa Rica (3), and Panama (2). Cupping laboratories were reviewed for six producer groups in El Salvador (1), Honduras (1), and Costa Rica (3); and wet mill needs assessed for 18 producer groups in Guatemala (5), Honduras (3), Costa Rica (3), Panama (1), and the Dominican Republic (6). Timely commercial-scale market trials with the Marcala Organic Coffee Company late in the marketing year also resulted in the sale of three containers (75,000 pounds) of high-value coffee from Honduras at \$0.85/pound. Recently, this organization sold three containers (112,500 pounds) of high-value coffee at \$0.95/pound during the 2003-2004 harvest season that were bought before the harvest, and before the coffee could be sampled. This is an indication of increased buyer confidence in the quality of the coffee.

Achievement in the coffee quality and marketing component will be measured by the increase in the market share and value of quality coffee originating in Central America and the Dominican Republic. In FY 2004, efforts are expected to result in: the sale of 50 containers of quality coffee; certification of 500 coffee producers; provision of direct services to 5,000 producers, producing 500,000 bags of quality coffee; formation of a Regional Specialty Coffee Association; and price premiums of \$80 to \$100 per quintal received for quality coffee.

The rural competitiveness component was designed in FY 2003, and implementation will begin in FY 2004. Overall achievement will be measured by increased volume and value of sales of goods and services produced in rural areas. Baseline data and indicator targets will be finalized during the coming year and carried forward under the new CAM Regional Strategy.

By the end of activities, USAID expects to increase the sale of nontraditional goods, services and crops (including high quality coffees) by small- and medium-scale producers. The program will specifically seek to increase: the area producing quality coffee; income for farmers engaged in quality coffee production; the volume and value of quality coffee exports; domestic consumption of quality coffee; and intraregional coffee trade. Follow-on activities will build on these results.

## US Financing in Thousands of Dollars

### Central America Regional Program

596-009 Increased Diversification of the Rural Economy	DA
<b>Through September 30, 2002</b>	
Obligations	6,000
Expenditures	0
Unliquidated	6,000
<b>Fiscal Year 2003</b>	
Obligations	7,550
Expenditures	1,821
<b>Through September 30, 2003</b>	
Obligations	13,550
Expenditures	1,821
Unliquidated	11,729
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2004 NOA</b>	
Obligations	2,850
<b>Total Planned Fiscal Year 2004</b>	
Obligations	2,850
<b>Proposed Fiscal Year 2005 NOA</b>	
Obligations	0
Future Obligations	0
Est. Total Cost	16,400