



CAFTA-DR Facts

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CAFTA-DR – Trade Capacity Building Programs

Promoting Rural Development in the CAFTA-DR Countries

The United States and its partners under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) are committed to working together to promote rural development in the CAFTA-DR countries and ensure that the benefits of expanded trade are broadly shared. The United States is providing significant trade capacity building programs to assist the CAFTA-DR countries as they implement the trade agreement.

The U.S. Government (USG) has provided more than \$650 million in trade-related assistance to the CAFTA-DR countries since 2003, much of which is used to support rural development and poverty reduction. One of the newest and largest USG contributors of trade capacity building (TCB) support to CAFTA-DR countries is the Millennium Challenge Corporation (MCC). A large proportion of MCC funding for CAFTA-DR countries promotes rural development. For example, the \$215 million MCC compact with Honduras signed in June 2005 upgrades roads and promotes agricultural development. Nicaragua's \$175 million compact, signed in July 2005, is improving highways to link producers in the northwest part of the country with regional markets. In November 2006, the MCC signed a \$461 million compact with El Salvador which will support equitable growth in the country's northern zone by promoting education, enterprise development and transport infrastructure.

Guatemala and the Dominican Republic are the two potentially MCC-qualifying countries within the CAFTA-DR that have not yet met eligibility criteria for a compact. To address their rural development needs, the Administration is supporting an additional \$10 million per year in funding from the U.S. Agency for International Development (USAID) for each country starting in FY2007 for up to five years total (or until the two countries sign compacts). FY2007 funding will be used to promote rural electrification, and for development of small rural businesses and agribusinesses in the Dominican Republic. In Guatemala, FY 2007 rural development programs include promotion of small and medium agribusinesses and rural enterprises, including those engaged in production of certified sustainable forest products. The FY 2008 budget request indicates similar plans to use this funding for agriculture, rural infrastructure and environment in the Dominican Republic, and to support agriculture, basic education, and environment in Guatemala.

Other examples of rural development TCB programs in CAFTA-DR countries include:

- USAID and the U.S. Department of Agriculture (USDA) assist small farmers in CAFTA-DR countries to develop local, regional and international markets for their products. Programs also support the construction of irrigation and other infrastructure to allow these small farmers to participate in the global marketplace.
- In Nicaragua and Guatemala, USAID assistance is raising the quality of coffee produced by farmers' associations. With their additional income, farm families are improving their houses, providing better educational opportunities for their children, and contributing financial support to community projects such as a new preschool in the Nicaraguan community of El Naranjo.