



USAID | **MEXICO**
FROM THE AMERICAN PEOPLE

QUARTERLY REPORT APRIL - JUNE 2009

USAID/MEXICO COMPETITIVENESS PROGRAM

Contract: EEM-I-00-07-00004-00

10 July 2009

[Per COTR instructions, reports submitted to the DEC include only those sections deemed to be of value for ongoing development consideration. This report therefore excludes administrative sections.]

This report was produced by Abt Associates Inc. for the United States Agency for International Development.

QUARTERLY REPORT APRIL 1 – JUNE 30, 2009

USAID/MEXICO COMPETITIVENESS PROGRAM

Contract No. EEM-I-00-07-00004-00



DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

INTRODUCTION..... 1

SUMMARY OF ACCOMPLISHMENTS2

GRANTS MANAGEMENT4

IMPORTANT PROGRAM TOPICS REPORT-OUT6

CONCLUSION.....8

ANNEX 1: SUMMARY OF WORKPLAN PROGRESS 9

ANNEX 2: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT DURING THE THIRD QUARTER..... 12

INTRODUCTION

The USAID/Mexico Competitiveness Program seeks to enhance competitiveness by promoting more effective policy design, implementation and evaluation across three governance areas: environmental management, small business promotion, and precursor and factor markets including financial services, renewable energy and water service. The Program will build on prior USAID efforts in Mexico to achieve sustainable reforms by improving transparency, strengthening civil society participation, and promoting accountability. This report highlights achievements over the third quarter, April 1 – June 30, 2009, with a focus on technical activities, administrative issues that affect start-up, and grants management.

The Competitiveness Program seeks to strengthen governance to improve economic competitiveness and environmental management, and to preserve biodiversity. The Program's three governance areas address:

Environmental management

- Governance: Improve environmental governance and strengthen capacity of environmental agencies at the federal and state level, through the dissemination of lessons learned from the implementation of public policies.
- Sustainable forest management: Identify obstacles to a competitive forestry sector and improve public forestry policies through independent monitoring and evaluation.
- Alternative incomes for small producers in high biodiversity areas: Support sustainable and profitable projects in eco-tourism, the production and commercialization of environmentally-sound goods, as well as payment for environmental services.

More efficient and effective government

- SME policy: Strengthen policies and programs that promote the competitiveness of small and medium enterprises through dissemination of best practices and technical assistance to public sector economic development agencies at the federal and state level.
- Strengthen competition authority: Strengthen the capacity of the Federal Competition Commission to initiate and litigate competition cases through study tours, best practice seminars and independent organization of civil society networks dedicated to improved competition.

More efficient factor and precursor markets

- Capital for micro and small enterprises: Increase access to capital for productive investment by strengthening the capacity of micro-finance institutions.
- Water service: Improve the quality and sustainability of urban water service through technical assistance and dissemination of best practices.
- Renewable energy: Promote investments in renewable energy by fostering the market for “green mortgages,” by identifying municipal bottlenecks in renewable energy projects, and by developing productive projects in rural areas that require renewable energy.

SUMMARY OF ACCOMPLISHMENTS

During the third quarter, the USAID/Mexico Competitiveness Program had several important achievements. Among the most noteworthy are the following:

Component 1. Environmental Management

- Collaboration with SEMARNAT on climate change agenda: The Program provided critical organizational and logistical support to the environment ministry in two international events: World Environment Day (June 4-5) and the third preparatory meeting of the Major Economies Forum on Climate Change, hosted by Mexico. In both events the Mexican government solidified its commitment to pursue a global climate change agenda, and explicitly linked climate change to biodiversity protection. Because of Program support USAID is now an established and trusted partner in SEMARNAT's climate change agenda.
- Forest sector methodology: The Program organized a two-day workshop, hosted by the World Bank, to develop the methodology for a USAID-financed study of competitiveness obstacles in Mexico's forestry sector. The main output from the workshop was a 50 page document detailing the methodology and research questions, which will be applied not only in the current project but disseminated to environmental organizations doing similar research. At the workshop the World Bank expressed its approval of the project and its interest to support future work.
- CONANP training: Held first session of eco-tourism training, focused on sustainable wetlands, for over 30 staff members of the National Commission on Natural Protected Areas and representatives of communities living near Ramsar sites.
- Eco-tourism TA with Chiapas: Reached preliminary agreement with the state of Chiapas (Governor's office and Secretary of Environment) to provide technical assistance to develop a comprehensive state ecotourism strategy.

Component 2. More Efficient and Effective Government

- TA agreement with Chihuahua: The Program established an agreement with the State of Chihuahua to provide technical assistance on setting up the state's new Value Added Institute. The Program will deliver a logical framework and proposed rules of operation, showing that USAID has had direct influence over strengthening a public sector initiative designed to promote SME competitiveness.
- Newsletter: The Network on Competition and Regulation published its first newsletter, which was well-received by CFC.
- Legislative agenda on competition: Competition Network held meeting to develop legislative agenda for the year,

Component 3. More Efficient Factor and Precursor Markets

- MFI diagnostics: The Program held a bidding process for a firm to carry out diagnostics of microfinance institutions that work with FIRA. Four bids were received and reviewed by an evaluation committee based on pre-established criteria. The winning firm was Accion Microfinanzas, which will carry out the diagnostics in the 4th quarter.
- Solar heating forum: Program co-organized a conference with the Government of the Distrito Federal (Mexico City) on standards for solar heating of water.
- Micro-lending seminar: The Program organized a seminar on “Micro-lending Investment Projects Using Renewable Energy” in Tuxtla Gutierrez, Chiapas. The seminar focused on how to develop project evaluation capacity among employees of MFIs, an institutional requirement for increasing small business lending in this sector.

A description of **technical activities** carried out in the third quarter is provided in Annex 2.

GRANTS MANAGEMENT

Grant Management

- Committees composed of experts, government officials and internal staff evaluated the 11 grant proposals received from 7 NGOs in three different rounds (each round was determined on a “first come first serve basis” and by content).
- By May, USAID Mexico approved all of the 8 grants recommended by the evaluating committee.
- During the third quarter, all grant agreements were signed, activities with all grantees underway.

Grant Activities

- *Deliverables*
 - First report for the Ocote REDD Strategy on characterization and definition of communities , **Ambio**
 - *Actas ejidatarias* (charters) stating communities’ commitment to the REDD Project, **Ambio**
 - First report on the framework for evaluation of environmental public policy in Marqués de Comillas, Chiapas, **CeIBA**
 - First Report of Red de Competencia activities, **CIDAC**
 - Basic concepts and legal framework for public use plan of Montes Azules, **Natura**
 - First draft of the administration manual for EcoGalacia, **Natura**
 - Foundational act stating commitment to conserve the Lacantún area, **Natura**
 - Report containing basic concepts and overview of the Regional Ecotourism Plan of Marqués de Comillas, Chiapas, **Natura**
 - Workshop Reports, **Reforestamos México**
- *Field Visits*
 - **National Reserve of El Ocote**, in the State of Chiapas, visit to participate in the community selection for AMBIO’s REDD project, jointly with CONANP (the National Commission for Natural Protected Areas)
 - **Corral de Piedra**, Estado de México- exploratory visit to witness the site conditions previous to the award of a USAID grant for training materials
 - **Galacia**, Chiapas- site visit with an environmental specialist; the team attended some of the training sessions
 - **Chajul**, Chiapas- revision of inventory of purchased materials for Natura’s grants; met some of the research staff that is involved in the Public Use and Ecotourism studies

Problems

- Activity C1-3.2.1, Establishment of an UMA in Marques de Comillas, to be carried out as a grant, was removed from the Work Plan on grantee's request due to concern about their capacity to deliver on schedule.
- Due to the GOMs restrictions on travel and public meetings to mitigate the H1N1 epidemic, some of our grantees requested an extension of deadlines for their deliverables at no additional cost. After obtaining COTR authorization, as allowed by our Grants Manual, the Program accepted the petitions.

IMPORTANT PROGRAM TOPICS REPORT-OUT

Embassy support

During the third quarter the Program responded to U.S. Embassy requests for assistance:

- Information about high-quality translation services
- COP participation in Embassy meeting with Cisco to discuss potential areas of collaboration with USAID
- Organized travel for and accompanied acting Charge d’Affaires at World Environment Day event in Cozumel.

Planned activities for Fourth Quarter

- Program retreat: August 10-11, Cuernavaca. The main goal will be to produce a preliminary draft of the FY2 work plan.

C1

- Workshop in Guerrero to establish mechanism for payment of hydrological services.
- Second session on eco-tourism training for CONANP staff and represent
- CEIBA meeting with experts to discuss finding from Program-financed policy evaluation of Meso-American Biological Corridor (Chajul, Chiapas)
- Ambio presentation of Plan Vivo to communities in Ocote reserve and training on community planning for environmental services.
- Training community members of Corral de Piedra on eco-tourism best practices.
- Training for community members of Galacia ejido on eco-tourism management.
- Presentation of findings on green procurement (legal and market analysis) for the environment ministry of the State of Mexico.

C2

- Seminar given by Judge Mercedes Pedraz on Spanish competition law.
- Presentation of SME legislation study (co-organized with Instituto PyME).
- Presentation of findings on rules of operation for Value Added Institute for Government of Chihuahua (tentative)

C3

- Accion Microfinanzas to present findings on MFI diagnostics to USAID and FIRA.
- Watergy “*congreso del agua*” on capacity-building for municipal water providers
- IMTA conference on urban water service competitiveness
- Road show in Oaxaca or Veracruz on MFI capacity building for project evaluation.
- Conference to present findings from Green Mortgage study.

Training in 3rd. Quarter

DATES		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
May 25, 2009	May 28, 2009	Quintana Roo	Focus groups and workshops with communities conducted by Reforestamos México	50	35	15
June 2, 2009		Mexico City	Seminar on Solar Energy in Mexico City	200	140	60
June 3, 2009		Mexico City	Red Mexicana de Competencia y Regulación (competition network) meeting	40	28	12
June 4, 2009	June 5, 2009	Cozumel and Xcaret, Quintana Roo	Celebration of the World Environment Day 2009			
June 7, 2009	June 7, 2009	Marques de Comillas, Chiapas	Workshop for sustainable ecotourism management at Ejido Galaccia/Boat riding	30	21	9
June 8, 2009		Tuxtla Gutiérrez, Chis	Conference on microfinance of microproductive applications of renewable energy	20	14	6
June 9, 2009		San Cristóbal de las Chiapas	Conference on microfinance of microproductive applications of renewable energy	20	14	6
June 14, 2009	June 20, 2009	Xico, Ver.	First Eco-tourism training for CONANP staff working in Ramsar Sites	40	28	12
June 19, 2009	June 28, 2009	Marques de Comillas, Chiapas	Workshop for sustainable ecotourism management at Ejido Galaccia/First Aid	30	21	9
June 9, 2009	July 6, 2009	Marques de Comillas, Chiapas	Workshop for sustainable ecotourism management at Ejido Galaccia/Maintenance	30	21	9
June 21, 2009	June 23, 2009	Cuernavaca, Morelos	Preparatory Meeting of the Major Economies Forum on Climate and Energy (Tentative)	80	56	24
June 22, 2009	June 23, 2009	Mexico City	Workshop to define the methodology to carry out a value chain analysis of the forestry sector in Mexico	15	11	4
TOTAL				555	389	166

CONCLUSION

During the third quarter the USAID/Mexico Competitiveness Program made significant advances in all three component areas. We have begun to see preliminary results in several activities, and have cemented excellent relationships with partner in federal and state government agencies, NGOs and universities, as well as international organizations. By late May the Program had swung into full gear and is carrying out a great deal of work with numerous consultants, subcontractors and grantees. Notwithstanding the low burn rate reflected in formal billing by the end of the 3rd quarter, the final four months of the first fiscal year will significantly accelerate the rate of Program spending.

ANNEX I: SUMMARY OF WORKPLAN PROGRESS

	SUB-ACTIVITY	STATUS
CI-1.1	Describe and disseminate lessons learned from the implementation of public policies	Grant awarded and consultant hired. Work being carried out.
CI-1.2	Design and development of the program for the public use of natural protected areas	Grant awarded, work being carried out.
CI-1.3	Strengthening the capacity of public sector agencies to procure and certify “green products”.	Two consultants hired and work being carried out.
CI-1.4	Enhance the capacity of federal, state and local governments to comply with Ramsar Convention	Training on eco-tourism.
CI-1.5	Strengthen the capacity of environmental enforcement agents to stop products that harm biodiversity from entering Mexico	Cancelled. (Replaced with Climate Change agenda)
CI-2.1	Identification and analysis of obstacles for a competitive forestry sector.	All consultants hired. Methodology workshop held and methodology draft delivered.
CI-2.2	Independent monitoring and evaluation of public Policies and Programs that Affect forestry sector.	Consultants hired. Two CCMSS newsletters produced and distributed.
CI-2.3	FAA 118/119	Completed and delivered.
CI-3.1.1	Ecotourism best practices in Ejido Galacia, Chiapas.	Grant awarded. Training being provided to ejido community.

CI-3.1.2	Nature tourism in Yucatan.	Cancelled.
CI-3.1.3	Ecotourism in Corral de Piedra.	Consultants hired and small sole-source grant for training materials approved.
CI-3.1.4	Development of a regional ecotourism master plan	Grant awarded. Work being carried out.
CI-3.2.1	Establishment of UMA in Marques de Comillas.	Cancelled.
CI-3.2.2	Strengthening value chains for sustainable agricultural and livestock products in MBC	Consultants hired. Work being carried out.
CI-3.2.3	Strengthening of value chains through B2B forums	Grant awarded. Work being carried out.
CI-3.3.1	Payment for carbon storage in the Selva del Ocote	Grant awarded. Work being carried out.
CI-3.3.2	Hydrological Services in the Mountains of Guerrero.	Consultants hired.
C2-1.1	SME research	IDEA subcontract approved. Draft of SME policy manual delivered.
C2-2.1	TA to support federal and state government in the design and implementation of SME programs.	Field work carried out in Chihuahua on Value Added Institute. Draft of PRODIAT guidelines delivered.
C2-2.2	TA for PROSOFT	Activity cancelled. A proposed new activity was submitted to COTR during the Third Quarter.
C2-3.1	Competition Network	CIDAC grant approved. Network meeting on legislative agenda. Network newsletter

		launched. Consultant approved for study of credit card interest competition and collective action lawsuits.
C2-3.2	TA to the Federal Competition Commission	Consultants approved for research on microchip distribution and internal CFC case management.
C3-1.1	Develop a strategy that enables MFIs to have sustainable access to long term credit.	Cancelled in Q2 because of long delay in approving lead consultant, a TCN.
C3-1.2	FIRA diagnostics of micro-finance institutions.	Subcontracted bidding process completed and winning firm selected. Held meeting with FIRA to determine next steps.
C3-2.1	Dissemination of best practices for municipal water	Activity modified into two activities: support IMTA on capacity building and CONAGUA on river contamination analysis
C3-2.2	Support ANEAS in developing norms	Consultants and PO approved. Three drafts of labor standards produced.
C3-3.1	Diagnosis of bottlenecks for renewable energy	Surveys being carried out.
C3-3.2	Capacity building for legislators on renewable	PO with ITAM approved. Authors working on chapter drafts.
C3-3.3	Capacity-building for financing of renewable energy projects for rural microenterprises.	Road show for MFIs in Chiapas. Three projects identified.
C3-3.4	Carry out diagnosis for “green mortgage”	All consultants approved and working. More than half of planned interviews completed.

ANNEX 2: DESCRIPTION OF TECHNICAL ACTIVITIES CARRIED OUT DURING THE THIRD QUARTER

COMPONENT I

CI-I.1 Describe and disseminate lessons learned from the implementation of public policies and programs on conservation and sustainable natural resource management in the Marqués de Comillas Region, Selva Lacandona Chiapas.

Strategic Outcome:

Sustainability and conservation criteria are mainstreamed in public policies and programs of key agencies.

Status: **Green**

Results narrative

Funded by a USAID grant, CEIBA, an NGO that focuses on public policies and the environment, initiated the collection and analysis of information on the implementation of public policies and programs on conservation and sustainable natural resource management in the region. The Ministry of Agriculture, Livestock, Rural Development, Fisheries, and Food (SAGARPA) and the Mesoamerican Biological Corridor (MBC) confirmed their interest in the preparation of the study and their willingness to participate in discussions on the study's findings and recommendations.

Changes in PMP

None

PMP Indicators:

Number of government agencies that participate in forums on lessons learned for draft document

Minimum 2 Outstanding 4

Number of public officials that receive draft document

Minimum 6 Outstanding 12

CI-I.2 Design and development of the program for the public use of natural protected areas in Montes Azules Biosphere Reserve (MABR)

Strategic Outcome:

The Montes Azules Biosphere Reserve adopts legal framework that strengthens the business climate for the development of tourism projects that contribute to ecosystem protection, resulting in increased income generation.

Status: **Green**

Results narrative

Funded with a USAID grant, Natura y Ecosistemas Mexicanos, A.C., initiated the preparation of the public use plan for the MABR. Efforts have focused on developing the methodological approach that will be used to develop the plan, particularly for estimating the Limits of Acceptable Change (LAC) that will be the basis of the plan. The National Commission for Natural Protected Areas (CONANP) ratified its interest in the preparation of the plan.

Changes in PMP

None

PMP Indicators:

Best practices from draft document of the tourism component of the “Programa de Conservación y Manejo de la Reserva” are presented to CONANP

Yes No

CI-I.3 Strengthening the capacity of public sector agencies to procure and certify “green products” (i.e. produced according to best environmental and social practices).

Strategic Outcome:

Government efforts contribute to the creation of a viable and growing market for “green products.”

Status: **Green**

Results narrative

Efforts have focused on classifying the federal and state-level legal instruments that regulate public sector procurement, with the aim of identifying opportunities and obstacles for procurement of green products. In addition, the Program supported the initiation of an assessment of the state government purchases that will help understand what types of products are being procured and which of these could be substituted by environmentally-friendly options.

Changes in PMP

None

PMP Indicators:

Number of government agencies trained for purchase and regulation of “green products” in the State of Mexico.

Minimum 3 Outstanding 5

CI-I.4 Enhance the capacity of federal, state, and local governments to comply with Mexico's obligations under the Ramsar Convention for Wetlands

Strategic Outcome:

CONANP adopts measures and acquires capacity to protect wetlands

Status: Green

Results narrative

CONANP and the Program agreed on organizing a series of trainings that would build the capacity of CONANP staff and communities living in Ramsar Convention sites to promote sustainable tourism. By developing the capacity of these individuals, CONANP aims to further its efforts to implement the National Strategy for the Sustainable Development of Tourism and Recreation in Mexico's Protected Areas and the Program for Tourism in Protected Areas 2007 – 2012, as well as to fulfill its obligations under the Ramsar Convention. More than 30 staff and community representatives from across Mexico participated in the first training session, held in Xico, Veracruz during June 7 – 13, 2009.

Changes in PMP

The following indicator is proposed to substitute the existing one: Number of Regional CEPA Centers that develop materials in accordance with the Mexican CEPA Strategy (total Regional CEPA Centers = 9)
Minimum 3 (33%) Outstanding 6 (66%)

PMP Indicators:

Number of CONANP administrative regions that receive training on wetlands conservation

(total administrative regions = 9)

Minimum 3 (33%) Outstanding 6 (66%)

CI-I.5 Support GOM's strategy for Climate Change and biodiversity.

Strategic Outcome:

GOM incorporates biodiversity concerns in its climate change agenda for international negotiations towards Copenhagen.

Status: **Green**

Results narrative

On June 4 – 5, 2009, the Secretary of Environment and Natural Resources (SEMARNAT) and the United Nations Environment Programme (UNEP), with USAID's assistance, organized the celebration of the World Environment Day. During the event, Mexico presented its Special Program on Climate Change and the study on the impacts of climate change on Mexico's Economy. On June 21 – 23, the Government of Mexico, with USAID's support, hosted the third and last preparatory meeting of the Major Economies Forum on Climate and Energy. President Barack Obama announced the launch of the MEF on March 28, 2009. The MEF was launched by President Obama on March 2009 and is intended to facilitate a candid dialogue among major developed and developing economies. Delegates discussed actions to promote a successful outcome at the December United Nations climate change conference in Copenhagen.

PMP Indicators:

Number of High Level officials from third countries engaged.

Minimum 30 Outstanding 70

SEMARNAT incorporates biodiversity in its negotiating agenda for Copenhagen.

Yes No

CI-2.1 Identification and analysis of obstacles for a competitive forestry sector.

Strategic Outcome:

Producers of timber and non-timber goods are more competitive.

Status: **Green**

Results narrative

Efforts to date have focused in developing the methodologies that will be used to assess the competitiveness of community forestry enterprises in Mexico and prepare market studies for key timber and non-timber products. The Consejo Civil Mexicano para la Silvicultura Sostenible, World Bank, and USAID organized a workshop in which representatives from the National Forest Commission (CONAFOR), the National Commission for Biodiversity Knowledge and Sustainable Use (CONABIO), the Mexican Congress, state governments, academic centers and producer organizations provided inputs for the methodologies.

Changes in PMP

None

PMP Indicators:

Number of government agencies that participate in forums on lessons learned for draft document integrating findings of value chain analysis.

Minimum: 2 Outstanding: 4

CI-2.2 Independent Monitoring and Evaluation (M&E) of Public Policies and Programs that Affect the Forestry Sector.

Strategic Outcome:

Robust and transparent M&E procedures improve public policies and programs that affect the forestry sector.

Status: **Green**

Results narrative

The Program produced brief notes assessing the trade balance of the forestry sector and the linkages between climate change and forests in Mexico. These notes were distributed among policy-makers, academics, NGOs, and other stakeholders. In addition, the Program developed a methodology that will be used to create a framework that would facilitate a continuous monitoring of the conditions on Mexico's forests. The framework will be strengthened in the coming months through a series of workshops involving forest specialists and policy-makers.

Changes in PMP

None

PMP Indicators:

Number of recommendations presented to the Consejo Nacional Forestal (CONAF).

Minimum 3 Outstanding 6

Number of presentations made on findings of independent M&E to forest stakeholders.

Minimum: 5 Outstanding: 10

CI-2.3 Tropical Forest and Biodiversity FAA 118/119 Country Analysis

Strategic Outcome:

High biodiversity areas and tropical forests are protected and used sustainably.

Status: **Blue** (COMPLETED)

Results narrative

The final version of the “Tropical Forest and Biodiversity FAA 118/119 Country Analysis” was submitted for USAID/Mexico approval and was formally accepted. The report identifies the main threats to Mexico’s forests and biodiversity and identifies areas of possible USAID support. The FAA 118/119 report was used as an important input for the development of the work plan for the Competitiveness Program, particularly regarding activities funded through the biodiversity earmark.

Changes in PMP

None

PMP Indicators:

Report recommendations are incorporated into MCP work program.

Yes No

CI-3.1.1 Ecotourism best practices in Ejido Galacia (Chiapas).

Strategic Outcome:

Rural communities increase earnings from ecotourism and conserve biodiversity.

Status: **Green**

Results narrative

A series of USAID-supported training workshops were initiated with the aim of strengthening the capacity of community members from Galacia to develop and manage an ecotourism project. The community signed an agreement through which they commit to conserve 100 hectares of rainforest surrounding the ecotourism site, as well as to dedicate a portion of revenues generated by the project to that end. In addition, the Program began the preparation of an environmental assessment of the ecotourism project, which will help ensure its compliance with Mexican and USAID environmental requirements.

Changes in PMP

None

PMP Indicators:

Number of ejidatarios and community members trained on specific aspects of ecotourism

Minimum 20 Outstanding 40

Hectares that *ejido* agrees to protect for first phase of ecotourism project

Minimum 20 Outstanding 50

CI-3.1.2 Nature tourism emphasizing bird-watching in Yucatan

Strategic Outcome:

Rural communities increase earnings from nature tourism and conserve biodiversity.

Status: **Red**

Results narrative

Activity has been cancelled.

Changes in PMP

None

PMP Indicators:

Number of ejidatarios and community members trained on specific aspects of nature tourism

Minimum 20 Outstanding 40

Establishment of a baseline of tourist “customer satisfaction” with ecotourism services.

Yes No

CI-3.1.3 Ecotourism in Corral de Piedra

Strategic Outcome:

Forest dwellers generate steady and diversified income and protect forests

Status: **Green**

Results narrative

A series of USAID-supported training workshops were initiated with the aim of strengthening the capacity of community members from Corral de Piedra to manage its ecotourism site. The training will focus on hospitality, hygiene, gastronomy, management, and other key aspects that will allow the community to attract a more stable flow of tourists willing to pay for better quality of goods and services. In addition, USAID provided a small grant, which will be used to restore a cabin and purchase some materials that are needed for the training.

Changes in PMP

None

PMP Indicators:

Establishment of baseline income.

Yes No

Hectares that *ejido* agrees to protect for ecotourism project

(baseline = 200)

Minimum 190 Outstanding 200

CI-3.1.4 Development of a regional ecotourism master plan for the municipality of Marqués de Comillas.

Strategic Outcome:

Rural communities increase their earnings, and conserve biodiversity.

Status: **Green**

Results narrative

The Secretary of Tourism of the Government of Chiapas endorsed this effort and provided important inputs for its preparation. Based on the Government's feedback, the Program focused on defining the methodological approach for the development of the regional ecotourism plan, as well as the identification of the criteria that will guide the plan's development to ensure its sustainability. The Program also initiated an identification of the customers' profile and the elements that are needed to develop a master plan that promotes sustainable ecotourism.

Changes in PMP

None

PMP Indicators:

Draft regional ecotourism plan drafted and submitted to City Council of the municipality of Marqués de Comillas for approval.

Yes No

CI-3.2.I Establishment of UMA in Marques de Comillas

Strategic Outcome:

Rural communities improve their quality of life, increase their earnings, and conserve biodiversity in their lands.

Status: **Red**

Results narrative

This activity has been cancelled.

Changes in PMP

None

PMP Indicators:

Ejido reviews UMA proposal and is submitted to SEMARNAT for approval

Yes No

Number of *ejidatarios* and community members trained in sustainable butterfly cultivation

Minimum 15 Outstanding 25

CI-3.2.2 Strengthening value chains for sustainable agricultural and livestock products in the Mesoamerican Biological Corridor

Strategic Outcome:

Rural communities increase their earnings and conserve biodiversity.

Status: **Green**

Results narrative

The Program visited the area of Marques de Comillas to have a better understanding of local conditions and the capacities of the producers that would be supported through this activity. In addition, the Program agreed with the Mesoamerican Biological Corridor the specific products for which value chains will be analyzed and the outcomes that can be expected during this fiscal year.

Changes in PMP

None

PMP Indicators:

Number of product-specific business plans drafted.

Minimum 2 Outstanding 5

Number of sustainable product presentations made to prospective buyers / distributors.

Minimum 5 Outstanding 10

CI-3.2.3 Strengthening of value chains through B2B forums for sustainable timber products in the Mayan Riviera

Strategic Outcome:

Rural communities increase their earnings and conserve biodiversity.

Status: **Green**

Results narrative

The Program supported a series of training for small rural communities in Quintana Roo and Chiapas, focusing on improvements in the production of handcrafts and coffee, as well as on helping communities to establish themselves as formal entities and build their managerial capacities. Efforts also included support for communities to distribute their products through hotels in the Maya Riviera, as well as to participate in fairs for small rural producers.

Changes in PMP

None

PMP Indicators:

Number of product-specific business plans drafted.

Minimum 2 Outstanding 5

Number of sustainable product presentations made to prospective buyers / distributors.

Minimum 5 Outstanding 10

CI-3.3.1 Payment for carbon storage in the Selva del Ocote Biosphere Reserve

Strategic Outcome:

Conservation of ecosystems that provide valuable environmental services generates a stable source of income for communities who live near high biodiversity areas as well as services needed to protect them.

Status: **Green**

Results narrative

The Program identified and initiated the work with two communities located within the Selva del Ocote Biosphere Reserve, to initiate the preparation of two pilot projects on Reducing Emissions from Deforestation and Forest Degradation (REDD). Work in the communities has focused on developing local land use plans, which will help estimate the amount of forests that will be conserved. In addition, the Program has supported sampling and analysis to determine the amount of carbon stored in the area's vegetation. These efforts are being carried out in coordination with Mexico's efforts to develop a national REDD strategy.

Changes in PMP

The PMP indicator of "presentation of carbon storage plan to private sector representatives" should be removed at this stage, because work during the current Fiscal Year will focus on engaging communities in the Selva del Ocote Biosphere Reserve. Also, given that many relevant issues related to REDD will be discussed during the Conference of the Parties of the United Nations Framework Convention on Climate Change, to be held in December 2009, it would not be feasible to sell REDD credits during the current FY.

PMP Indicators:

Presentations of carbon storage plan to private sector representatives

Minimum 2 Outstanding 5

Number of *ejidatarios*, community members trained in monitoring and conservation

Minimum 10 Outstanding 20

CI-3.3.2 Hydrological services in the mountains of the State of Guerrero

Strategic Outcome:

Conservation of ecosystems that provide valuable environmental services generates a stable source of income for communities who live near high biodiversity areas.

Status: **Green**

Results narrative

The Program agreed with state and municipal governments, rural communities, and academic centers to hold the first workshop to discuss opportunities to establish a mechanism for payment of hydrological services in the mountains of the State of Guerrero. Discussions for the establishment of the mechanism for payment of environmental services have taken longer than originally anticipated, largely because the economic downturn and the effects of the swine flu significantly affected the tourism industry, which was expected to contribute a major portion of the funds that would be paid to rural communities conserving ecosystems upstream from Acapulco.

Changes in PMP

None

PMP Indicators:

Mechanism for payment of hydrological services submitted to the municipality of Acapulco.

Yes No

Number of ejidatarios and community members trained monitoring and conservation activities

Minimum 10 Outstanding 20

COMPONENT 2

C2-I.1 Support SME research that becomes a key reference for policymakers

Strategic Outcome:

Public sector SME programs in Mexico adopt rational selection criteria and performance-based indicators on competitiveness.

Status: Green

Results narrative

During this quarter, Program staff attended a meeting with the Undersecretary of Industry and Commerce from the Ministry of Economy to discuss the Chilean case that was reported in the book *Supporting State Innovation: The State of the Art*, a USAID-financed research. During the meeting the Undersecretary extracted several lessons from the Chilean Case that could be applied to a new program to support innovation that is being crafted and should be submitted in the annual budget to Congress for the next fiscal year.

Mexican partner Fundación Idea has submitted a draft of several chapters of a manual for SME policy that will be finished in July. Fundación Idea is also revising a working paper on comparative state legislations concerning SME that will be presented to members of the Red Pyme towards the end of the fiscal year.

Changes in PMP

None

PMP Indicators:

Number of SME networks and organizations that collaborate with MCP research.

Minimum 4 Outstanding 7

Red PyME presentations requested by and delivered to public policy actors

Minimum 2 Outstanding 4

C2-2.1 TA to support federal and state government agencies in the design and implementation of public sector SME programs

Strategic Outcome:

States and Federal agencies adopt best practices of SME program design and implementation.

Status: Green

Results narrative

Despite an initial contact from the Program with the Chief of Staff of ProMéxico (the Mexican Agency in charge of attracting foreign investment and promoting Mexican exports) to perform a study on how the agency could improve its rules of operation, the project did not materialize. ProMéxico was experiencing an internal restructuring that precluded the agency to assess the scope of work and provide the matching funds required for the project.

A Memorandum of Understanding was reached between the Secretariat of Commerce and Tourism from Chihuahua and the Program to undertake a Technical Assistance for a logical frame and to craft rules of operation for the state's Value Added Institute. The initial agreement that only a covered limited technical assistance to write the rules of operation for the program was expanded to include a logical frame. This exercise is considered the best method to align the objectives, resources and outputs from three different organizations that are involved in the operation of the institute (state government, state university and private sector). The logical frame is also a way to ensure the institutionalization and a smooth operation of the institute once there is a change in the state administration.

The Program is also providing to the Subsecretariat of Industry and Commerce technical assistance on designing the guidelines for the presentation of projects according to the rules of operations of PRODIAT (Program for the Development of High Tech Industries). A first draft of the guideline has already been presented to officials in charge of the operation of PRODIAT. In addition the technical assistance also covers the development of an index that aims to measure the link between supported projects and market failures. The development of this index is still in progress and should see the light towards the last quarter of the Program..

Changes in PMP

None

PMP Indicators:

Number of State Governments and/or Federal agencies that are supported with mission specific TA for SME policy change, legislation or rules of operations

Minimum 2 Outstanding 4

AMSDE disseminates Manual to SEDECOS

Yes No

C2-2.2 TA to Subsecretariat of Industry and Commerce to make PROSOFT (Information Technology Fund) more transparent, accountable and effective

Strategic Outcome:

PROSOFT rules of operation become a benchmark for other programs.

Status: Red

Results narrative

This activity has been cancelled.

Changes in PMP

Activity will be cancelled and replaced by other to be defined during the Third Quarter.

PMP Indicators:

Number of Recommendations on policy or rules of operation endorsed by Subsecretariat of Industry and Commerce

Minimum 2 Outstanding 4

C2-3.1 Competition and Regulation Network members promote initiatives that strengthen the Federal Competition Commission

Strategic Outcome:

CFC has a greater ability to enforce competition law

Status: Green

Results narrative

As part of an ongoing effort by the Program to build a public agenda on competition, 20 members of the USAID-supported *Red Mexicana de Competencia y Regulación* (Mexican Competition Network) gathered to discuss which are the most pressing issues concerning economic competition and regulation. Members discussed bills that were introduced during the past legislative session and new initiatives that will be reviewed by commissions of the Mexican Congress when it reconvenes in September. They agreed that the next legislature presents a window of opportunity to discuss and engage legislators on topics such as class action lawsuits, criminalization of economic cartels, increases in fines for anticompetitive practices, and other initiatives that would strengthen the authority of the Federal Competition Commission (CFC). Network members also concluded that while CFC is highly professionalized, there is a need for independent experts to provide external opinions and perspectives, as well as to engage civil society and legislators in building awareness of competition related issues.

The Mexican Competition Network, through USAID funding, is also hiring two experts that will elaborate two papers related to ongoing public debates in Mexico. The first paper deals with how to enact legislation related to class action suits in Mexico, and what are the best international practices on this issue. The second paper explores why rates charged by Mexican financial institutions on credits cards are very high compared to other countries with similar levels of development. Both papers will be ready in the last quarter of this fiscal year.

Changes in PMP

None

PMP Indicators:

Presentation of finding at forums with public sector officials

Minimum 3 Outstanding 5

C2-3.2 Technical Assistance to the Federal Competition Commission

Strategic Outcome:

CFC becomes more effective in initiating and litigating competition cases in Mexican courts.

Status: **Green**

Results narrative

As an ongoing effort to strengthen CFC with capable lawyers and experts on competition cases the Program has hired two specialists that will help CFC to build their litigation cases. The first consultant will examine practices of high tech firms specialized in the production of components for electronics and provide an assessment about whether they are using market position to increase prices that harm other industries and consumers.

The second consultant is an expert in litigation of competition cases and has also experience on *amparo* (appeals) a very specialized judicial procedure in Mexico. This will certainly help CFC to build its litigation cases and offset monopolies that devote plenty of the resources to pay the best advocacy firms from the country and to win their cases.

As an ongoing effort to provide Mexican competition officials with international perspective on antitrust and competition issues, CFC, The Federal Judicial Institute, The network on Mexican Competition and USAID have been preparing the logistics to bring Mercedes Pedraz Calvo, Judge from the National Audience of Spain specialized in contentious and litigation affairs. This event will take place in July and it will be reported in the next quarter.

Changes in PMP

None

PMP Indicators:

Number of CFC and judicial officials trained.

Minimum 75 Outstanding 150

COMPONENT 3

C3-I.1 Develop a strategy that enables MFIs to have sustainable and access to long term credit.

Strategic Outcome:

Micro businesses have greater access to financing with better conditions.

Status: **Red**

Results narrative

This activity has been cancelled.

Changes in PMP

PMP Indicators:

BANSEFI endorses the strategy

Yes No

C3-I.2 FIRA diagnostics of micro-finance institutions.

Strategic Outcome:

Micro businesses have greater access to financing with better conditions.

Status: **Green**

Results narrative

The subcontract bidding process was completed and the winning firm selected. The Program held meeting with FIRA and *Acción Microfinanzas* to reach agreement regarding the application of the diagnostics to the microfinance institutions. FIRA has requested additional work from the consultants that would require additional time and resources. The Program will evaluate FIRA's request.

Changes in PMP

None

PMP Indicators:

Number of diagnostics

Minimum 5 Outstanding 8

C3-2.I Dissemination of best practices for municipal water management to increase efficiency, service quality and achieve self-sufficiency.

Strategic Outcome:

Municipal water services adopt best practices and become self-sustaining.

Status: Red

Results narrative

This activity has been cancelled.

Changes in PMP

None

PMP Indicators:

Number of National and Int. Organization recognized as water stakeholders that contribute to the development of baseline indicators

Min. 2 Outstanding 4

C3-2.2 Support ANEAS in developing norms for professional public service in municipal water management.

Strategic Outcome:

Municipal water service providers operate more efficiently.

Status: Green

Results narrative

Consultants and contractor have continued to work on developing norms. Three drafts have been produced.

Changes in PMP

None

PMP Indicators:

Norms are developed and submitted by ANEAS to the State Water Commissions

Minimum 4 Outstanding 6

C3-3.1 Diagnosis of municipal and state requirements and bottlenecks for renewable energy projects and development of Model Law.

Strategic Outcome:

Subnational government support and facilitate the creation of renewable energy projects

Status: **Green**

Results narrative

The consultants have scheduled interviews with municipalities related with renewable energy projects. So far, four out of twenty interviews have been carried out. The total of the municipalities considered for the interviews are: Acapulco de Juárez, Guerrero; Aguascalientes Aguascalientes; Atizapan de Zaragoza, Edo. de México; Benito Juárez, Quintana Roo; Centla, Tabasco; Chilpancingo de los Bravos, Guerrero; Distrito Federal; Comalcalco, Tabasco; Cozumel, Quintana Roo; Cuetzalán del Progreso, Puebla; Juchitán de Zaragoza, Oaxaca; La paz, Baja California sur, Loreto, Baja California Sur; Los Cabos, Baja California Sur; Marquelia, Guerrero; Metepec, Estado de México; Monterrey, Nuevo León; Mulege, Baja California Sur; Naucalpan de Juarez, Edo. De México; Oaxaca de Juárez, Oaxaca; Pachuca, Hidalgo; Puerto Vallarta, Jalisco; Salina Cruz, Oaxaca; San Pedro Garza García, Nuevo León; Santa Catarina, Nuevo León; Tlalpa de Comonfort, Guerrero; Zacatecas, Zacatecas. All of them are considered, although not all them might be interviewed due to different reasons.

On June 2, the Secretariat of Environment (SMA) and the Institute of Science and Technology of Mexico City (Distrito Federal), with USAID support, hosted a conference on “Standards for Solar Thermal Energy for Water Heating.” The event’s main objective was to promote the use of solar thermal energy for water heating and disseminate capacity building materials on its commercial and domestic applications. Experts, practitioners and local authorities presented success stories, financing instruments and fiscal incentives. Over 250 people attended the event.

Changes in PMP

None

PMP Indicators:

Number of municipalities included in the diagnosis

Minimum 10 Outstanding 20

C3-3.2 Capacity building for legislators on wind and other renewable energy sources.

Strategic Outcome:

Adoption of legislation that promotes small and large scale renewable energy projects.

Status: **Green**

Results narrative

Program signed a Purchase Order with ITAM to produce a book on renewable energy sectors.

Changes in PMP

ITAM includes the book in the syllabus for the next capacity building *diplomado*.

PMP Indicators:

Number of legislators or aides trained

Minimum 10 Outstanding 25

C3-3.3 Diagnostics for financing of renewable energy projects for rural microenterprises

Strategic Outcome:

Rural microenterprises become more competitive.

Status: **Green**

Results narrative

During the Third Quarter, the Program held the seminar “Micro-Lending Investment Project Using Renewable Energy” in Tuxtla Gutierrez, Chiapas. The seminar focused on how to develop project evaluation capacity among employees of micro-finance institutions (MFIs). One purpose of the seminar was to promote a credit model based on cash flow analysis, rather than on guaranties, as is the current practice. Another purpose was to show MFIs about opportunities for financing productive projects that utilize renewable energy. Over 20 professionals in the micro-finance sector attended the conference.

The Program explored the interest and basic financial mathematics knowledge gaps in the MFI professionals that attended the event. Due to this gap, the manual being prepared will expand on basic financial mathematics and the seminar will be divided into four subjects: basic financial mathematics, energy requirements for micro productive applications, microfinance investment project evaluation, and access to second-tier resources.

During the conferences, the Program identified three projects, which could be evaluated through the seminars in the FY2010 program. Second-tier banks (FIRA and Financiera Rural) have showed interest in participating in the seminars and invite them to develop new credit products based on investment project evaluation and renewable energy applications.

The Spanish translation of the landmark study “Using Microfinance to Expand Access to Energy Services” was distributed by electronic version to project stakeholders, including conference attendees, and is available in the Program website (www.procomex.org/publicaciones.asp).

Changes in PMP

Number of pre-evaluations for investment projects

PMP Indicators:

Number of investment project evaluations

Minimum 4 Outstanding 8

C3-3-4 Carry out diagnosis for “green mortgage” to identify and reduce market bottlenecks.

Strategic Outcome:

Greater supply of and demand for energy and water-saving housing.

Status: **Green**

Results narrative

The diagnosis of the Green Mortgage program is in progress and has, so far, included the gathering of documents and description of processes related to the program’s operation. Institution specific questionnaires are under development and all relevant actors have been fully identified.

During this quarter six interviews were carried out with one technology provider, CONAVI, CONUEE, FIDE, INFONAVIT, one housing developer.

Changes in PMP

None

PMP Indicators:

Number of stakeholders that participate in drafting the recommendations

Minimum 3 Outstanding 7