



CHEMONICS INTERNATIONAL INC.

GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)
INDEFINITE QUANTITY CONTRACT

Contract No. PCE-I-00-98-00015-00

Quarterly Performance Report
April 1st-June 30th, 2004

Submitted to:
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U.S. Agency for International Development
Washington. D.C.

Submitted by:
Chemonics International Inc.

in collaboration with

Crimson Capital Corporation, Inc., International Business Initiatives, IGI Inc., International Law Institute, Innovation Associates, Inc., The Kenan Institute, Prime International, Sigma One, Plexus Consulting Group, Taylor-DeJongh, Inc.

July 30, 2004

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Chemonics Consortium
Quarterly Performance Monitoring Report
April-June 2004

General Business Trade and Investment
Indefinite Quantity Contract (IQC)
PCE-I-00-98-00015-00

I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS

- A. Support to Presidents' Council, TO #804**
Start Date: February 6, 2001
Completion Date: December 31, 2004
Amount of Delivery Order: \$1,583,265.00

A. Introduction

A1. Background

The US-Egypt Business Council is commissioned to inform and advise the US Department of Commerce and the Egyptian Ministry of Foreign Trade on private sector views, needs, and concerns regarding business development in Egypt and measures to enhance bilateral commercial ties that can lay the groundwork for a free trade framework between the US and Egypt. Chemonics has been providing support to the Council since February 2000, primarily through the management of a Secretariat that provides technical, logistical, administrative, and public relations support to the Council and its members.

A2. Executive Summary

During the past quarter, April through June 2004, the Council has been gearing up for renewed activity. With the upcoming TIFA meeting and the recent Mubarak-Bush visit, both sides of the Council increased their communications and, after numerous postponements, began preparing for a joint Council meeting to be held in Washington, DC in mid-July 2004.

Last quarter, US and Egyptian members participated in a joint conference call to identify the priority issues they wish to address in their upcoming meeting. Members plan to establish working groups to focus on shared concerns like Customs Reform, IT Services and Intellectual Property Rights. To prepare for the meeting, both sides of the Council agreed to develop a joint report detailing the current status of their combined efforts, and making recommendations to both governments on priority policy reforms to be pursued.

Mona Zulficar and Rae Ann Dougherty were the Council members placed in charge of the report. They and the other Council members worked tirelessly to prepare the report in time for their July meeting. Irving Williamson and all members of the Secretariat worked closely with

the Council on this project, coordinating stakeholder contributions and ensuring that their issues were addressed in an accurate, balanced manner. To this end, Irving Williamson traveled to Egypt on May 8-12 to meet with Council members, US Embassy personnel, and USAID to obtain a deeper, more balanced view of the situation in Egypt. Mr. Williamson's trip report is attached to this document in Annex C. The final report, entitled "Annual Report 2004: Progress and Recommendations" is included as a separate document in this report.

While a US-Egypt free trade agreement figures prominently in the report, the Council also focused on policy reforms that must come about to support an agreement of that magnitude. During this quarter, it has become clearer that a US-Egypt FTA remains a low priority for the US government. As new free trade agreements are forged with other Arab nations, Egypt's position in the lineup has become relatively less competitive, and other political issues in the Middle East have taken precedence. President Mubarak's April visit to the US, for example, took place at President Bush's ranch in Crawford, Texas, instead of Washington, DC, and focused on regional political issues rather than economic concerns. Due in part to the unsettling nature of this visit and its after effects, President Mubarak declined to join in the G8 Summit in Sea Island, Georgia on June 8, 2004, cooling US-Egypt relations further.

Adding additionally uncertainty to the situation, President Mubarak announced in mid-June that he would appoint a new cabinet sometime in July. Soon after this, speculations surrounding Mubarak's health raised concerns about Egypt's stability as a nation. Fortunately, these were short-lived, and were quickly replaced by rumors about upcoming cabinet appointments. Although the cabinet had not been changed by the end of the quarter, the Council was optimistic that the new cabinet would be reform-minded and more receptive to the Council's views and recommendations.

The challenge of the Secretariat at this time is to keep the Council's momentum going amidst changing circumstances and help members focus their efforts on identifying and advocating priority policy reforms that will enhance bilateral trade and investment.

During the period under review the Secretariat performed administrative, public relations, and reporting responsibilities, such as updating the *Trade and Investment Dashboard*, and revising the FTA Roadmap to include background research material, thereby making it a more balanced and informative document. The Secretariat also facilitated communications and cooperation between members in planning a joint Council meeting, developing a joint Council report, and forging a consensus on shared policy concerns.

Section B below provides a detailed description of the tasks completed during the second quarter of 2004. Section C presents the Secretariat's work plan for the following six months, by task area, and Section D provides a short list of the deliverables scheduled for completion for the period of July – December 2004. Finally, this quarter's deliverables are presented in Annexes A through D.

B. Tasks Completed During the Reporting Period

B1. Updated Trade and Investment Dashboard

The *Trade and Investment Dashboard* is a snapshot of the critical variables, events and issues affecting Egyptian economic and trade development. This quarter, Irving Williamson, the Council's Trade and Investment Specialist, updated the *Trade and Investment Dashboard* in June 2004, in-line with its quarterly updating schedule. This document, which can be found in Annex A of this report, was distributed to all Council members, and posted on the Council's web site at www.us-egypt.org.

B2. Produced Reports and Policy Recommendations Requested by the Council

In support of the Egyptian government's signing of a Trade and Investment Framework Agreement (TIFA) with the U.S. in July 1999, the Council has become actively involved in supporting a US-Egypt FTA through a number of its activities. In particular, starting in October 2002, the Council began tracking the progress made by both governments on this front through an FTA Roadmap. The Roadmap highlights policy elements of a potential US-Egypt FTA, the current status of priority reforms and political issues affecting the status of FTA discussions, and an action agenda for the Council, i.e. areas/activities that the Council might pursue to help move the process forward. The Roadmap is updated frequently by the Secretariat, with comments and contributions made by all members of the Council. Updates are approved by members of the Council's FTA Road Map Working Group.

During the second quarter of 2004, Trade and Investment Specialist Irving Williamson solicited further feedback on the latest version of the FTA Roadmap from both the U.S. and Egyptian members. The Roadmap was most recently updated during Irving Williamson's trip to Egypt in May, in preparation for inclusion in the annual report, based on conversations with Mona Zulficar. The latest version of the Roadmap is included in the annual report.

Irving Williamson continued to respond this quarter to members' requests for research and technical advice in specific policy areas, including providing Egyptian members with information about IPR protection in the US for Egyptian films and the status of US regulation of internet phone companies. He also arranged for Egyptian film producers to consult with the Motion Picture Association of America regarding the operation of US intellectual property laws and their rights under those laws. When US members of the Council expressed interest in supporting Egypt's efforts toward customs modernization and trade facilitation, Mr. Williamson obtained information on the latest efforts of the Egyptian government, USAID and other donors aimed at reforming the national customs administration. Mr. Williamson consolidated his findings in a *background information* sheet that will be distributed to members at the joint Council meeting in July. The *background information* sheet, which usually accompanies the FTA Roadmap, is included in Annex D of this report.

Finally, Mr. Williamson worked with the Council members in developing the joint Council report. Most members contributed to the report by providing information detailing the challenges and successes their companies' have faced in conducting trade, business and investment in the US and Egypt. The Secretariat has provided additional research and input to ensure the report is an informative, accurate, and balanced document. The final copy of this

report is included as a separate document in this report.

B3. Submitted Quarterly Report on Relevant Major Economic Developments

To supplement the quarterly snapshot of Egypt's economic and trade climate provided in the *Trade and Investment Dashboard*, the Secretariat is producing a more in-depth *Quarterly Report on Economic Developments*. In June 2004, Trade and Investment Specialist Irving Williamson prepared a report for the Council highlighting major economic and trade policy developments in Egypt from April - June 2004. A copy of this report can be found in Annex B.

B4. Maintained Files/Gathered Information

As part of its ongoing responsibilities, the Secretariat maintained files on (1) major developments in the Egyptian economy; (2) US-Egypt relations; and (3) reports by market analysts for use as reference material by Council members. Communications Specialist Bethany Pinegar archived this information for placement on the Business Council web site, and when particularly relevant, forwarded copies to members.

B5. Maintained the Council's Web Site

The Council's web site (located at www.us-egypt.org) was first launched in March 2000. A central portal for objective, relevant and timely information on business, trade and investment in Egypt, it is an important resource for the Council, particularly the US members. It also serves as a valuable public relations tool, projecting a positive image of the Council and its objectives to the rest of the world, while providing timely news, economic data and other information related to doing business in Egypt. Based on WebTrends reports, the site attracted 6,089 unique visitors during the second quarter; total hits equaled 113,844. This quarter, the Secretariat worked to incorporate feedback from Council members to improve and update the site. Tanna Price and Bethany Pinegar finalized revisions to the current website suggested by Council members during the second quarter. They also made small formatting changes to make the site more user-friendly. In Egypt, Randa Mustafa worked with Jackie Ibrahim and the Council's IT Committee to develop an entirely new layout and format for the site. We expect the new format to be completed by early July, at which time it will be presented to all Council members for their review and input.

B6. Provided Logistical and Administrative Support to Council

Throughout the second quarter of 2004, Tanna Price maintained regular contact with US Council chairman Steve Farris, other members of the Council, the US Department of Commerce, staff at the Egyptian Embassy in Washington, DC, various US government representatives in Washington, DC and Cairo, and other relevant contacts. Bethany Pinegar assisted Ms. Price with these activities. Cairo-based Communications Specialist, Randa Mustafa, also regularly kept in contact with the Egyptian members of the Council, answering their queries and soliciting their feedback.

On June 26-27, Assistant Secretary William Lash of the US Department of Commerce traveled

to Egypt. At the request of the Department of Commerce, Randa Mustafa arranged a round table lunch meeting for Assistant Secretary Lash with the Egyptian Council members and several individuals from the US Embassy and USAID. The lunch meeting was designed to be an open discussion between the US government and the Egyptian private sector.

B7. Irving Williamson's Trip to Cairo

To better inform his work with the Council, Trade and Investment Specialist, Irving Williamson, stopped in Cairo on his way back to the US from Lebanon in May 2004. While there, he and Randa Mustafa met with Egyptian Council members, US Embassy personnel and USAID representatives. The meetings contributed to Mr. Williamson's overall knowledge of the economic reforms taking place in Egypt, various stakeholders' positions on those reforms, and served to inform his work on the Council's annual report.

C. Work Plan for July 2004 - December 2004/Tasks Scheduled for Completion

C1. Task I – Prepare and Disseminate Analysis and Presentation Materials

The scope of Task I is to provide information on and/or analysis of key issues affecting the bilateral trade and investment relationship between the US and Egypt, including developments related to Egypt's economic reform program, appropriate policy recommendations, and US-Egypt relations in general.

- C1a. *Update Trade and Investment Dashboard* – The *Trade and Investment Dashboard* will be updated in September and December 2004, in-line with its quarterly schedule. The *Trade and Investment Dashboard* will highlight key Egyptian economic reforms and issues, and will include appropriate policy recommendations
- C1b. *Produce Reports and Policy Recommendations Requested by the Council* – If requested by the Council or its sub-committees, the Secretariat will prepare reports and/or policy recommendations related to the Council's interests and/or activities. The Secretariat will continue working with the members to provide analysis and increase understanding of the issues relating to their trade policy concerns.

A final draft of the joint Council report will be distributed to all members at the joint Council meeting in July. This report will serve as a basis for discussion among members at the meeting, providing the background information they will need to prioritize policy concerns and decide what advocacy activities they want to undertake jointly. The report will also be distributed to all government officials with whom the Council meets during their time in Washington. Final versions of the report will include policy recommendations and be submitted to the Egyptian Ministry of Foreign Trade and the U.S. Department of Commerce. The Council co-chairs, Steve Farris and Galal El Zorba, will write a letter summarizing the report and its recommendations to President George W. Bush and President Hosni Mubarak.

- C1c. *Update the Council on USAID Activities* – In September 2004 the Secretariat will update its semi-annual report on the policy work of USAID and its contractors in Egypt. This report will be distributed to all Council members.
- C1d. *Quarterly Report on Relevant Major Economic Developments* – Irving Williamson will prepare a quarterly report in September and December - an addendum to complement the *Trade and Investment Dashboard* - which will provide more in-depth analysis of major economic developments in Egypt. If need be, this report will be supplemented with more frequent updates.

As an ongoing process, the Secretariat will maintain files on (1) major developments in the Egyptian economy; (2) US-Egypt relations; and (3) reports by market analysts.

- C1e. *Maintain the Council's Web Site* – The Secretariat will update and maintain the Council's web site to ensure that it presents a current and accurate picture of Egypt's economy and investment environment. The web site will include information on Council events, investment opportunities, resources on doing business in Egypt, useful contacts, and links to other relevant web sites.

Transition - The IT Committee on the Egyptian side of the Council has also expressed their commitment to working with the Secretariat over the next quarter to implement fundamental changes to the format and content of the website. Such collaboration is essential to ensuring the web site is sustainable for the Council long after USAID support ceases. The Secretariat plans to work with the Council to transition the website during the remainder of this year to full Council control over content and updating. The Secretariat will meet with the IT Committee in Washington during the joint Council meetings to develop a plan for transition.

C2. Task II – Provide Logistical and Administrative Support

The scope of Task II is to organize and handle all logistical, administrative, and communication aspects to support the Council's activities and objectives.

Below is a description of Task II subtasks and activities expected to be undertaken from July through December 2004.

- C2a. *Logistical Support* – The Secretariat will organize and manage logistics and other details related to Council meetings, conference calls, and events - in both Egypt and the United States. This includes making arrangements for hotel accommodations and transportation, handling meeting room requirements (including food and beverage), and assisting with agenda preparation for each event.

In early July, Randa Mustafa will travel to Washington, DC where she will work with the DC-based Secretariat members Tanna Price and Bethany Pinegar to provide administrative, logistical, and technical support for the joint Council meeting and coordinate between the two sides of the Council.

- C2b. *Prepare Summaries* – The Secretariat will prepare summaries for Council visits to Egypt and the U.S. This will include the preparation of speeches, press releases, briefing books, agendas, meeting notes/minutes and trip reports. Summaries will also be prepared for Council meetings (both internal and with government officials), conference calls, sub-committee meetings and conference calls, and any briefings by the USG representatives and agencies in Egypt, including the U.S. Ambassador to Egypt.
- C2c. *Facilitate Communications between Council Members* – The Secretariat will provide a regular contact person – Public Relations/Communications Specialist Tanna Price - to manage communications between Council members and serve as a single point of contact on Council-related matters. Randa Mustafa, the Cairo-based Communications Specialist will provide additional support in facilitating communications with the Egyptian members of the Council.

C3. Task III – Transition to a Member-Supported Organization

The scope of Task III is to determine the Council's willingness to become a self-funded organization and, if such willingness is demonstrated, to assist the Council in its transition from a donor-supported organization to a self-funded, sustainable organization with similar goals and objectives. A study conducted in June 2003 showed there was insufficient willingness on the part of the Council at that time to transition itself into a self-funded organization. The study may be provided to the Council members at the joint Council meeting in July for their discussion.

C4. Task IV – Reporting

- C4a. *Quarterly Report to USAID* – Under the direction of the Public Relations/Communications Specialist Tanna Price, Chemonics will prepare a quarterly progress report detailing the activities of the contractor and the Council to USAID. This report will be submitted to the USAID Technical Officer, Mr. Gary Robbins and USAID Contracting Officer, Mr. Roy Plucknett, in Egypt.

Following the official joint Council meeting to be held in mid-July 2004, the Secretariat will report to USAID on the outcome of that meeting, and the activities and initiatives the Council has decided to pursue. Based on that report, and with input from the Mission, we will develop a work plan of support to the US-Egypt Business Council that extends to the current end-date of the project, December 2004.

- C4b. *Quarterly Report to the General Business Trade and Investment (GBTI) Umbrella Contract* – Under the direction of the Public Relations/Communications Specialist, Chemonics will prepare quarterly reports detailing this task order's activities.
- C4c. *Work Planning* – Subsequent work plans covering three- and six-month periods will be prepared by the Secretariat with input from the Council co-chairs, Mr. Steve Farris and Mr. Galal El Zorba. Copies of the work plan will be distributed to USAID Technical Officer, Mr. Gary Robbins, in Egypt; the US Council Chairman, Mr. Steve Farris; the Egyptian Ministry of Foreign Trade; the US Department of Commerce; and the

International Cooperation Sector.

D. Deliverables for Period: July – December 2004

Deliverable	Estimated Completion Date
Quarterly Report to USAID	October 2004 (for period July-September), January 2005 (for period October-December)
Trade and Investment Dashboard	September 2004 and December 2004
Quarterly Report on Relevant Major Economic Developments	September 2004 and December 2004
Report on USAID activities in Egypt	September 2004
Reports and Policy Recommendations	As requested
Joint Council meeting materials	August 2004
Information files	Ongoing
Council web site maintenance	Ongoing
Logistical support	Ongoing
Summaries of meetings, conference calls, and events	Ongoing

E. Deliverables Submitted for Period April - June 2004

1. Annex A: Trade and Investment Dashboard – June 2004
2. Annex B: Report on Economic and Trade Policy Developments – June 2004
3. Annex C: Irving Williamson’s Trip Report – May 2004
4. Annex D: Background Information Sheet
5. Separate: US-Egypt Business Council Annual Report 2004: Progress and Recommendations; with FTA Roadmap

B. Ukraine Land Titling Initiative (ULTI), TO #811

Start Date: June 22, 2001

Completion Date: September 20, 2005

Amount of Delivery Order: \$17,299,936

I. PROGRESS ON OVERALL OBJECTIVES

On May 26, Derzhkomzem issued written order #155 signed by Anatoly Danylenko directing that the cadaster centers subordinated to Dershkomzem shall not collect 18 UAH for initial registration of land parcels from citizens that wish to get their State Act to agricultural land in village radas receiving support from ULTI. Following issuance of this order, ULTI directed all subcontractors to deliver all printed SAs as soon as possible for sign off, registration and issuance to test subordinate officials’ compliance with the order. At the same time, ULTI also

issued revised progress reports this month to head of state administration of each oblast and raion. The reports show total numbers of SAs awaiting registration, length of time in each village rada where Dershkomzem has delayed work and provides each head of administration a copy of order #155 as a basis to enforce timely SA issuance. ULTI is now monitoring distribution and compliance with this order.

To date results are mixed and inconclusive as to whether DKZ will actually comply with order 155 or not.. Quantities of issuance of SAs in June returned to average levels with about 24,000 SAs issued in June, up 15,000 from May. However, in several oblasts with large numbers of State Acts in process (Lviv, Rivne, Chernivtsi, Ternopil, Chernigi and Zhitomir), ULTI received numerous reports that Momotenko, Danylenko's deputy head of cadaster centers, called local officials and told them to continue collecting the 18 UAH fees. Further, more than half of oblasts now report shortages of blank forms for issuance of State Acts. To counteract such phone calls, ULTI distributed the written order to all survey subcontractors and through them to all DKZ local officials while encouraging local officials by direct phone contact to comply with written orders rather than with unwritten instructions.

In the meantime, the working group with Dershkomzem was re-started June 25. At this first meeting Min Fin representative refused additional budget support to DKZ for registration costs and for blank SA forms. DKZ then requested that ULTI cancel issuance of State Acts in some areas and in stead re-direct this unused funding to DKZ to pay for blank forms and registration fees. ULTI advised DKZ that all subcontract funds are committed for SAs, that no USAID funding is available for subsidy of DKZ operations then instead advised that the June 15 approval by the Verhovna Rada of the WB cadastral loan enables direct finance and payment by Dershkomzem for all necessary SA blank form and registration costs. At this same meeting, ULTI also proposed a three party cooperation agreement among GOU, WB cadastral Project and USAID ULTI project for coordination of support to property and mortgage market development. This proposal has now been submitted in writing by ULTI to both Deputy Prime Minister Kirilenko and World Bank Mission Director Barbone for response and action. Copy of the ULTI proposal letters are attached.

For more information on problems in other oblasts caused by the demands for payment of registration fees, see Section III Significant Accomplishments, Problems, and Other Issues.

Generally, progress in the five areas of the project's work for the month is described below.

Agricultural Land Titling

Preparation of State Acts

To date, ULTI has assisted with the issuance of 769,000 State Acts for agricultural land (approximately 24,000 in this month). The team has verified that these State Acts are issued and in the hands of land share holders. The team has also verified that approximately 298,000 State Acts have passed Stage 2 of our contracting phase, meaning that these State Acts could be issued to land share holders in the near future.

Despite increased ULTI subcontractor production and state administration pressure for issuance of SAs, Dershkomzem delays supplying blank SA forms, performs registrations of printed SAs too slowly, and so far inconsistently complies with its own signed written order canceling the 18 UAH fee. These actors have combined to hold issuance of State Acts down to average levels in June. But with growing subcontractor production and delivery of printed SAs backed by direct ULTI reporting of DKZ delays to supportive heads of oblast and raion state administration during election season, we anticipate the volume of issuance of SAs will rise above average levels in July.

Please see Progress Chart in Figure 1 for graphic display of ALT work in progress.

Contracting for Land Titling Work

Land surveys and preparation of State Acts continue under 108 contracts covering approximately about 496,000 land shares. Approximately 1.5 State Acts are expected to be issued per land share. In June 2004, the project signed several more “clean up” contracts for the preparation of State Acts. Several more clean up contracts remain to be signed following proper follow-up reports and preparatory work.

Note: Under the current limits of ULTI level of funding and completion date, all ALT current and new, clean-up contract work must be completed by both state authorities and land survey firms through the printing of State Acts in Stage 3 by October 31, 2004 or be subject to termination.

Collaboration with ULRMC on Purchase and Use of Satellite Imagery

The cooperative effort between the ULTI and ULRMC projects since ULTI signed a cooperation agreement on October 9, 2003 has proven to be too and unproductive. The main issue is that the terms of reference for funding of ULRMC under a separate, non-ULTI managed grant do not require time and deliverable performance in keeping with ULTI time and deliverable obligations. The imagery ordered by ULRMC for all six oblasts has now been legally imported into the country. Unfortunately, ULRMC has still not yet purchased the hardware necessary to process the imagery and prepare the base maps for use by ULTI land survey firms on a large scale. This delay makes the imagery less useful than it otherwise would be for verification and planning purposes. Fortunately, with extensive assistance by ULTI’s technical team, ULRMC prepared an entire preliminary base map of Zhytomyr oblast that is now being used by subcontractors to detect and correct problems. Since ULRMC has failed to provide timely delivery of processed image data while State Act production is in process, raw data is now provided directly by ULTI personnel to some survey firms in four of the five remaining oblasts to help catch errors before State Acts are printed. The ALT team is attempting to transfer the raw data to some survey firms in the sixth oblast this month. In any extension of ALT work, this unproductive cooperation should be replaced with a direct subcontract under ULTI management to ensure timely delivery of data to surveyors for quality control.

World Bank on Agricultural Land Titling Project

The World Bank Rural Land Titling and Registration Project and Loan Agreement were repeatedly scheduled to be voted on a second time in the Verkhovna Rada throughout May and June. After numerous delays, on June 15 the law enabling the loan was finally approved and the law has since been signed by the president. On the last VR session day in June, the VR also finally passed the registration law required to accompany and underpin the WB cadastral loan but this law is not yet signed by the president and it remains unclear if this new registration law complies with WB funding conditions.

A WB Mission is expected in Ukraine the week of July 19 to review the contents of the new registration law as well as the scope of work for the cadastral loan which is now 2 years out of date. Despite Dershkomzem claims, it remains unclear when or for what scope of work the Loan Agreement can actually be implemented in the future and whether the necessary GOU organizational and implementation arrangements can be realized for implementation in 2005 following the elections. This fact raises the need for USAID support for a continuation of land titling work in the near future. The project team believes that USAID should seriously consider funding additional agricultural land titling work in Ukraine in the near future, expansion of support to GOU working groups overseeing policy, institutions and implementation of property and mortgage market development in Ukraine as well as expansion of support to all eligible agricultural land titling recipients through opening of legal aid centers in all oblasts.

Quality Control Efforts

The project is working actively in Zhytomyr oblast to ensure quality land titling work through its new quality control center. The preliminary base map of the oblast prepared by ULRMC has helped in conducting good quality control and identifying errors that need correction. The QC center employees have begun conducting verification of survey work and identification of errors on their own and reporting on gross errors to the project.

Given past reports that Derzhkomzem plans to attack the project using quality of the work of our survey firms as the basis, a summary of the quality control program encompassing both legal and technical performance monitoring has been undertaken by the ULTI ALT and legal teams. The quality control program has been part implemented through multiple state and ALT team controls over work in progress at each stage of production as well as by direct supply of satellite imagery to surveyors through the ALT team and direct training and supply of legal written materials and commentaries to raion and village rada officials for conduct of the land titling process through legal aid centers.

In July, the project will complete preparation of a summary document for presentation of its program to ensure that its survey and titling work is of high quality.

Non-agricultural Land Titling

Issuance of State Acts

As of the end of May 2004, (the last full month of statistics available at the time of this report) 12,691 State Acts (94% of the total project goal) were issued as a direct result of the project's

activities, with 348 State Acts issued in the month (70% percent of the monthly goal). The total value of land parcels for which State Acts were issued this month is UAH 8.7 million.

Please note that as a result of verification of the issuance of State Acts in Mykolaiv oblast, ULTI found that 230 State Acts claimed to have been issued, in fact have not yet been issued. The regional coordinator in Mykolaiv disclosed the problem to us after noticing inconsistencies in documents submitted by some of his subcontractors. As a result, the project (with full cooperation of the regional coordinator) undertook a full scale investigation of the matter and discovered that the issuance of some State Acts was falsified. Other State Acts had not yet been issued (making the transaction ineligible for a commission payment at this time), even though a privatization sale had occurred. After deliberations on the matter, the project management has decided to proceed as follows:

1. Subtract the 230 State Acts improperly reported to have been issued in Mykolaiv from its total.
2. Allow the regional coordinator to continue fulfilling his responsibilities under the project, but not to pay for State Acts issued in the future until the debt from the 230 improperly reported State Acts is repaid in full.
3. After repayment of the outstanding debt by the Mykolaiv regional coordinator, the project will resume the payment of commissions for issued State Acts.

The project management team made such a decision for two reasons. First, the regional coordinator brought this matter to management’s attention, even though he could have hidden the matter for an additional time. Second, the regional coordinator has cooperated fully in the investigation and wants very much to continue working with the project and receiving legal and promotional support from the project. We believe that his actions were in good faith, and the he was not involved in the falsification of documents, but rather was deceived by his own subcontractors.

This month, six (6) regional coordinators reached 100 percent or more of their monthly targets and ten (10) regional coordinators failed to reach even 50 percent of their monthly target for issued State Acts. Table 1 gives complete data on the number of sales, number of State Acts issued, and revenue generated from land sales by the project team since it began working in July 2001. Fifty six (56) of the State Acts issued in the last month were for “secondary sales” of non-agricultural land. There is a total of 1,439 “secondary sales” on which State Acts are issued as of this month.

It is worthwhile to note that ULTI regional coordinators continue to work on the issuance of State Acts for another 2,101 land sales (as shown in the table below). This is a relatively stable number from month to month, meaning that in addition to the issuance of State Acts, the team is managing a large number of land sales through the pipeline.

Table 1: Non-agricultural Land Privatization Statistics since August 2001

Number of land privatization sales		Revenue generated from issuance of	Total Number of State Acts issued with	Number of State Acts yet to be issued		
Completed before	Completed since August 1, 2001			On sales completed	On sales completed	Total sales

August 1, 2001	Installment Sales	Total No. of Sales	State Acts (in UAH)	project assistance	before August 1, 2001	after August 1, 2001	
3,865	2,266	11,802	339,432,560	12,691	429	1,672	2,101

Measures to Accelerate the Issuance of State Acts

The team has adopted a number of actions to accelerate the issuance of State Acts to non-agricultural land. The team continues to use the installment contract under which the State Act is issued once the land purchaser makes the initial payment. The project's model installment contract is being used widely in some fourteen oblasts (Chernigiv, Ivano Frankivsk, Kiev, Rivne, Vinnitsa, Volyn, Zakarpattya, Zhytomyr, Cherkassy, Kharkiv, Kherson, Khmel'nitsky, Poltava, and Sumy).

The team continues to promote land auctions nationally and helped organize land auctions in four oblasts this month:

- Ivano-Frankivsk oblast – Kalush city (5 parcels sold)
- Rivne oblast – Rivne city (2 parcels sold)
- Chernivtsy oblast – Chernivtsy city (2 parcels sold)
- Lviv oblast – Sambir city (1 parcel sold)

The project is also assisting with the ongoing planning and organization of auctions in ten oblasts (Dnipropetrovsk, Ivano-Frankivsk, Poltava, Rivne Cherkasy, Kharkiv, Lviv, Ternopil, Volyn and Zaporizhzhya).

Site Visits to Regional Offices

The NALT team conducted site visits to two oblasts in May 2004. These included the following:

Ivano Frankivsk (06/15/04)

The main purpose of the trip was to recruit a new regional coordinator for Ivano-Frankivsk oblast.

Mr.Zabolitny, director of a private land appraisal company was recruited as a new regional coordinator for Ivano-Frankivsk oblast (Mr.Pishchak, who worked as a regional coordinator before, was recently assigned for the position of Head of Ivano-Frankivsk Municipal Department for land resources).

The NALT Manager held the meeting with Ivano-Frankivsk Deputy Mayor and informed him on the results of NALT team's activity. The Deputy Mayor requested the project to assist municipal rada in organization of informational seminar on non-agricultural land sales procedure for rada's deputies and officials. The Deputy Mayor also took interest in conducting training on land auctions for rada's officials, since the rada is going to start preparation for first land sales through the auction. The seminars are initially planned for August / September.

Zhitomyr oblast (06/25
/04)

The main purpose of the trip to Zhitomyr City was to subcontract additional NALT representative in Zhitomyr oblast, who would be responsible for Project's activity in Zhitomyr City. The Head of Municipal Department for Land Resources provided the NALT Manager with detailed information on the results of land sales in Zhitomyr City and non-agricultural land parcels, which should be privatized in the nearest future. The possible ways of increasing number of land sales were also discussed at the meeting. As a result of the meeting, the agreement was realized. The NALT Manager informed the Head of Municipal Department for Land Resources that the final decision on candidate for the position of regional coordinator would be made by July 10, 2004.

The main purpose of the trip to Novograd-Volynsky City was to assist local state administration in conducting land sales. The NALT Manager held the meeting with the Head of Raion State Administration, his deputy and Head of Raion Department for Land Resources.

At the meeting the following topics were discussed:

- Status of land privatization process in Novograd-Volynsky raion
- Perspectives of land sales through land tender
- Legal problems related to non-agricultural land privatization

The government officials took a special interest in organization of land tender and requested the project to provide a set of corresponding materials. The agreement was reached that the NALT team would provide the raion administration with practical assistance on organization of land tender, if the administration initiates such process.

Legal and Regulatory Work

Draft Legislation, Comments, and Position Papers

The current status of draft laws important to the project is as follows:

1. Draft Law on Protection of Constitutional Rights of Land Share Holders – the team drafted this law, which protects the rights of land share holders to receive State Acts without the payment of unnecessary fees for initial registration, based upon a request from MP Tkach. The request came after Mr. Tkach made a sight visit to Chernigiv where he heard first hand how Derzhkomzem was attempting to profit at the expense of poor land share holders by extracting fees for initial registration of their State Acts. Mr. Tkach has now registered the draft as an official draft law for the Rada to consider in the near future. Mr. Tkach has assured the project that he will push for enactment of this law at the earliest possible time.

The Team then met again with VR Deputies R. Tkach and V. Leshchenko (Members of VR Agrarian Committee) to discuss issues related to: 1) Actions Necessary for Adoption of the Draft Law on Protection of Constitutional Rights of Villagers to Land by Verkhovna Rada; 2) Proposals to the Draft Law on State Registration of Real Property. The Deputies initiated the Discussion of the Draft Law on Protection of Constitutional Rights of Villagers to Land by VR Ag Committee. On the 24-th of May, 2004 the Ag Committee discussed the Draft Law and recommended it to be adopted by VR. This draft law was repeatedly scheduled for debate and vote in June but no vote was taken this session.

2. Draft Law on Land Market – the project’s attorney met with the agricultural committee to discuss the draft and prepared comments for review by the committee. Passed first reading.
3. Draft Law on Land Survey – Passed and signed by president at end of May. The final version of this law is under review but initial view is the effect of law is general transfer of land use planning issues under authority DKZ as one kind of surveying and does not pose immediate issues for the project.
4. Draft Law on Amendments to the Land Code. – Extension of Moratorium on ag land sales passed VR but vetoed by president. This law is expected to be reconsidered for veto override by VR in fall session before current expiration of moratorium in January 2005
5. Draft Law on State Survey Expertise. This law passed and signed by president. It establishes mandatory conditions and fees for expertise for NALT land but our reading is that it does not change expertise conditions or fees for ALT lands.
6. Draft Law on Delimitation of Land into State and Communal Ownership – The President vetoed the version of the law that was passed by the Verkhovna Rada last year (based on objections from Derzhkomzem). ULTI assisted the forces that mobilized an attempt to pass the law again, possibly in a slightly altered version, but with essentially the same content as the original version that passed. This law was passed again and signed by the president in July. But the revised law as passed contains a potentially bad provision which appears to require that a communal rada must receive a State Act for land prior to transfer of land to a third party in a privatization transaction. ULTI will prepare a detailed commentary with proposal of amendments needed to protect the current privatization process.
7. Draft Law on Taking of Privately Owned Land for Public Purposes – Sent for another second reading but not adopted by VR.
8. Draft Law on State Control Over the Use and Protection of Land – Passed June 2003, is potential problem depending when and how implemented. Established land use inspection service under DKZ which has no right to deprive ownership right but which does have right to inspect land parcels and to initiate court process to deprive ownership right in the event of report of violations of conditions. So far no implementation or known court cases to date.
9. Draft Law on Lease of Land – Our team prepared a commentary on the new law with a set of proposed amendments that, if adopted, could remedy many of the problems now present in the law. ULTI will prepare a proposed amendment to this law for consideration in the fall session during next Rolfes consultancy trip in September.
10. Draft Law on Registration of Real Property – This law was passed on July first on the next to last day of this session in response to intense pressure from DKZ and WB but to date the law is not signed by the president. In general the law as passed is an improvement over the prior draft but still contains major defects. For example it completely lacks transition provisions, it does not protect recipients of State Acts issued before enactment of this law and it vests too much discretionary power in head of DKZ, in itself reportedly contrary to WB cadastral loan

funding conditions. Therefore, it is not clear that the passed law complies with WB conditions for funding and implementing the cadastral loan even if passed and signed. It is also not clear that the presidential administration will sign this law without corrections due to the above issues as well as a result of strong opposition from local power bodies and certain other GOU ministries. A WB Mission is expected in Ukraine the week of July 19 to review this law and the terms of reference for implementing the cadastral loan but it is also not clear that even the WB now supports enactment of this law without major revisions.

11. Draft Law on State Land Cadastre – it is not clear when the Rada will consider the existing draft of this law. Originally, the draft law was to be considered as a package with the Law on Registration of Real Property. At this time, the two draft laws no longer appear to be linked.
12. Draft Law on Ratification of the World Bank Loan for Rural Land Titling – The Law was passed and signed by the president but the law is not yet effective because it is not yet published. Further, it is unclear when or if this law can actually be implemented because the implementing organization, procedures, an update of an out of date two year old scope work and other preconditions to implementation are neither in place nor approved by Cabinet of Ministers despite Dershkomzem claims. A WB Mission is expected in Ukraine the week of July 19 to review the terms of reference for implementing this law as well as to review the accompanying registration law required for this project to be fully funded and implemented. At this time disbursement of funding for implementation appears unlikely until after the fall elections and into 2005.

Legal Opinions, Position Papers, Letters and Policy Meetings

34 GOU policy meetings, position papers, seminars, broadcasts and other public information presentations and events throughout Ukraine.

USAID – GOU Working Group to Address Land Titling Issues

Derzhkomzem petitioned the Cabinet of Ministers April 20 that GOU form a working group to require ULTI to reduce financial support for issuance of State Acts and instead allocate ULTI funds to pay state registration fees. Ministry of Economy then rejected the Dershkomzem proposal. At the end of May, Cabinet of Ministers directed Dershkomzem to organize an interministerial working group consisting of Finance, Justice, Agrarian Policy and Economy to resolve the unsettled issues of land privatization and registration. On June 3, our team prepared and submitted five major policy goals to implement land, building and mortgage market development together with the National Bank and the inter-ministerial working group based on completion of land privatization through free of charge First Registration of ownership rights to land and buildings. On June 25, the first working group meeting was held at Dershkomzem. July 9 ULTI proposal for a three party cooperation agreement among GOU, WB and USAID with respect to scope and participants in the working group is now pending.

Environmental Issues

USAID approved five of the six tasks in the ULTI proposed IEE Implementation Plan submitted

to USAID in April 2002. One task is still under debate by USAID. The project has completed four of the five approved tasks. The last task is to organize a public hearing or a seminar to get comments on the environmental information it distributes to the general public.

A. Other Project Management Issues

- Completed review of field accounting and training of chief field office accountant;
- Updated and completed 61 employee agreements in keeping with current legislation;
- Updated and completed 35 NALT land titling subcontracts to continue this component of task order through November 2004;
- Updated and completed 23 Zhitomir oblast cooperation agreements at the raion level in order to continue ULTI support for all as unfinished and recently added ALT land titling subcontracts through October 31, 2004;
- Commenced review for updating and extension through October 31, 2004 of all 108 ALT subcontract that are still in production and need additional time for completion of work.

Program for Legal Aid to Landowners

General accomplishments and fulfilling the plan for June

1. A monthly meeting of LAC coordinators was held on June 4, 2004.

Outcome:

To improve effectiveness of Centers and to make lessons sharing among Project lawyers more comfortable, it was decided to make an internal web site (not for public use) with all the formats of documents designed by lawyers. All lawyers of the Project, including the central office, will have access to this site.

By now all the formats developed by 11 LACs have been collected to identify the best.

2. Kherson LAC was checked on June 23-24.

No remarks to organization and quality of the Center work.

Analysis of written appeals received by the Center shows the Project's web site is getting more and more popular. Thus, the lawyer received an e-mail with request for consultation and advice on collection of delayed rental payments. Consultation brought results, the applicant wrote back later.

It is worth noting that top oblast officials recognize professional skills of Kherson LAC lawyers. Thus, during the reported month the Center received a written appeal from oblast state administration head Yurchenko with suggestion for the Center lawyers to take part in resolution of the dispute in Tavriyska village rada of Hola Prystan raion. This shows that top officials consider the work of the Center effective.

3. Establishment of Poltava LAC was underway during the reported way:
- Finished the first stage of staff recruiting. Overall 25 resumes were received, 13 of which will pass to the second stage – interview. Those short-listed will write a test.
 - Developed a plan of work for Poltava LAC.

Expected results from August 9 to November 30, 2004.:

1. Official opening of the Center.

2. Regular activity of the Center:

- Legal assistance in oral consultations to new landowners – permanently;
- Written consultations on questions from landowners' letters for AGRONOVYNY program – permanently;
- Legal assistance to new landowners in resolution of disputes on infringement of land rights – permanently;
- Explanatory and informative activity – educational seminars for rural landowners in village radas (10 raions, 42 village radas);
- Monitoring of printed media - permanently.

3. Fill the legal and agro-economic content of the Project's web site (beginning with October – week 10):

- Prepare 5 answers to 5 legal questions on landowners' rights every month (by the 27th);
- Prepare 1 analytical article on legal and agro-economic issues (if the specialist works for the Center) every three months (by the 27th);
- Systematic preparation of footage on practical activity of LACs; systematic selection of local normative acts on regulation of land relations;
- Write stories on success of new landowners on their own land – permanently;
- Collect and process agricultural statistical data in the oblasts covered by LACs - permanently.

Attention: there can be light amendments to the plan.

- Developed a program of a two-day training for employees of Poltava LAC.

During the first day:

- New employees of Poltava LAC will be introduced to the work of the Project components;
- Employees will be introduced to the goal, objectives and forms of LAC activity, rules of office administration and rules of field meetings with rural new landowners;
- The question of reporting will be considered;
- Discussion of a work plan for the first 18 weeks;
- Discussion of possible forms of cooperation with local authorities and local governing bodies.

The second day will be dedicated to a legal training.

4. Two round tables were conducted in Chernihiv oblast.

- *The first round table was held on the basis of the main department of land resources of the oblast.*

The objective was to identify real terms for execution of works on the issuance of State Acts in Chernihiv oblast and signing of schedules of execution of works by land survey organizations, heads of raion departments of land resources and heads of raion administrations.

As a result, the Project (ALT) received schedules for execution of works by all survey organizations working on the territory of Chernihiv oblast.

- *The second round table was held on the basis of Novhorod-Siversky raion state administration.*

On June 11, 2004 Novhorod-Siversky hosted a round table on organization, methodology, technical and legal provision of the issuance of State Acts to land, which gathered heads of local governing bodies, the deputy head of the raion state administration and the head of the raion department of land resources. The meeting also discussed other issues that are important for timely and quality executions of works on exchange of land certificates for State Acts to land. A representative of the land survey organization that is the direct executor of works on the territory of this raion. About 25 officials took part in the round table.

5. Conducted clustered seminars for heads of village radas of Zhytomyr oblast. As part of implementation of a five-side agreement on cooperation in preparation and issuance of State Acts and on agreement with Zhytomyr oblast state administration Zhytomyr LAC together with the main department of land resources conducted inter-raion seminars "Legal and Technical Aspects of the Procedure for Allocation of Land Parcels to Land Share Certificate Holders in Kind."

The seminars were attended by LAP Manager Olga Bogatyrchuk, first deputy head of the main department of land resources in Zhytomyr oblast Petro Petrovych Polischuk, Zhytomyr LAC coordinator Svitlana Bekmaniuk, head of Ternopil regional team Olga Halych. Heads of raion state administrations and raion councils, heads and specialists of raion departments of land resources, lawyers of raion state administrations, heads of land survey organizations, heads of village and municipal councils, heads of agricultural enterprises.

<i>Date</i>	<i>Location</i>	<u>Raion</u>	<i>Number of radas</i>
16.06.2004	Novohrad-Volynska raion state administration	Novohrad-Volynsky raion	39
Total:		1	39
16.06.2004	Chervonoarmiyska raion state administration	Chervonoarmiysky raion	15
		Volodarsko-Volynsky raion	15
		Yemilchynsky raion	25
Total:		4	55
Total as of 16.06.04		5	94
17.06.2004	Radomyshl raion state administration	Radomyshlsky raion	16
		Korostyshivsky raion	16
		Brusylivsky raion	8
Total:		3	40

17.06.2004	Zhytomyr main department of land resources	Zhytomyrsky raion	23
		Cherniakhivsky	15
Total:		2	38
Total as of 17.06.04		5	78
18.06.2004p.	Romanivska raion state administration	Romanivsky raion	9
		Liubarsky raion	11
		Baranivsky raion	17
Total:		3	37
18.06.2004	Berdychivska raion state administration	Berdychivsky raion	6
		Popilnyansky raion	6
		Ruzhynsky raion	10
		Chudnivsky raion	15
Total:		4	37
Total as of 18.06.04		7	74
22.06.2004p.	Narodytska raion state administration	Narodytsky raion	10
		Malynsky raion	20
		Korostensky raion	23
		Ovrutsky raion	8
Total:		4	61
22.06.2004p.	Olevska raion state administration	Olevsky raion	16
		Luhansky raion	7
Total:		2	23
Total as of 22.06.04		6	84
TOTAL:		23	330

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6. Developed the list of annexes to the comments written by the Project's Legal Advisor Pavlo Kulinich

Distribution of the comments together with typical formats will let readers not only have right understanding of the Law of Ukraine " On the Procedure for Allocation of Land Parcels to Land Share Certificate Holders in Kind," but also carry this intricate process of adoption of thoroughly checked documents and in full compliance with the current legislation.

7. LAC cooperation with various institutions

- Vinnitsia LAC:

On invitation of the deputy head of the oblast rada the Center's lawyers took part in the training for village rada heads of Illinetsky, Orativsky, Tyvrivsky, Khmilnytsky, Tulchynsky raions, which was held in the oblast rada of public deputies. They explained the norm of the Law of Ukraine "On the Fixed Agricultural Tax," "On Payments for Land," "On Individual's Income Tax," "On Land Lease," "On Procedure for Allocation of Land Parcels in Kind." Provided handouts, explained the reasons for creation of "Legal Corner" in every village rada, showed a sample of such corner (display). Left the questionnaires to identify the most acute for villagers questions in order to use them later during preparation of seminars for these radas. The seminar was attended by oblast rada head Y.I. Ivanov. We were invited to take part in oblast-level trainings for village rada heads every tour, approximately once a month.

- Chernihiv LAC:

On June 15-18 the LAC conducted a training for law students of Chernihiv State Institute for Economy and Management who agreed to volunteer for the Center and work with it within the Agreement on Cooperation signed on April 26, 2004 by the ULTI and the Law Faculty of the CSIEM. Now volunteers are doing their job to inform oblast residents on the LAC and its services

offered to rural population.

- Chernivtsi LAC:

Met with officials of raion executive bodies of Putilska raion state administration in order to inform the department of land resources, the agrarian department on the Legal Aid Center and to receive information on the issuance of State Acts to certificate holders, lease of land parcels and about non-governmental agricultural enterprises in the raion. During the meeting representatives of the department of land resources said there is urgent need for financing of preparation of State Acts.

- Sumy LAC:

In April the Center prepared and sent letters to set cooperation with heads of raion state administration of the oblast and heads of village radas.

Feedback is coming also this month. For example, thanks to cooperation of head of the raion department of land resources of Burynsky raion V.I. Gerasymenko seminars were organized and conducted in Voskresinska, Uspenska, Voznesenska, Chernechoslobidska village radas.

- Kherson LAC:

Conducted several meetings with heads of the oblast prosecution office (oblast prosecutor, senior prosecutor of the department for presentation of citizens' interests in Kherson oblast) and judges of courts of appeal (deputy head of the court, judges). Discussed cooperation and TV coverage of interesting cases considered by the court of appeal, particularly of those where the case was presented by Center employees and prosecution.

8. Cooperation with mass media

- Zhytomyr LAC:

Recorded four radio programs "Hour of Owner" at the oblast raion on "Answers to citizens' most actual questions: lease, distribution of land parcels among owners of land shares."

- Chernihiv LAC:

Recorded four pieces of informational and analytical materials that were aired on the radio during the reported period: "Taxation of income form rental payments, economic activity," "How to protect your rights during the lease of land," "Legal consequences of the use of land without signing a lease contract," "Legal consequences of non-return of a land parcel after the lease contract expires."

The Center sent informational and analytical materials (articles) to printed mass media of all raions of the oblast: "How to protect your rights during the lease of land," "Legal consequences of the use of land without signing a lease contract."

- Ternopil LAC:

1) In June LAC employees took part in organization and conduct of a TV program on the land reform in Ternopil oblast. The program covered three various problems in titling of land transferred into collective ownership of the collective agricultural enterprise, delay in the preparation of State Acts and failure to pay rentals for land and property shares. For this the journalists of Silsky Chas (Village Time) TV program shot stories about the villagers whose rights were violated. Later these stories were the topic for discussion in the oblast state administration with participation of oblast and raion administrations, representatives of the oblast and raion departments of land resources, heads of village radas, heads of agricultural enterprises. The TV program was aiming at resolution of specific problems of the land reform in this oblast, which may be used as paragon for actions in similar cases. The program was aired on June 27. Its effectiveness is confirmed by the fact that it helped reach an agreement on resolution of the problem with titling of lands of the collective agricultural enterprise Zolota Nyva (the village of Shulhanivka, Chortkivsky raion) that has been lasting since 1998. And only now it was possible to find a compromise solution that meets legal requirements and does not infringe on share holders' right to receive a land parcel to the size mentioned in certificates (a part of wrongly titled lands was transferred into disposal of the neighboring village rada, and in order not to lower the size of a land share it was decided to title some reserve lands in addition).

2) Launched a program on Ternopil regional television, during which lawyers will give answers on questions related to the land reform. This 40-minute program is planned to be aired once a month on Sunday. The first is due July 18. The subject for discussion is "Inheritance of land parcel or land share."

- Kharkiv LAC:

Recorded four radio programs Zemlya (Land), during which landowners who sent questions to the program were given answers.

- Lviv LAC:

1) The Center took part in an information fair held in Zhydachiv.

There it disseminated information on the LAC, its goal, objectives and principles of activity. Identified the ways of cooperation with heads of village radas of Zolochivsky raion in conduct of seminars for villagers.

Directly during the seminar two villagers were consulted regarding the inheritance of land share and allocation of it in kind.

2) Recorded two radio programs – answers to letters of rural landowners.

- Kherson LAC:

Employees of the Center prepared materials and shot three programs Vlasna Zemlya (Own Land) at the oblast television. By subjects these programs were devoted to unpaid rental payments and its collection through court, answers to broader questions asked by visitors of the Center, review of the situation in Verkhniy Rohachyk – the use of land according to the unregistered contract.

Problems faced by LAC in their work

- Kharkiv LAC:

Establishment of the Legal Aid Center in Kharkiv oblast was difficult from the start. All officials of the oblast, including the head of the oblast state administration, the head of the main oblast department of land resources, opposed its opening.

It was possible to open the Center this April only thanks to the persistent work of managers from the central office and assistance of the USAID.

Starting the work here, we understood how difficult the process will be, but we were pleased with the thought that landowners of Kharkiv oblast would be able to receive reliable information on their rights and have practical legal assistance. Reports of Kharkiv LAC speak for themselves – the LAC assistance is badly needed.

Even today LAC employees face serious obstacles to their work. For example, in Vovchansky raion the head of the raion state administration resolutely banned heads of village radas from informing people about arrival of LAC lawyers. In the same raion after a call from the head of the raion state administration about 250 people who came to hear lawyers were forcedly dismissed.

Legal Aid Program Results

The cumulative results of activity of the legal aid program are shown in Table 2.

Table 2: Legal Aid Center Complaints and Resolutions by oblast (since Feb. 2003)

Oblast	Number of complaints received	Number of people served by center as a result of complaints	Complaints in process of resolution	Complaints resolved positively			Complaints that center cannot resolve **
				in court	by negotiation	no. of people served	
Chernigiv	319	3,950	2		311	2,018	6
Kherson	257	6,300	7	5	244	3422	4
Ternopil	264	401	6		251	1653	6
Vinnitsa	335	13,198	15		319	9662	1
Rivne	326	1,611	6	8	320	1227	
Zhytomyr	336	1,663	20		315	1399	1
Chernivtsi	96	451	5		90	256	
Lviv	150	269	24		117	174	1
Sumy	125	1,633	1		124	1629	
Odessa	49	66	29		20	49	
Kharkiv	148	397	51		96	103	
Total	2,405	29,939	166	13	2,207	21,592	19

** These are cases in which the Legal Aid Center has reviewed all documents and has determined that the individual with the complaint does not have legal grounds to pursue a cause of action.

While the centers focus their activities and consultations on land related issues, the staff also tracks the non-land related issues about which citizens often complain. The most prevalent non-land complaints deal with property shares and the failure of citizens to get proper allocation of

those shares, and the use of a person's household plot.

Public Education and Outreach

Activities this Month

1. On June 1-2 Kochubynska, Pischyk and Drum took part at the assembly of LAC lawyers, where on June 2 Kochubynska presented the PE&OU activities
2. On June 15 the PE&OU team organized the titling ceremony in the Village of Dubolugivka, Nizinskiy rayon Raion of Zhytomyr Oblast, in the course of which 490 State Acts funded by ULTI were issued to rural citizens. USAID Washington office representative Vann Rolson, ULTI Chief of Party Allan Slipher, Head of Nizin Department of Land Resources, other ULTI representatives and local officials participated in the ceremony. Kochubynska and Suchenko took part at the ceremony.
3. The PE&OU team jointly with LAC team and Zitomir Oblast Department of Land Resources organized 8 seminars for the heads of village radas, raion state administrations, raion lawyers, directors of the agricultural enterprises and ULTI contractors – survey companies in Zitomir oblast from June 16 until June 22. Two seminars per day were planned. On June 16 Kochubynska took part at the seminar.
4. On June 16 Kochubynska organized the visit of the National radio and TV journalists (AGRONOVINI and SILSKIY CHAS) to the titling ceremony in Radomyshe raion Zitomir oblast village Mala Gorbasha. Allan Slipher, Mickailo Cheremshynskiy, Olena Kochubynska took part at the ceremony.
5. The PE Manager organized the inquiry about the results of the previous ULTI Legal TV-forum organized in Kherson Oblast aired on May 30. According to the information received by ULTI, after the program:
 - 172 villagers of Konstantynivka Village of Velykolepetynskiy Raion (failure to pay the lease and re-formalize the lease contract under the State Act) prepared an application to court, however, so far they failed to complete all the necessary requirements (pay state duty and write proxies).
 - the second problem, considered in the course of the TV-forum (establishment of the right of a citizen to a land parcel), was successfully resolved in the course of the program. Judge of Golopristsanskiy Raion Court Yuriy Olegovych Sorochan noted, that the judges should avoid formally counting the three-year claim eligibility period from the beginning of land sharing in mid-90s. According to the legislation, the three-year period must be counted from the day, when the citizen became aware of violations of his rights. The Governor approved the judge's attitude and urged the others to follow his example, as this could raise the level of trust to the judicial power.
 - nearly 300 residents of Verkhniy Rogachyk village of Verkhniy Rogachytskiy Raion (failure to pay the lease, pre-term dissolution of the lease contract) received model applications to court and proxies (300 copies), however, until now they failed to certify the proxies with the

village rada, not to mention the application to court. In order to prevent similar situation in the future, the LAC prepared a model lease contract with a provision, allowing pre-term dissolution of the contract by the lessor, in case the lessee fails to pay the rent. The LAC currently distributes the contract in the Oblast.

At the end of the program it was noted that practice shows, that the main obstacle in the way of solving the villager's problems is their own passiveness. In her summary speech Kochubynska encouraged the villagers to be more active in protecting their rights.

6. On May 20-21 the PE Manager prepared and conducted the forth TV Forum program in Ternopil oblast, aired on June 27. Deputy Governor Volodimir Gladun, Ternopil Deputy Attorney General Petro Sitay, Head of Land Resources Department Volodimir Golyk, Head of Oblast Court of Arbitration Igor Levandovskiy, representative of the Land Survey Institute, deputies of heads of all oblast agrarian policy departments, heads of Chortkiv, Zboriv and Zbaryvskiy raion administrations, heads of village radas, villagers participated in the program.
- Shulganivska Village Rada of Chortkivskiy Raion. Chortkivska Raion State Administration took the decision to take away and transfer into reserve of Staroyagilnytska Village Rada of a land parcel with the size of 182 hectares. On the basis of the State Act for the right to collective ownership of land the land parcel was transferred to the collective agricultural enterprise "Zolota Nyva", that operates in Shulganivska Village Rada and only partially (182 hectares) uses the lands of Staroyagilnytska Village Rada. The members of the CAE – residents of Shulganivka Village - received their LSCs for this land. However, the residents and Head of Staroyagilnytska Village Rada brought this matter to court, denying the right of residents of Shulganivka Village to receive land on the territory of their village rada. The court sustained the rights of residents of Shulganivka Village to receive land parcels in kind out of the lands of Staroyagilnytska Village Rada. However, the villagers are unable to receive their State Acts, as Chortkivska Raion State Administration refuses to approve the parcel plan. State Acts in Shulganivska Village Rada are issued under ULTI.
- 35 residents of Chystopadivska Village Rada of Zborivskiy Raion in April 2000 concluded a contract on preparation of State Acts to land with the Ternopil Branch of the Land Survey Institute. They fully paid for the works in August and September 2000. Under the contract the works were to be finished by the end of 2000. However, four years passed and State Acts have not been prepared. The Institute answered all the claims saying, that it was not possible to prepare the State Acts for individual farmers, as it might lead to errors in size of land parcels of other land share holders. Currently all the documentation has been developed, and submitted for approval at raion level. However, nobody knows how much time the process is going to take.
- In Olesynska Village Rada of Kozlivskiy Raion in the end of 2003 the agricultural enterprise "Olesyno" failed to pay the rent. The lessee stated he needed to pay back a loan, and was unable to pay the rent. He also informed, he was unable to farm all the land, and after the issuance of State Acts was planning to re-formalize contracts only with part of the

landowners. As far as there are no other parties willing to lease the land, the villagers are reluctant to claim the payment of rent debts, hoping to get their money this year. Only a few persons, mostly those planning to farm their land independently, bring fourth the issue of rent payments.

- In Kapustynska Village Rada of Zbarazkiy Raion, although the sum of rent amounted to UAH 250, the lessee in the course of two years paid it in form of one centner of oats. The situation was also complicated by psychological pressure from the head of the enterprise on the villagers and the head of the village rada, who tried to protect them. When the head of the village rada learnt about the possibility to bring fourth this issue on the TV-forum, she gladly decided to use this opportunity.
- 7. The PE team prepared the new slots offor the TV program «Silskiy Chas». On June 6 and 13 Pavlo Kulinich answered the questions from the land owners, on June 20 – ULTI titling ceremony in Zitomir oblast, on June 27 – Teleforum in Ternopil was aired.
- 8. The PE Manager developed the concept, prepared and launched the new slots of two ULTI ten-minute Radio programs that aired on the National Radio channel. The purpose is to communicate positive stories about real people in real places who achieved successes, overcame obstacles, solved problems regarding the effective agricultural management.
- 9. The PE Manager jointly with Kulinich prepared the new regular information spots for AGRONOVINI radio program.
- 10. The PE&OU team jointly with the LAC team prepared the new legal oblast radio and TV programs.
- 11. The PE&OU team developed a new live TV program on Ternopil oblast TV channel. The first program will air on July 18, featuring Ternopil LAC Coordinator and will be devoted to inheritance of land.
- 12. The PE&OU team prepared jointly with Pavlo Kulinich the reprint of the Commentary to the Law of Ukraine “Allocation of Land Parcels in Kind to the Land Share Holders”.
- 13. The PE&OU team prepared the ULTI magazine N3 for print.
- 14. The PE&OU team continued its work on the ULTI Web-site. The following materials were prepared, proofread and translated:
 - Pavlo Kulinich, Commentary to Land Titling Law (approved by author); +
 - News of 06.01.2004; +
 - Andriy Tsybulko, Possible Solutions of the “Strip Blanket” Problem; +
 - Oleksiy Kosenko, Scientifically Sound Crop Rotation – Key to Farmer’s Success; +
 - LAC statistics updated; +
 - Vinnytsia LAC Success Stories; +

- Order #155 of the State Committee of Ukraine on Land Resources; +
- News of 06.09.2004; +
- Pavlo Kulinich, Law On Lease of Land: Protection of Villager’s Interests; (Magazine #3)
- Pavlo Kulinich, How to Exercise the Right to Become a Farmer; (Magazine #3)
- Pavlo Kulinich, Legal Status of Tracts of Land; (Magazine #3)
- Pavlo Kulinich, State Registration of Rights to Immovable Property: Principles of “Single Window” and Prospects of Their Implementation in Ukraine; (Magazine #3)
- Questions and answers from Odessa LAC; +
- Questions and answers from Zhytomyr LAC; +
- Questions and answers from Chernivtsi LAC; +
- Questions and answers from Rivne LAC; +
- Lubov Slominska, On Payment of Pension Tax by Subsidiary Farm Members; +
- Lidiya Lytovchenko, Inheritance by Testament: Current Realia; +
- Mykhaylo Cheremshynskiy, Cadastre and New Spatial Technologies; (Magazine #3)
- 2 press articles translated for ULTI Chief of Party;
- S.V. Vankovych, Protection of Agricultural Land; +

Press monitoring reports prepared for ULTI Chief of Party on June 7, 14 and 21;

Together with the technical team:

- Mailing service transferred into “Silver Category”. Current number of subscribers: 251; +
- Legislation database search service implemented on Web-site; +

Provide Support to ALT Team

1. The PE team prepared and sent the letters in June.

<i>Date</i>	<i>Oblast</i>	<i>Organization</i>	<i>Official</i>	<i>Number of letters</i>	<i>Appendix</i>
06.01.04	All oblasts	Raion Courts	Head	488	Commentary to Land Titling Law by Kulinich mailing
06.02.04	All oblasts	City Courts	Head	137	Commentary to Land Titling Law by Kulinich mailing
06.03.04	All oblasts	Inter - Raion Courts	Head	9	Commentary to Land Titling Law by Kulinich mailing
06.07.04	All oblasts	Survey Companies	Head	38	Commentary to Land Titling Law by Kulinich mailing
06.11.04	All oblasts	Raion Land Resources	Head	488	Commentary to Land Titling Law by Kulinich mailing
06.11.04	Kiev	Verkhovna Rada		3	Commentary to Land

4					Titling Law by Kulinich mailing
06.08.04	Chernivetska	Village Radas	Head	3	Info-package #3
06.08.04	Odeska	Village Radas	Head	9	Info-package #3
06.08.04	Rivnenska	Village Radas	Head	7	Info-package #3
06.08.04	Volynska	Village Radas	Head	1	Info-package #3
06.08.04	Zhytomyrska	Village Radas	Head	7	Info-package #3
06.11.04	Kiev	Deputies Factions	Head	10	Commentary to Land Titling Law by Kulinich mailing
	<i>Total</i>			<i>1200</i>	

Provide Support to NALT Team

- i. On June 9 the PE team organized the NALT publication distribution in the National journalist club meeting.

Provide Support to the LAC Team

- 1 On June 2 the PE Manager presented the PE&OU activities in the LAC general meeting in Chernigiv oblast.
- 2 The PE&OU team jointly with LAC team organized 8 seminars for the heads of village radas, raion state administrations, raion lawyers, directors of the agricultural enterprises and ULTI contractors – survey companies in Zitimir oblast from June 16 until June 22.
- 3 The PE team placed the announcement for the vacant positions for the LAC in Poltava oblast.
- 4 The PE team worked on proofreading and placement of the articles sent by the LAC specialists for the ULTI Web-site and ULTI magazine.
- 5 The PE team updated information on LAC employees and statistic data on ULTI Web-site.

Continue Cooperation with Donor Organizations

1. On June 2 the PE team presented the NALT publications in the National club of the journalists meeting.

II. PROGRESS ON MEETING THE MONTH'S GOALS

Agricultural Land Titling

1. Continue verification and payment activities for existing contracts. – *These activities continue.*

2. Conduct meetings with Zhytomyr raion authorities in which land titling proceed slowly according to the action plan prepared in February 2004. – *The team continued to make progress on its “action plan” designed to accelerate work in the oblast. The project has the highest volume of work in Zhytomyr making it an especially important that work in the oblast proceed in a timely manner.*
3. Work with ULRMC on processing of satellite images into base maps. Convince ULRMC to speed the customs clearance process for the imagery of the remaining five oblasts. – *The imagery purchase by ULRMC for all 6 oblasts has now cleared customs and has been legal imported into Ukraine. At this time the team is assisting surveyors with direct delivery of raw data due to chronic delays from ULRMC that continue to impact the ultimate usefulness of the data.*
4. Finalize the training of the staff at the Zhytomyr QC Center; continue quality control and verification activities. – *The QC center is working well and has begun processing data submitted by land survey firms in the oblast. Where possible, the QC center is using processed satellite images to conduct verification.*
5. Prepared options and budgets in response to USAID request for expansion and extension of ULTI agricultural land titling activities with legal aid centers

Non-agricultural Land Titling

1. Conduct two site visits to regional offices. – *The team conducted site visits to two oblasts in June 2004.*
2. Provide local radas with assistance on organizing and holding land auctions. -- *The team is in process of providing assistance to local radas in five oblasts. Four land auctions occurred with project assistance in June.*
3. Organize and conduct an oblast seminar on land privatization in Chernivtsi oblast. – *The seminar was conducted May 28 2004.*
4. Organize the distribution of the success story booklet to government officials and local authorities in Ukraine. – *The activity is in process.*

Legal and Regulatory Work and Legal Aid Program

1. Prepare comments to the Land Code amendments proposed by Derzhkomzem. – *The RDI legal consultant, working closely with the ULTI legal team, prepared a set of comments to the Derzhkomzem proposed amendments. Generally, the ULTI comments showed that the Derzhkomzem proposals were designed to expand its power and authority at the expense of the rights of ordinary citizens. Other amendments propose to stifle the development of the real estate market by imposing poorly conceived restrictions on free alienation of land and real estate.*
2. Prepare comments to the draft Laws on “State Registration of Real Estate” and “State Land Cadastre.” – *The RDI consultant and legal team completed them in May .*
3. Prepare proposals for amendments to the recently passed Law on Lease of Land. – *The RDI legal consultant prepared comments and proposed amendments to the new Law on Lease of Land in May 2004.*
4. Assist the working group of Verkhovna Rada’s committee on preparation of the draft Law on Land Market and other bills on land and agrarian reform. – *The team’s lawyer prepared comments to the draft law on Land Markets and participated in a committee session where the law was discussed.*

5. At the request of Verkhovna Rada Deputy Tkach, prepare a draft Law Prohibiting Collection of Money for Initial Registration of Land Parcels and the Deputy's request for cancellation of Derzhkomzem's Orders related to registration fees. –*The draft law (titled the Law on Protection of the Constitutional Rights of Land Share Certificate Holders) was prepared by the ULTI senior lawyer and registered as an official draft law for consideration by the Verkhovna Rada in April 2004, was approved by committee in May 2004 and referred to debate and vote for week of June 14 2004*

Program for Legal Aid to Landowners

1. Officially open the legal aid centers in Sumy and Odessa. – Odessa scheduled July 29 and Sumy *postponed until September 2004 due to lack of obalst official support.*
2. Conduct a meeting with Poltava oblast authorities to discuss support for opening a legal aid center in the oblast. – *The team will open the 12th legal aid center in Poltava.*
3. Hold interviews for lawyers and/or specialists for the Poltava legal aid center. -- *The program manager completed searching for candidates to fill the vacant positions in Poltava in June.*

Public Education and Outreach

1. Prepared the fourth television forum talk show for *Silsky Chas on problem solving in issuance of state acts* from Ternopol oblast. – *The program aired on Silsky Chas on June 27, 2004.*
2. *The team aired two 10-minute spots on national radio called "Your Land" aimed at highlighting success stories of people using their agricultural land as new landowners.*
3. Conduct the official opening ceremonies for legal aid centers in Sumy and Odessa in June, 2004. – *Sumy has been delayed to Sept 2004 and Odessa is set for July 29, 2004.*
4. Conduct a seminar on land reform issues for journalists from Kherson oblast. This is the third in the series of six such seminars designed to educate journalists throughout Ukraine on land reform issues and land titling. – *The seminar was May 24-25 and the program aired May 30, 2004.*

III. SIGNIFICANT ACCOMPLISHMENTS, PROBLEMS, AND OTHER ISSUES

Problems

Trouble Shooting for the Agricultural Land Titling Component

The team resolves the registration fee problem this month through issuance of the Dershkomzem order #155 on May 26 for all oblasts where the project works. The results of this order will be closely monitored in each oblast in June.

To accelerate and improve legal quality control in local government decision making about land and people included in the agricultural land titling process, a problem identification and resolution team has been organized consisting of key members of the ALT, LAC and public

education teams under the direct supervision of the Chief of Party. This team started work in May by training all LAC team employees in ALT procedures for training of village rada officials in oblasts where work lags or is obstructed by slow or poor quality work by local officials. First training workshops were in June, two for about 50 village rada officials in two raions in Chernigi and eight in Zhitomir for 943 officials from 330 village radas, in coordination with oblast deputy governors, land surveyors and ULTI managers

- Vinnitsa – The project canceled out land titling work on contracts with two subcontractors. The cancellations total 20 village radas, but the project has replaced these a subcontract with another, proven subcontractor.
- Volyn – The project recently canceled out land titling work in 16 village radas because the subcontractor proved unable to complete the work in those radas. The team will conduct a site visit to the subcontractors in the oblast to assess their ability to finish the work remaining under their contracts with the project.
- Added a subcontract in one raion for about 6,000 land shares in Zhitomir.

IV. NEXT MONTH'S GOALS

Agricultural Land Titling

1. Continue verification and payment activities for existing contracts.
2. Monitor cancellation of registration fees.
3. Continue ULRMC on processing of satellite images into base maps; continue to deliver raw data to surveyors in event of further ULRMC non performance.
4. Conduct training workshops for local rada officials through LACs to improve quality and timeliness of official legal decisions approving land for division and people as recipients
5. Complete review and extension of 108 remaining ALT contracts through October 2004

Non-agricultural Land Titling

1. Conduct two site visits to regional offices.
2. Provide local radas with assistance on organizing and holding land auctions.
3. Organize and conduct legal analysis of newly passed laws as to effect on NALT.
4. Prepare informative articles on non-agricultural land privatization issues for the ULTI magazine.

Legal and Regulatory Work and Legal Aid Program

1. Finalize comments to the Registration Law now on hold for presidential signing.
2. Continue to comment on the draft Laws on “State Land Cadastre” as well as all newly passed survey related laws and regulations and implementation related actions and issues arising from the WB funded cadastral project.
3. Assist Verkhovna Rada Deputy Tkach, with advocacy on the draft Law on Protection of the Constitution Rights of Land Share Holders.
4. Organize inter-ministerial working group and GOU, WB and USAID 3 party agreement

Program for Legal Aid to Landowners

1. Officially open the legal aid centers in Sumy in Sept 2004 and Odessa in July 2004.
2. Complete interviews, select and hire lawyers and/or specialists for the Poltava Legal Aid Center.
3. Hold seminars in Lviv, Ternopil, Rivne and Odessa oblasts to assist in accelerating land titling and issuance of State Acts.
4. Develop draft detailed work plan for adding 13 more LACs beginning Oct 2004.

Public Education and Outreach

1. Prepare the fifth television forum talk show for *Silsky Chat* in Rivne.
2. Prepare the new slots for Silsky Chas TV program and Agronovini radio program.
3. Conduct the official opening ceremonies for legal aid centers in Odessa.
4. Open oblast level radio program in Sumy oblast.
5. Conduct fourth seminar on land reform issues for journalists from Odessa oblast
6. To prepare the next two 10-minute radio programs on the National Ukrainian Radio Channel.
7. To prepare all regular oblast TV and Radio programs.
8. To continue sending letters to the heads of village radas, rayon administrations and oblast administrations, which are included into the Project's scope of work.
9. To answer the letters coming to the Project.
10. To maintain and develop the ULTI Web-site.
11. To work with appropriate Ukrainian agencies and other donors/organizations, where appropriate.
12. To conduct monitoring of publications on land issues for ULTI staff in national-level

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- C. **Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814**
Start Date: August 6, 2001
Completion Date: December 31,, 2004
Amount of Delivery Order: \$4,147,806

INTRODUCTION

This Quarterly Report presents the activities of the Jordan *TECHNICAL ASSISTANCE FOR PROCUREMENT, PROJECT MANAGEMENT AND PRIVATE SECTOR PARTICIPATION PROJECT* during the period of April 1 through June 30, 2004. The report highlights significant work undertaken and accomplishments realized; outlines major problems encountered, offers proposed responses to those challenges; and summarizes planned activities for the following quarter.

PROJECT ACTIVITIES

Development and Assignment Agreements Finalization-

- Dead Sea Workshop (May 6-8) - A workshop was held on the dates shown with the

participation of counterparts from WAJ , ASEZA and USAID, in addition to TAPS local team and short term expatriate consultants. The purpose was to discuss the current versions of said agreements in an attempt to finalize them. Parties succeeded in settling most of the issues that had been controversial in nature. Immediately after the workshop, TAPS team started incorporating the changes/amendments that had been approved by the parties.

- Meeting with HE the Minister- a meeting was held at MWI with HE the Minister of Water and Irrigation on June 10 for the purpose of updating HE on the work progress, and to seek key decisions relating to the signature of both documents and to the establishment of the company in general. The most significant decisions taken during the said meeting were:
 - The appointment of WAJ Management Committee (MC) members- it was decided that the following MWI/WAJ staff would be on the MC. To approve the employees compensation increases,
 - To set a schedule for the signing ceremony, which was scheduled for Saturday, June 19. HE also indicated that said date would be the date for the General Assembly (GA) and MC meetings.
- Documents Approval- During the first GA and MC meetings held on Saturday, June 19, both the DA and AA were reviewed and approved with the GA delegating the authority to the MC to follow up the legal steps to have them signed and implemented.
- Documents Signature and Council Of Ministers Approval- At the conclusion of the aforesaid two meetings, the selected signatories signed both documents. Immediately after the signing of the documents, two letters were sent simultaneously to the Council of Ministers to seek the latter's approval of this milestone, plus other relevant matters such as the MC nominees and the Executive Management of the company. On June 29 the Council of Ministers' approval was granted.

Other Documents and Deliverables

1. Personnel Policies and Procedures, 2nd draft – Submitted on May 1st:

The PP&P document that had originally been prepared and developed by Mr. Anthony Stellato was subjected to a number of revisions and updates by WAJ and USAID. WAJ opted to name the document “Employees Bylaws” after introducing legal terms and clauses provided by TAPS local legal advisor, Mr. Basel Barghouthi, plus other amendments deemed appropriate by WAJ. Since said document was subjected to a number of changes in Arabic and had to be presented to the Ministry of Labor for approval, the current version was translated into Arabic. On June 19, it was presented to the MC and further inputs were provided by the members which were incorporated immediately. In order to enable TAPS expatriate consultants as well as USAID officials to review said changes, the current Arabic version of the document was translated into English. A final approval would be sought from the MC during the 2nd MC meeting expected to take place at the beginning of July.

2. Customer Service Procedures, 2nd draft- Submitted on Apr. 28: On June 13, TAPS local team completed incorporating inputs to this document that WAJ had provided in addition to the relevant Minimum Service Requirements (MSR's) that were part of the DA's appendix B. The document was then sent to Chemonics HO for finalization by TAPS Technical Advisor, Mr. Terrence Driscoll who provided a final draft on June 19, which was presented to the MC on the same day during the first MC meeting. Minor changes were introduced by the members which were incorporated into the document. A final approval would be sought from the MC during the 2nd MC meeting expected to take place at the beginning of July.

3. **Procurement/Purchasing Procedures and Regulations**, 2nd draft- Submitted on April 28: On June 13 TAPS local team completed incorporating inputs that WAJ had provided at an earlier date. Hard and soft copies of the document were sent to WAJ for revision in preparation for discussions which took place during the MC meeting on June 19. Minor changes were introduced by the members which were incorporated into the document. A final approval would be sought from the MC during the 2nd MC meeting expected to take place at the beginning of July.

4. **Staffing and Pay Plan**, Submitted on March 16: During the meeting held with HE the Minister of MWI on June 10, and the MC meeting, the pay plan was initially approved. However, further discussions of this document and incoming inputs prior to final approval, were expected to take place during the 2nd MC meeting scheduled for the beginning of July.

5. Business Plan

Mr. James Baker, TAPS PSP specialist started at the beginning of the month to prepare a provisional Business Plan for AWC without the originally intended MC contribution. This was due to the delay in appointing the members of said committee. The BP that had been prepared in early 2003 was used as a framework for this provisional BP. The plan was for this document, once ready, to be distributed to the MC members for revision and input. Then Mr. Baker would incorporate the changes and formally present it to the MC members (possibly during the 3rd MC meeting towards the end of July) for the final approval. Mr. Baker was expected to complete the draft version at the beginning of next month.

AWC Financial Division Activities.

The interim financial management team concluded their contracts with Chemonics International on March 31. Alternative contracts between them and WAJ were issued until May 31. The team has been involved in the following activities:

- Training- due to the time constraints, delivering the deferred training courses was not possible. Although it would have been beneficial to conduct them before opening, further deferment would be possible.
- Salary Sheet- on June 14 TAPS team completed an update of the salary sheet in light of the input from WAJ.
- Medical Insurance and Banking Facilitation Contracts- AWC financial management team completed the drafting of the contract for the Medical/Health Insurance and the contract for the Banking Facilitation. Signing said contracts was contingent upon the decision by the MC during their 2nd meeting scheduled for July 10.

- Finalization of the Preliminary Balances and preparation of Opening Balances - Preliminary Balances for AWC were finalized by the financial team and the Opening Balances were prepared awaiting the insertion of the final figures as they would appear on the COB July 31, 2004.

Consultants Assignments/Deliverables:

- Technical/Institutional Component

TAPS technical consultant, Mr. Terrence Driscoll was fielded to TAPS between May 4-8 where he participated in the three day workshop at the Dead Sea (May 6-8). Work during this quarter was focused on the development of the Personnel Policies & Procedures, and the Procurement and Customer Service documents

- Financial Component

TAPS financial consultant, Mr. Michael McLindon completed an updated analysis of AWC financial projections, incorporating input from MWI and updated figures. The report submitted to USAID on May 6 included (1) a revision of the results of the depreciation analysis based on the updated asset registry completed by FAS with the Finance Division of AWC; (2) an incorporation of the results of depreciation estimates into the projections of the income statement and cash flow projections for the first 12 years of the company, (3) an incorporation of the additional new or updated information and assumptions from the assignment agreement, (4) recommendations on alternative arrangements between WAJ and AWC to maintain a reasonable viable financial position and, (5) an assessment of the impact of nine financial policies recently proposed by WAJ that may have direct implications for the AWC budget model and AWC's financial position.

Mr. McLindon also completed a Three Year Budget Report on June 18, an update of the Budget Report based on the latest input from the final versions of the DA and AA.

Legal Component

TAPS legal consultant, Mr. Jerome Donovan was fielded to TAPS between May 5-14, where he participated in the three day Dead Sea workshop. He continued his assignment in the US by incorporating further inputs on the AA and DA which he had been focused on for the duration of the quarter.

PR Component

Miss Caroline Sevier, Chemonics Assistant Project Administrator was fielded to TAPS on June 20 for a five day assignment during which she worked in coordination with TAPS administration assistant on the following PR related tasks:

- Logistics of the employees meeting scheduled for July 15
- Company's website

- Opening Ceremony scheduled for July 31.

ACTIVITIES FOR THE NEXT QUARTER

- To facilitate and participate in the MC meeting(s) scheduled for July 04.
- To obtain final approvals from the MC on: the Customer Service Procedures, Procurement/Purchasing Procedures and Regulations, Staffing and Pay Plan, Employees Bylaws and Business Plan.
- To assist the GM elect in the process of employees transfer.
- To facilitate and manage the “Employees Meeting” in Aqaba scheduled for July 15.
- Plan and prepare for the Opening Ceremony scheduled for July 31.
- To continue developing the website for AWC.

D. Bolivia Trade and Competitiveness Hub, TO#820

Start Date: January 01, 2003

End Date: December 31, 2004

Amount of Delivery Order: \$6,357,491.00

Due to the COP for this project being out of the office, we are unable to furnish a quarterly report at this time. We will submit a complete report as soon as it becomes available.

E Bosnia Fostering an Investment and Lender-Friendly Environment (FILE), TO#821

Start Date: July 29, 2003

End Date: September 30, 2006

Amount of Delivery Order: \$9,964,761.00

Task Order Objective: To foster an investment and lender-friendly environment.

Key Tasks to Meet Objective: First, to make the collateral law regime work through professional education and training of relevant parties (i.e. judges, lawyers, trustees, appraisers, notaries, bankers, law students, etc.) Second, to make the bankruptcy and liquidation laws and procedures work through professional education and training of relevant parties (including judges, enforcement judges, lawyers, execution officers, bankers, and members of the Board of Examiners) and by shepherding a number of pilot bankruptcy cases through the judicial process. Third, to assist Bosnia and Herzegovina (BiH) in its accession to the WTO by providing

procedural assistance and developing a work plan of remaining tasks in the accession process. [All activities under this third component have been placed on hold until further notice by USAID.] And, fourth, to streamline the ability of Bosnian courts to adjudicate commercial cases in a timely, predictable, and efficient manner by installing new computer hardware and software, training court personnel, and improving the legal and regulatory framework for efficiently handling small commercial claims.

Quarterly Progress Report:

Component One: Collateral Law

Training for In-house Counsel on Law Enforcement Procedures. Early in this quarter FILE's collateral law team held its fourth training session for bank in-house counsel focused on practical implementation issues and courtroom problems relating to the new collateral regime. Attended by twenty lawyers from ten banks located in Sarajevo, Mostar, Tuzla and Zenica, this training marked the completion of the first phase of training for in-house counsel on implementation of the new law on enforcement procedure. A common theme emerging from FILE's training sessions for in-house counsel is the need for standardized documents and practices. To address these needs, FILE created various resource materials (see below), including a judicial benchbook, a handbook for creditors, and a handbook for in-house counsel, designed to help standardize practices.

Development of Resource Materials. Effective implementation of collateral registration and enforcement requires well-trained collateral lawyers who can properly prepare documentation and use the enforcement procedures efficiently. Judges must be similarly trained to handle enforcement matters thoroughly and efficiently. Handbooks for attorneys and benchbooks for judges are fundamental reference materials that these critical stakeholders will need.

With the short-term pro bono assistance of collateral law specialist Susan Reid, FILE develop collateral law resource materials for judges, creditors and other project stakeholders to support the implementation of the modernized collateral law regime. Short-term commercial law specialist, Joe Lowther, assisted the FILE team in the development of a handbook for creditors containing enforcement and recovery strategies and a judicial benchbook reflecting the collateral laws enacted to date.

Late in the quarter, FILE developed additional resource materials including enforcement officers training modules, a creditors manual, and stakeholders training modules. FILE also completed and delivered an Enforcement Officers Benchbook that included a series of forms that can be used by enforcement officers to standardize and streamline certain procedures. The forms were developed in conjunction with Judge Daupovic, an enforcement judge at Sarajevo's Municipal Court. All these resource materials developed by FILE are being vetted with local partners and revised as appropriate to meet their needs.

Stakeholder Advocacy Group. During this reporting period FILE organized a stakeholder advocacy group called Putokaz. The group will be used to vet the handbooks and other resource materials developed by FILE. Currently the group consists of members of other relevant USAID

projects (Business Finance, FSBAT, and Pledge Registry Project) and GTZ. As part of the vetting process, membership of the group will be expanded to include local stakeholders for particular subject areas. The vetting process and distribution of resource materials is a large part of the collateral law team's proposed workplan for the second half of 2004.

Other Activities during the Quarter:

- *Workplanning.* FILE held multiple sessions to develop the project workplan for the second half of 2004 and the performance monitoring plan.
- *SME Development Gap Analysis Roundtable.* In April FILE participated in USAID's SME Development Gap Analysis Roundtable. FILE personnel acted as co-facilitator and recorder for the Secured Transaction Environment breakout session, and were also active contributors in the Bankruptcy breakout session.
- *OHR Pamphlet.* FILE learned that the Office of the High Representative (OHR) will soon embark on an extensive Rule of Law public awareness campaign. OHR is eager for FILE's assistance in developing content for the campaign and, as a first step, would like to publish pamphlets on the civil procedure, enforcement and bankruptcy laws. In response, FILE drafted enforcement and bankruptcy brochures and submitted them to the OHR.
- *Website.* In conjunction with Chemonics home office personnel, the collateral law team began basic design work for a project website on which training and resource materials and other documents will be posted.

Component Two: Bankruptcy Law

Training for Bankruptcy Judges. During the quarter FILE's bankruptcy team conducted two training and outreach activities to develop a well-trained cadre of bankruptcy judges. The first training seminar, entitled "Basic Training on Bankruptcy for New Judges of Commercial Departments," attracted 23 judges appointed to hear bankruptcy cases in their respective courts and two representatives of the Judicial Training Centers. Of the judges in attendance, only two or three had significant backgrounds in bankruptcy. This initial program consisted of two parts - one focusing on an introductory-level explanation of the legal principles and processes in a bankruptcy case and the other focusing on the principles of finance and accounting as applied in the context of a bankruptcy case.

The second training seminar attracted an audience of 24 bankruptcy judges, court presidents and representatives of the Judicial Training Centers. This seminar followed a similar program to the first but also featured U.S. Bankruptcy Judge Greg Kishel who talked about bankruptcy proceedings in the United States and offered his impressions of how to effectively implement Bosnia's law (given the similarities and differences between the U.S. and BiH bankruptcy laws).

Both seminars were highly successful, not only because of the importance of the selected

audiences (the actual bankruptcy judges now serving in Bosnia) but also in the quality of the materials and presentations offered and the reception given to it by the attendees – all the judges, including the ones having prior bankruptcy experience, praised the program enthusiastically both in their spontaneous comments and in the written evaluations they provided at its end.

Training for Trustees. FILE presented its fifth trustees roundtable during the quarter. Twenty trustees and two bankruptcy judges attended. Similar to previous roundtables, the bankruptcy team used the forum to highlight the issues of (1) trustee training and examination (including trustee certification), (2) trustee professionalization, and (3) recruitment of trustees for pilot and other cases.

Resource Materials. During the quarter the FILE team initiated and completed development of a number of resource materials to assist bankruptcy judges, trustees, appraisers, lawyers, creditor representatives, and other stakeholders. Materials worked on and developed include:

- An outline for a Judges Desk Book that sets forth the issues to be covered and the structure of it. The book is meant to be a practical manual that can be used on a daily basis by sitting commercial court judges in Bosnia. It will provide them an easy to use reference for applicable laws. It will also provide them forms to use in their practice.
- Outlines for a company manager’s bankruptcy checklist, creditor’s bankruptcy checklist, bankruptcy trainer’s handbook and additional supplemental charts and other materials to augment various modules of the Bankruptcy core training program first created in October-November 2003.
- Significant work towards the creation of a comprehensive bankruptcy trustee’s manual that, when completed, vetted and revised, should be of invaluable assistance to trustees, individually, and to the development of a skilled and professional body of trustees able to support a sophisticated bankruptcy practice in Bosnia.
- With short-term technical assistance from Gleb Glinka, FILE prepared bankruptcy court forms that can be used by judges, trustees, and attorneys to ensure that the court has accurate documents that can be efficiently reviewed and processed.

Pilot Bankruptcy Cases. FILE conducted extensive analysis of various businesses under consideration for the pilot bankruptcy program. Most attention was directed toward state-owned enterprises from the “strategic privatization portfolio,” specifically Sava, Unis Tativ, Milcos and Proleks. At the end of the quarter, the bankruptcy team provided USAID with its report summarizing its due diligence efforts on pilot case candidates.

Trustee Certification. The bankruptcy law team continued to monitor the ongoing “Certification” process in which trustee candidates are becoming “certified” by their respective Ministries. FILE continued to work with the Federation Ministry of Justice to develop a formal and objective bankruptcy trustee certification program for training appropriate individuals to become trustees. Developing a cadre of well-trained and motivated trustees is critical to effective implementation of Bosnia’s new bankruptcy regime. With assistance from short-term advisors and Judge Charles

Case, a U.S. Federal Bankruptcy Judge, FILE developed the initial content to be delivered in the trustee training program, including a draft trustee manual that can be updated with practical material, including standardized forms and checklists, developed in the course of FILE's pilot bankruptcy cases.

Public Education. FILE developed its complete public education campaign strategy for bankruptcy and a report on implementation of a targeted public education program. An unexpected but not completely unforeseen development was continuing press coverage of labor protests against bankruptcy. Continuing negative publicity appeared to be creating increasing problems for bankruptcy implementation. At the same time it further demonstrated the lack of understanding about bankruptcy among influential people – in this case labor leaders and journalists – and increasing public awareness and curiosity about bankruptcy.

This last factor provided an opening for obtaining favorable counter-publicity. A visit to Bosnia by a team of international labor leaders, referred to as the "SEELN Cross-Border visit," took place in Sarajevo during the quarter. FILE's bankruptcy law team was asked both to send a speaker to address the group and to prepare a script explaining the benefits of bankruptcy, from a perspective that would be both accessible and favorable to the labor leader audience. The script prepared for this occasion received favorable comment from USAID and OHR, and FILE's presentation was well-received.

Continuing interest in bankruptcy in the press and pending labor protests led to a request from Ambassador Hays for a more detailed bankruptcy briefing paper. In response to this request, the bankruptcy team produced a more comprehensive paper outlining "How Bankruptcy Works," which was delivered to USAID and OHR. This document was also well-received, and the themes articulated therein are expected to receive broader circulation and be the basis for specific bankruptcy briefings to be given to various opinion makers in the future.

Valuation Materials for Appraisers. FILE compiled a collection of valuation/resource materials for appraisers for the purpose of supporting training activities, as well as providing a practical guide for appraisers and other professionals dealing with business valuation in Bosnia. The undeveloped state of the appraiser system in Bosnia and the urgent need for more accelerated implementation of market value financial techniques helped shape these materials to correspond with the actual situation in country. The valuation manual should provide a quick reference to the most commonly used definitions, formulas, procedures and techniques for everyday business valuation problems.

Website Development. The bankruptcy team submitted to USAID its status report on bankruptcy/liquidation website accession activities. Developed by FILE's public education and communication specialist, this report provided updated information on FILE's efforts to establish a bankruptcy reference website. Given the lack of progress by the organizations previously identified as potential website partners, FILE will create its own website where all bankruptcy and collateral law reports, as well as other project information, will be posted.

Other Activities during the Quarter:

- *Workplan development.* The bankruptcy team also participated in the workplan development sessions described in the Collateral Law section above.
- *IMF Privatization Strategy.* In the previous quarter the IMF unveiled its corporate restructuring proposal, and USAID and FILE began an ongoing dialogue with the World Bank about the nature and scope of bankruptcy's role in the privatization process and the utilization of pilot cases. The World Bank, which is formulating their intervention strategies for bankruptcy, met with FILE to discuss, among other things, the capacity of the courts to process large numbers of bankruptcy cases (in the event that a substantial number of enterprises are to enter into bankruptcy proceedings), the length of proceedings, "pre-packaging" options, and the administration and costs associated with reorganizations and other large cases.
- *SME Roundtable.* As indicated above, FILE's bankruptcy law team participated in USAID's SME Development Gap Analysis Roundtable. The team was an active contributor in the bankruptcy breakout session, and the roundtable allowed for the exposure of FILE's thoughts, plans and activities to numerous other donors and projects present. Also valuable was the fact that bankruptcy law team members were able to hear some of the pre-conceived notions about bankruptcy held by other project personnel. A lesson learned is that there is a need for a better understanding of bankruptcy among people working on other SME-related projects.
- *European Commission Policy Discussion Paper.* FILE rewrote the bankruptcy section of the European Commission's policy discussion paper. The team's summary recommendations were included almost verbatim in the Commission's draft paper. The initiative towards establishing a uniform policy agenda could be significant. It emphasizes the place of bankruptcy implementation as one of the three pillars of a comprehensive policy agenda within the enterprise sector. This appears to be the first time that, outside of USAID, the significance of bankruptcy's role has been recognized at this level and in this context within the donor community.

Component Three: World Trade Organization Accession

Due to political developments within Bosnia, FILE has been instructed by USAID to suspend all WTO accession work.

Component Four: Court Administration

General Developments. Early in the quarter FILE attended a meeting of international donors to ascertain the amount of computer hardware each donor intended to provide to courts and prosecutors. FILE's court administration team also participated in a meeting of local and international representatives to discuss with the staff of USAID's Justice Sector Reform Project (JSDP) the scope of court administration activities already underway or planned in Bosnian courts.

Automation Activities in Brcko. By the end of the quarter, the district of Brcko had procured integrated case management system (ICMS) software for its courts and prosecutors. FILE hopes that their system can be modified and utilized in the Federation and RS though there is a contractual provision in the related software development contract limiting use of the software to only the Brcko District. For national application and replication this “geographic restriction” will need to be lifted.

During the quarter FILE worked with Optima OR, the successful bidder for the development of Brcko’s Integrated Court Management System (ICMS) software, to assist them in their software development efforts. While Optima’s first version of the software was not ideal, they have since accepted recommendations from both FILE and Brcko court staff and as a result, their second and third versions showed significant improvement.

It is important to note that Optima is creating a “foundation” that will enable the functionality of all of these options. The task that now lays ahead for Brcko’s judicial institutions is to create content for the software. It is by no means an easy or simple task, but it is crucial for the overall success of the program.

At the end of this quarter, Optima officially unveiled their ICMS software tool. During the presentation, Optima expressed willingness to further develop the application so that it potentially could satisfy the requirements of all courts throughout Bosnia. At the end of Optima’s presentation, the president of Brcko’s Judicial Commission announced that their proposal would be accepted at the next full session of the Judicial Commission.

Until now, FILE has been present at every stage of Brcko’s software development. FILE has and will continue to help Brcko and Optima produce a quality product, but at the same time, both Brcko and Optima are aware that FILE understands software development. In the event that Brcko and Optima choose not to share their software with the rest of the country, FILE will find a way to do it on its own.

Caseflow and Workflow Analysis. FILE continued its efforts to analyze workflow and caseflow in Bosnia’s commercial divisions and agreed with USAID to designate four pilot courts – Sarajevo, Banja Luka, Mostar, and Brcko – for these efforts. The court administration team collected workflow data in each of these four cities and drafted flowcharts in English and the local language based on the data collected and discussions held.

In June FILE hosted a workshop, entitled “Commercial Case Records Management: Imagination at Work,” for representatives of these four pilot courts. The primary objectives of the workshop were to plant seeds for creativity and change in the minds of court presidents, judges, court secretaries and other senior court officials, encourage courts to explore better ways for increasing court efficiency and to take calculated risks that may lead to streamlined or simplified workflow and caseflow procedures. In striving to reach that goal, FILE’s court administration team presented final versions of the workflow of commercial/civil cases in each pilot court, as well as a flowchart of how the same workflow could be further simplified or work functions redistributed in order to increase procedural effectiveness and efficiency. Each court presented improvements that could be made to its current workflow procedures, and was encouraged to submit additional recommendations to FILE.

Other Activities during the Quarter:

- *Workplan development.* The court administration team also participated in the workplan development sessions described in the Collateral Law section above.
 - *Coordination meetings.* FILE met with USAID's JSDP project and the High Judicial and Prosecutorial Councils (HJPC), to discuss FILE's court administration activities and how best to collaborate, cooperate, communicate and otherwise mutually support each another.
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F. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy (SEPIC), TO#822

Start Date: August 4, 2003

End Date: August 13, 2006

Amount of Delivery Order: \$4,,055,,796

A. SUMMARY OF PROGRESS AND IMPACTS*

The main accomplishments during this period were:

- all Contracts with *Local Subcontractors* were finalized, and the majority of their respective First Phase Technical Reports have been submitted;
- all *project deliverables* due this reporting period have been accomplished;
- all sites and *pilot activities* were delineated, defined, and met the agreement of the respective beneficiaries;
- all *TDYs* have been properly achieved and very fruitful;
- all *meetings*, seminars, working groups, field trips, training activities have been very productive and successful.

* Success Indicators Tracker is attached

B. PERSONNEL SUMMARY

B1. Local Professionals

- *Chief of Party and Task Leader for ANAR: Liviu Ionescu*
- *Task Leader for EMS/P2: Andreea Milea*
- *Task Leader for WATMAN: Mary-Jeanne Adler*
- *Lawyer: Octavian Moise*
- *Technical Expert: Ana Maria Moldoveanu*
- *Technical Expert: Rodica Stefanescu*
- *IT/ Expert: Florin Lazar*
- *IT Expert: Paul Negritu*

- *Office Manager: Gratzia-Felicia Vascencu*

B2. Expatriate/TCN Specialists

- *EMS Senior Technical Advisor: Avrom Bendavid-Val*
- *P2 Senior Technical Advisor: James Gallup*
- *WATMAN Senior Technical Advisor: Glen Anderson*
- *ANAR Senior Technical Advisor: Chris Perrine*
- *Environmental Specialist/Engineer: Phil Brown*
- *Environmental Specialist/Engineer: Paul Dax*
- *Environmental Specialist/Engineer: Daene McKinney*
- *GIS Specialist/Engineer: Mohamed Khatouri*
- *Alarm Systems Specialist: Mary Ann Zimmerman*

B3. Home Office Project Management

- *Senior Manager: Avrom Bendavid-Val*
- *Deputy Project Manager: Chris Perrine*
- *Project Administrator: Kale Driemeier*

C. PROGRESS ON MAJOR IMPLEMENTATION STEPS

C1. Component B: EMS and P2

A. EMS & P2 Implementation in Pitesti and Braila

EMS & P2 team assisted the pilot enterprises to carry out Initial Environmental Review. In addition, the water facilities were assisted to finalize setting-up of the P2 Action Groups. First round of environmental monitoring equipment was selected for immediate procurement by the project. The main results in the period April-June 2004, are presented below:

- ***Initial Environmental Review (IER)*** completed in all ***5 partner enterprises***
 - ***IER Reports*** approved by the Top Management in all ***5 partner enterprises***
 - Final ***EMS&P2 implementation plans*** for No-cost/Low-cost P2 opportunities, including preliminary estimations of environmental and economical benefits developed in all ***5 partner enterprises***. They were included in the IER Reports
 - Initial ***Environmental policy statements*** developed in all ***5 partner enterprises***. They were included in the IER Reports.
 - Initial ***environmental monitoring equipment*** selected for procurement in ***5 partner enterprises***.
 - P2 Action Groups established in both sites: Pitesti and Braila, as follows:
1. Pitesti:
 - ALPROM Pitesti-wood producer – P2 Action Group for reducing nitrogen and organic loadings in the wastewaters

- AGOFLORIS Pitesti-slaughter house- P2 Action Group for reducing nitrogen, greases and organic loadings in the wastewaters
- Hotel MUNTENIA Pitesti-P2 Action Group for reducing nitrogen, greases and organic loadings in the wastewaters
- 2. Braila:
 - PROMEX Braila-machine building industry-P2 Action Group for reducing nitrogen, heavy metals and organic loadings in the wastewaters
 - MAREX Braila-soft drinks producer-P2 Action Group for reducing nitrogen and organic loadings in the wastewaters
 - BRAICAR Braila – Local transportation company P2 Action Group for reducing greases and organic loadings in the wastewaters
- Enterprises included in P2 Action Groups received *initial training* and signed *Memorandum of Understanding* with the Water utilities

B. Actions in Cluj Napoca

- In June 2004, EMS & P2 Team (JG EMS&P2 STA, AM – EMS & P2 and Radu Dorneanu Ecerom) participated in a workshop in Cluj Napoca, organized by Rajac Cluj Napoca and the Judet Council Cluj for implementing the conditionality stipulated in the ISPA Financial Memorandum regarding pollution reduction at source. EMS and P2 team made two presentations to this workshop: 1) Benefits of P2 and 2) Work in P2 Action Groups.
- Two industrial enterprises: FUNDY (food industry) and FARMEC (cosmetics & chemical company) received on-site P2 training.

C. Other activities

- Content of EMS&P2 *Web-site* for the MoEWM drafted

C2. Component C: TAIWAT

- All three Romanian *subcontractors* contracts have been formalized, with AquaProiect and UTCB already having submitted their First Technical Reports – both well performed and properly invoiced;
- *Task 2.1 – International DSS models (by Dr. Daene McKinney), and Task 2.2 – Romanian DSS model applications (by Dr. Mary Jeanne Adler) Technical Reports have been drafted, and are on the final refining process, for formal submission;*
- A number of *field trips* to the pilot areas in the Arges River Basin have been organized, both with the US experts and Local Subcontractors, as well both by the project staff and potential local suppliers of equipments, in view of properly shaping and addressing, both the pilot activities to be conducted, and the finalizing of the proposal for the List of equipments to be purchased:
- *In addition, Motorola – Romania has prepared a Report on the control systems at the Rausor dam, offering technical solutions and diverse equipments that their firm may provide;*
- *The TDY missions which occurred in April-May (Glen Anderson and Philip Brown) and in June (Daene McKinney, Philip Brown and Mary-Ann Zimmerman), helped preparing and presenting to ANAR and MoEWM the concept proposal for the pilot activities, and discuss the methodology for elaborating the Mini Work Plan for these;*

- *Two local IT experts have been hired and begun working on data-base preparation for the DSS soft-ware application and the Expert system;*
- *The whole project team has drafted the **Mini Work-Plan** for the piloting activities and began the process of developing equipment and software specifications for the procurement to support the piloting activities for the Arges River Basin pilot area;*
- *In addition, Dr. Adler has also prepared a **presentation** of the Arges River Basin, including the pilot area of Raul Targului (for the WATMAN Team members); and a **presentation** of pilot activities (for Burgess & Niple) regarding participation to the investments for the pilot area.*
- ***Work distribution between Chemonics and Burgess & Niple, in joining efforts, for the WATMAN Feasibility Study has been lengthily discussed with representatives from both teams; the proposed agreement has been presented in a meeting at MoEWM; there it has been decided that Burgess & Niple will be in charge with infrastructure and equipment for monitoring the water balance and the safety of the dams, while Chemonics will take responsibility for software designing. The Feasibility Study will be provided by using the capabilities of both teams. Thus, Mr. David Ford's experience will be added to Chemonics team for DSS expert system implementation, in exchange for Mr. Glen Anderson's expertise in economics, at use for the investment strategy planning, taking into account the Eximbank rules. The local expertise will help provide data in compliance to the Romanian law.***

C3. Component D: ANAR

- ANAR management (Mesrs. Ovidiu Gabor and Petru Serban), requested support to implement the new **economic mechanism** following adoption of the new Water Law, including setting up tariffs and economic instruments to ensure proper revenues; the team began developing the report
- HO staff and FO staff conducted extensive Internet research to find **reference information**
- The ANAR team, visited Siret and Arges River Basin Directorates and held intensive data collection consultation with ANAR in preparation for the report
- The **first report** on models for the institutional set-up of ANAR was drafted and submitted to ANAR, on May 28, 2004. The conclusions of the report were discussed on June 24, 2004 in a meeting chaired by Dr. Petru Serban, who requested specific TA to support development of new methodologies to set water tariffs and pollution charges
- The environmental due diligence report for privatizing the mines bundled with the **Turceni** power plant was submitted to the DTT PRIDE Project Office. The report will be used in establishing environmental liabilities in the privatization process of the Turceni complex
- A list of projects suitable for implementing DCA in Romania was provided to the DTT consultant, as reference information for the **justification report**

D. IMPLEMENTATION PROBLEMS AND PROPOSED ACTIONS

D1. Component B: EMS and P2

NA

B. D2. Component C: TAIWAT

- The process of finalizing subcontract agreements with Interactive, UTCB, and AquaProiect has been tremendously protracted by endless discussions over the legal template and required considerable efforts put in numerous revisions. The deriving work delay has impeded on proper use of planned resources. However, we are now back on track.

D3. Component D: ANAR

- The *Task Leader position* was restructured and the COP assigned direct responsibility for the ANAR project component, in order to speed-up work and recover delays
- The Team had difficulties in collecting information from ANAR, as top management of ANAR has not assigned other *contact persons* than themselves; ANAR's top management was out of the office quite a lot, or busy with urgent issues such as supporting promotion of changes to the Water Law with ministries and the Parliament
- Dr. Platon, the economist in the initial proposal declined working for the project. Following public advertisement in one of the major national newspapers, a new economist was selected and his SOW was negotiated.

E. SUMMARY OF DISCUSSIONS WITH COUNTERPART(S)

E1. Component B: EMS and P2

None other than the ones already mentioned earlier.

E2. Component C: TAIWAT

- *Reporting Meetings:* ANAR; Pitesti/ DAAV; MoEWM; all dedicated to consultatively presenting the proposed conceptual approaches for the piloting activities and the efforts joining with the TDA project support;
- *Technical Meetings:* Burgess&Niple (5), Interactive (3), Motorola (3), Oracle (1), Vaisala (1), AMM (6), ITs (5), AquaProiect (4), UTCB (6), SGA Campulung (2), EPA Pitesti (2), DAAV Dispatch Pitesti (5), City Hall Campulung and Pitesti (1/1), Environmental Guard Pitesti (1), MoWEP (2), ANAR (3), Inspectorate of Civic Protection Pitesti (2), Rausor dam team (3), Hidrocentrale Arges (2), dedicated to the respective in-puts on properly defining the technical work together, the pilot activities and related equipments, the details of the expected out-puts, agree on the procedures and approaches in implementing the individual tasks, deliverables.

E3. Component D: ANAR

- **Reporting Meetings:** ANAR (1), MoEWM (1), with respect to getting feed-back and in-puts to the Phase 1 Report submitted in May;
- **Technical Meetings:** DAAV, Siret Directorate, in order to identify reference data for the submitted report and to discuss possible approaches for the methodology to implement the next studies to be conducted.

F. PROJECT IMPACTS

This quarter was one of very intensive work. Accordingly, its major impacts were in terms of finalizing the deliverables and other technical reports due.

G. Kosovo Energjetike e Kosoves (KEK) Institutional Strengthening, TO#823

Start Date: August 1, 2003

End Date: November 30, 2004

Amount of Delivery Order: \$1,160,376

ACTIVITY PURPOSE: To support the ongoing implementation and full utilization of the Customer Care Package (CCP) and Joint Billing (JBI) Initiative.

PLANNED ACTIVITY RESULTS

1. Full Integration and Utilization of CCP in the “KEK – Yes” Action Plan – Assist KEK distribution management with monitoring and evaluating internal controls, and ensuring proper integration and utilization of the CCP system in the initiative.
2. Full utilization of CCP Software – Through close contact with KEK Distribution District managers and their field teams promote field initiatives supportive of increasing collections while identifying patterns of abuse.
3. Increased ability of KEK management to improve collection rates – Provide management with lessons learned from implementation of CCP in the seven districts, integrating the CCP accounting system into KEK’s financial operations and providing other technical and analytical assistance to help KEK improve collections and collection rates.

INTERMEDIATE RESULTS & INDICATORS SUPPORTED:

SO 3.1 Restored Normalcy in Living Standards and Opportunities

- Number of individuals having improved access to basic utility services

IR 3.1.1 Improved sustainability of social services and community infrastructure

- Increased % of the community populations connected to public utilities
- Percentage of energy billed or invoiced
- Improved collection rates for utilities

ACCOMPLISHMENTS DURING REPORTING PERIOD

1. Oversaw administration of cash collection for Public Broadcast Fee by KEK
 - Assisted to all districts with the questions and problems related to PBF collection
 - Controlled functions of CCP joint billing software module and recommended changes
 - Developed procedures for PBF transparent reporting and delivered them to KEK and RTK
 - Revised CCP PBF module to improve software performance
2. Actively participated in CCP working group:
 - During each meeting recommended several issues for improvements and highlighted critical issues that need immediate solutions
 - Provided working group with several recommendations for better CCP utilization
 - Delivered all monthly operational reports prepared during this period
 - Continuously highlighted weaknesses and operational abuses (incorrect tariffs, extreme billings, incorrect bills, zero and negative bills, failure to pay debt repayment contracts, incorrect social cases, etc)
3. Assisted KEK in activities related to solving problems with tracking illegal consumption in CCP system
 - Assisted districts and distribution experts in preparing coding system for distribution network
 - Worked closely with some districts on setting pilot projects to track commercial losses through CCP system
4. Continued to update operational, financial and commercial reports for KEK distribution division
 - Submitted all operational reports to CCP Working Group
 - Prepared and delivered samples of errors and abuses for easier understanding
 - Highlighted monthly summary for evaluation of meter reading and billing data quality for each meter reader and/or meter route
5. Prepared packages of Operational Reports for each district,
 - Delivered these packages to each district managers
 - Provided on-site mentoring to district managers in support to achieve improvements
 - The key subjects of mentoring included: Meter Reading, Critical Samples, Progress in signing Service Contracts and in registration of New Customers, Operational Diagnostics, Summary for Customer Debt, Zero and Negative Bills, Social Cases and Monthly Performance data
6. Assisted to KEK and Ministry of Finance and Economy (MFE) in setting of proper tracking for budgetary customer accounts
 - Brought KEK and MFE representatives together to set up aggregate bills, to jointly monitor bank payments and money transfer activities for budgetary customers
7. Continued to update Operational Diagnostics for districts
 - Operational Diagnostic helped district managers to see how many debtors is located in each tariff category and to concentrate their attention on validity of corrections
 - Evaluation of debtors by tariff categories helped districts to allocate their technical resources

for disconnection processes

IMPACT OF ACCOMPLISHMENTS

1. By the end of June, KEK has delivered bills for seven billing periods with Public Broadcast Fee with a total value of 6.8 million euros. During the period of January through June KEK collected 1.6 million euros for PBF, which is around 23 %.
2. Continuous improvement of customer database – by the end of June 2004 there were 313,772 customers billed. This is 65,729 more than in August 2001.
3. Districts continued to clean CCP database from passive customers, customers with incorrect service data and from incorrect monthly data entry. KEK added 27,834 service contracts during this period.
4. Procedures to highlight any negligence, ignorance or abuses from KEK staff in relation to incorrect data entry, incorrect use of tariffs and lack of internal control are in place.
5. District managers started to evaluate meter readers and billing staff based on the reports from CCP billing data. Based on these evaluations, a dozen meter readers have been removed for continued abuses.
6. Delivered operational, financial and commercial reports became visible tool to point on weaknesses, abuses or where top management attention is necessary

MAJOR PLANNED ACCOMPLISHMENTS

1. Continue to oversee and control Joint Billing activities including PBF collection disbursement
2. Provide continuous support in full utilization of the Customer Care Package
3. Support KEK in activities that lead to improve billing and cash collection
4. Provide operational, financial, and commercial reports to KEK management and to district managers
5. Assist KEK distribution districts in developing unified and consistent reporting system that will be fully transparent
6. Continuously oversee CCP system in all districts to identify patterns and causes of abuses in billing and payments
7. Provide management support to KEK
8. Ensure utilization of CCP software for decreasing of commercial losses
9. Formally handover CCP system to the KEK Turnaround Management contractor

-
- I. **Columbia Forestry, TO#824**
Start Date: August 11, 2003
End Date: August 10, 2006

Amount of Delivery Order: \$22,700,000.00

I. Executive Summary

During the quarter CFDP made significant progress in program implementation and organization. Both CONIF and WWF began implementing after signing their contracts in late March and early April, respectively. CONIF in particular has made significant progress in Bajo Magdalena through the execution of the agroforestry evaluation and the regional plantation inventory and market study. CONIF also conducted socialization workshops with the natural forest communities in Nariño in preparation for the inventories and the socio-economic diagnostic. WWF's activities in Bajo Atrato/Urabá with the Organización Indígena de Antioquia (OIA) and Afro-Colombian communities in Guapi have also moved forward.

The mapping studies conducted by Alvaro Castañeda indicated that all CFDP forest areas contain the necessary density. Mapping continues for three Plan Colombia nuclei.

After considerable deliberation, CFDP made the decision to halt activities in the Cacarica natural forest. The combined factors of security, displacement, legal issues and poor quality forest resources all combined to make the area too problematic for involvement.

The program completed several key studies. The CO2 study showed that Colombian projects have potential in world markets and supported CFDP's belief that CO2 funds cannot financially support reforestation projects on their own. A CFDP marketing consultant identified several new market possibilities including: ready to assemble furniture, specialty coffins and firewood. Policy experts conducted a regional forestry analysis that pointed out the deficiencies in the current and proposed policy framework. CFDP consultants developed a communications strategy and trained implementers in socialization strategies appropriate for natural forest communities. CFDP developed log grades that allow producers to classify their trees and market them accordingly. Several other important studies began including: *Familias Guardabosques* technical assistance, wood properties database, pine sampling for construction grade lumber and regional plantation inventories of NE Antioquia.

Rounds two and three of the program's convocatoria yielded five new concept papers to be developed.

The program's new Chief of Party, Vincent Ruddy, was approved by USAID. He restructured and reoriented program activities and personnel responsibilities.

Next Quarter. During the next quarter, CFDP will accomplish several key activities.

- Carry out natural forest inventories in Nariño.
- Conduct the socio-economic diagnostic in Nariño.
- Finish the regional plantation inventories in NE Antioquia.
- Finalize the design of *Familias Guardabosques* assistance.
- Submit its Revised Life of Project Work Plan for USAID approval.
- Finalize and submit a budget modification for USAID approval.

II. Background

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development

Program (CFDP) to Chemonics International. The program will expand the production of marketable and profitable forest products that will increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector will serve to draw people away from illicit activities.

CFDP will assist in developing a viable commercial forestry sector and in catalyzing development efforts in four rural forestry clusters that offer reasonable access to markets, forest sector support services and production chains. Assistance will focus on connecting sustainable production chains to domestic and international markets. Local assistance will be provided by the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF) and the World Wildlife Fund, among others.

The CFDP clusters will be centered in Bajo Magdalena, Bajo Atrato-Urabá, the Pacific Coast of Nariño and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have a defined market for forest products.

Program activities will focus on four components:

1. Forest Policy: CFDP will improve knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and will work to correct those policies.
2. Plan Colombia: CFDP will assist Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. Improved Forest Product Production Chain: CFDP will provide assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. The assistance will involve improved management of plantation and natural forests, including the establishment of industrial plantations in the four clusters; identification of transportation constraints and development of methods to overcome those constraints; improved conversion of raw materials to market products; and enhanced partnering among all links in the production chain. CFDP will capitalize on market conditions and opportunities in the forestry sector including international markets and standards, domestic markets and standards, and non-traditional markets such as “certified wood” and CO₂ sequestration credits.
4. Commercial Forestry Development Fund: CFDP will also provide additional assistance to support viable and responsible commercial forestry incentives outside the four clusters.

Significant program results include establishing 15,000 hectares of industrial plantations, managing 140,000 hectares of natural forest, establishing 11,000 hectares of agro-forestry, creating at least 500 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

A. Forestry Law

During the quarter, CONIF, WWF and John Nittler of Chemonics reviewed three versions of the proposed forestry law. CONIF reviewed areas pertinent to commercial forestry, WWF analyzed aspects related to natural forests, and Nittler prepared a summary analysis based on international best practices. A team of 4 experts conducted a regional comparative analysis of forestry legislation, drawing on experiences from Bolivia, Ecuador, Chile and Costa Rica. The analysis revealed serious deficiencies in the current and proposed legal and institutional frameworks in Colombia. Team members Nittler and Thiel presented their findings at meetings arranged with key players, including the Minister of Environment and the Ministry of Agriculture. The new private sector business association Fedemaderas invited CFDP to present their findings at a seminar attended by over 40 participants, including a wide range of private and public sector players. The meetings and seminar succeeded in opening a wider space for CFDP to facilitate and support the development of a sounder legislative and insitutional framework.

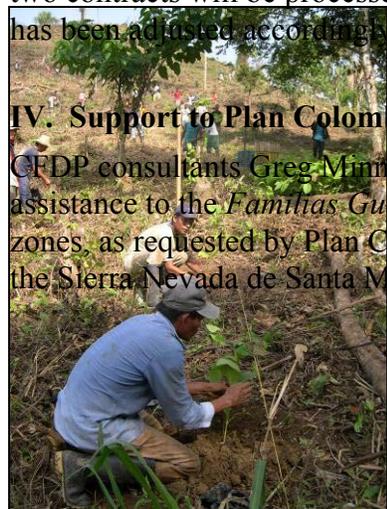
The Government of Colombia (GOC) has indicated its intent to submit a new version of a draft forestry law by July 20, 2004. CFDP management anticipates providing inputs to the commission convened by the GOC prior to this date, as well as providing support and facilitation to subsequent activities associated with the legislative process.

B. Consejo Consultivo

On May 7th, CFDP convened a second meeting of its *Consejo Consultivo*. In the previous quarter, CFDP had received various comments about the *Consejo*. Participants highlighted a lack of information about the program, a need to define more precisely the *Consejo*'s role and a need to more closely involve the *Consejo* in key programmatic decisions. In an open discussion of these comments, CFDP management agreed to changes in the meeting's format that would facilitate more in-depth discussions and an interchange of more information. Following this discussion, CFDP's new Chief of Party summarized various changes in the program's management structure and direction, while technical staff presented the program's advances. At the end of the meeting, several participants made favorable comments about the new approaches and overall direction of the CFDP.

C. Consultants for the Ministry of Environment

In response to USAID's request, CFDP has begun the process of contracting two consultants for the Ministry of Environment: an information systems consultant and a free trade specialist. The two contracts will be processed once Budget Modification Four has been approved and the LOE has been adjusted accordingly.



IV. Support to Plan Colombia

CFDP consultants Greg Minnick and Octavio Lopez continued to work on the design of CFDP's assistance to the *Familias Guardabosques* program. They concentrated their efforts on three zones, as requested by Plan Colombia: Urabá (site of a likely pilot project), Sur de Bolívar and the Sierra Nevada de Santa Marta. Their final report will focus on the natural forest's

sustainable, short-term income-generating potential. They will make suggestions as to how CFDP can support *Familias Guardabosques* directly through technical assistance in forest management, equipment and negotiating with the CARs. They will also make recommendations on how CFDP can support the nuclei indirectly by referring them to other technical assistance and financing providers (providers such as *gremios* and Finagro) for the agricultural projects they will develop as a complement to their forestry activities.

V. Improving Forest Products Production Chains

A. National

1. CO2 Markets Developed

CFDP consultant Argelio Maldonado spent several weeks investigating the feasibility of developing CO2 projects in Colombia. While CO2 projects provide important environmental services and generate some income, the funds generated are insufficient to assure the profitability of a forestry project. CO2 income can provide a modest additional incentive, but by no means constitute the bulk of the profits. Based on this analysis, CFDP will integrate all CO2 projects with sustainable management plans and value-added marketing of other forest products to maximize the profitability and longevity of the projects.

Acting on Maldonado's recommendations, CFDP will contract local CO2 consultant Javier Blanco early in the next quarter to develop Project Design Documents (PDD)¹ for several potential projects. The four potential projects the program has identified cover various geographical areas: Pizano/Monterrey Forestal (three projects in Bajo Magdalena and Bajo Atrato in plantations and agroforestry) and Corporación del Valle del Sinú (CVS, a Regional Autonomous Corporation or CAR located in Córdoba, one mangrove project).

All CO2 projects must be approved by the Ministry of the Environment's Climactic Change Group in order to be released into the market. The ministry is keenly interested in launching CO2 projects. CFDP sees this as a key opportunity to further improve our relationship with the Ministry and provide a national model for international environmental services.

2. Marketing Study

CFDP marketing expert Harold Arnold spent several weeks investigating possible export markets for Colombian wood products that the program will consider developing. His study yielded three interesting possibilities. Ready to assemble furniture, especially for offices, is a high growth market in developed countries. He saw specific opportunities in an intermediate niche between low-cost, minimal design providers such as Wal-Mart and high-cost, well-designed office furniture provided by companies like as Ethan Allen. This intermediate niche would cater to consumers who are willing to pay more for a better design and finish, but do not have the budget for high-end stores. Nascent efforts by furniture producers in Cali and Bogotá already exist.

¹ PDDs are used to interest potential investors in the project.

Another additional market identified is wooden coffins. The coffin market has several specialty niches that CFDP could develop. The specialty market for the obese, necessitating specially designed coffins is one possibility as are religious niches, such as certain Jewish sects that recommend cremation in wooden coffins that do not contain any metal components. These markets would be a good use of the natural forest wood coming from Nariño.

The final market identified was that of firewood exports, especially for eucalyptus. This market is not intended to be value added, but rather it will add to the entire value of the tree by selling and exporting waste products from sawmills and the original harvesting in the forest (branches, etc.). This activity has the potential to create many jobs and increase the demand and competition for wood waste products. However, the market is seasonal, with peaks from October to January. In addition, CFDP must more fully explore the sanitary and pest-control requirements.

3. Wood Properties Study

CFDP has identified a lack of reliable information relating to tree species, especially tropical species. In response to that lack, CFDP has initiated a study that will amass information on wood properties, mechanics, use, tree anatomy, secondary uses such as resin, etc. This information will be used to expand and complement the International Tropical Timber Organization (ITTO) database and will conform to international standards. If the wood is improperly catalogued or similar species are grouped together under the same name, this means that consumers cannot be guaranteed the same quality and look (grain, color, etc). This greatly reduces the wood's marketability. This study will allow common tropical species to be correctly identified; this will open the door to markets, research and increased production in plantations. Local species in particular need of further study are: *fono* (produced by ByM project and used to floor our COP's office), *guayacan* and *guamo*. CFDP believes that several different species are lumped together under these three names.

4. Trip to Brazil

CFDP's Alfonso Uribe accompanied a group of Colombian forestry companies and representatives from various related organizations on a field visit to Brazil in May. The group attended the Forestry Stewardship Council's bi-annual international certified wood conference and visited Klabin Industry's eucalyptus processing mills. Through the conference CFDP obtained contacts for certified wood products, kept abreast of market developments and viewed a wide variety of new products and services.

The Klabin Industry is the largest paper company in Brazil and has achieved many advances in silviculture (genetics, silviculture, nurseries) and processing (notably very advanced technology in milling eucalyptus). These achievements were made possible through the use of an innovative business model. Originally Klabin managed eucalyptus plantations and a pulp factory. However, they were losing money rapidly as pulp products do not have a high value. They decided on an innovative way of adding value to their activities. First, they granted early retirement to all their senior management and gave them a generous severance package with the

understanding that they would use those funds to invest in sawmills and Klabin would assist them with marketing the sawmill products. Second, Klabin then classified their wood and sold the sawmill grade lumber at a higher price to the sawmills. This allowed them to increase their revenue from their plantations. Third, since the sawmill owners were past employees, they provided excellent feedback on the quality of the wood. This allowed Klabin to improve their silvicultural package for their plantations.

CFDP believes that a similar scheme could be implemented successfully by industrial forestry companies in Colombia. With that in mind, Uribe presented the Klabin experience to businessmen from Bajo Magdalena and has invitations to present to forestry actors in Antioquia, the Coffee Zone, Valle del Cauca and Córdoba during the next quarter.

VI. Commercial Forestry Development Fund

During the quarter CFDP brokered several meetings between Fedemaderas in Bogotá and Fedemadera in Medellín. The original idea was to fuse the two entities into a single national association. However, as the talks progressed slowly and the association that emerged was clumsy, CFDP changed its strategy and has now decided to support Fedemaderas in Bogotá. As the national *gremio*, Fedemaderas will provide technical support to the regional associations, but will represent the industry on a nation-wide level.



During the next quarter, CFDP will hire an international consultant to structure the association, draft its by-laws and define its national scope. However, that process has been postponed as CFDP is trying to obtain a concurrence in principle from USAID that would permit them to work with them based on a sole source justification. Once the issue is resolved, CFDP will initiate work with the consultant.

6. Natural Forest Consultant Freddy Contreras

Natural forest consultant Freddy Contreras provided significant assistance to regional actors. He trained local personnel on the use of cartography and GPS units, provided assistance in preparing for the inventories and advised them on community socialization using his experiences in Bolivia. CFDP also adapted the forest inventory software used in Bolivia to Colombia's needs and distributed it to regional actors.

Agroforestry efforts in Tumaco

7. Alvaro Castañeda – GIS contract

During the quarter, Alvaro Castañeda handed in all his deliverables on CFDP forest areas. His GIS information revealed that all the areas surveyed contained the necessary concentration of

forests and his maps will be used to conduct initial and detailed inventories of those areas during the next quarter.

He continues to work on his analysis of the Plan Colombia areas in close coordination with *Familias Guardabosques*' Antonio Villa.

8. Environmental Assessment

Bruce Kernan and his Environmental Assessment team concluded their review of environmental regulations and the program's expected impacts. The EA team presented their final findings and recommendations to the technical team and USAID. Based on comments received, CFDP has restructured and edited their report and has submitted it to USAID for approval.

9. CIDICO

CIDICO is a national NGO that works with the construction industry. They plan to work as a promotional agency with construction companies to foster the use of structural lumber in construction. They will also facilitate connections for interested construction companies with certified providers of classified wood. It is also possible that CIDICO will work to identify financial mechanisms for those builders interested in experimenting with wood products. CFDP plans to support the use of structural lumber in middle-income housing and in other key market niches. We therefore anticipate mobilizing related technical assistance and considering grant proposals, based on an initial project profile submitted by CIDICO through the annual program statement grants mechanism.

B. Bajo Atrato – Urabá

1. Cacarica Natural Forest Area

CFDP personnel traveled to Cacarica to investigate more thoroughly the obstacles to implementation previously identified. After speaking at length with local actors, they concluded that the legal complications, the displacement of the community to Turbo, security situation, the attitude of the local CAR and the doubtful quality of existing forests all conspired to make working in the area problematic. Cacarica will be removed from the CONIF contract and the funds will be reallocated to other activities. CFDP also feels that we will be able to meet our contractual obligations without Cacarica. Specifically, substitute opportunities for natural forestry management have been identified in Vigía del Fuerte and Murindó in Medio Atrato. As of issuance of this report, CFDP had received a concept paper for a grant proposal from Corpourabá to develop sustainable forest management plans for both of these communities. CFDP expects to receive a fully developed grant proposal early next quarter, as the concept paper was approved by the program and USAID.

2. Regional Reforestation Initiative / PROFOREST

CFDP is currently developing a regional strategy for plantations in Urabá. A variety of possible reforestation actors are present in the area, such as the banana producers and the small-scale teak producers. However, given the number of actors and breadth of their activities, CFDP has identified

the need for a qualified regional technical assistance provider. Corpourabá is unable to provide such assistance due to its mandate.

For example, on a recent trip to Bajo Atrato CFDP consultants visited the *cativales* that had not been heavily harvested by Pizano due to their poor quality. While Pizano did not harvest the wood, they did construct transportation channels so that they could navigate the areas. This opened the forest up for development and several cattle ranchers moved in. The area has proven to be nonproductive for ranching due to the high moisture content of the soil, but experiments with plantations of *caracolí* and *ceiba roja* have had excellent results. However, they need additional technical assistance to fully exploit the growing conditions and improve silvicultural practices.

Proforest, a mixed entity uniting the major forestry actors in Urabá, could provide such assistance. However, Proforest has yet to define its mission and decide whether it will implement directly or through others. That decision will be defined shortly and will have a significant impact on the CFDP program in the region.

3. Organización Indígena de Antioquia (OIA) / PRODES

During this quarter, OIA and PRODES ratified their partnership with their respective stakeholders. As of the last quarter, the OIA elders committed to the process with PRODES, however the communities still had to buy into the process. The elders held several meetings and workshops in the different indigenous communities and succeeded in ratifying the partnership with their communities. PRODES also ratified the partnership with its consortium of businesses.

During the next quarter, OIA will conduct forestry inventories to identify the species and amounts that will be available for commercialization on a yearly basis. Based on the inventories, it is hoped that PRODES will sign a forward contract for species of interest and commit to substantial co-investment in new wood transformation facilities in partnership with local communities. CFDP plans to continue supporting this process, primarily through subcontractor WWF, but increasingly with direct support from Chemonics and other CFDP subcontractors and experts, especially as the industrial feasibility study and sawmill design activities begin.

4. Comercializadora Internacional Aurora S.A. / De Balsa

CFDP has identified another promising candidate in Urabá. C.I. Aurora is a balsa processing and exporting company that caters to specialty markets around the world. Currently they import most of their balsa from Ecuador and obtain the rest from Colombian natural forests. Balsa has a low density, is structurally sound and is resistant to high temperatures. This makes it ideal for use in airplane models and aerospace products. Due to its relative scarcity and increasing demand, balsa is also a guaranteed market.

Balsa has a short growing cycle, seven to ten years, and is a pioneer species. However, it is particular about its soils and is prone to plagues. CFDP is exploring the possibility of supporting Aurora in establishing their own plantations and/or entering into a forward contract with OIA for their balsa, who are located close to Aurora's processing site.

5. Banana Industry

Conversations with the banana industry continue. They have indicated that they would like to have Proforest provide technical assistance on their projects. CFDP is currently exploring Proforest's capacity and will develop plans with the industry once Proforest's role is defined.

C. Pacific Coast of Nariño and Guapi

1. CONIF Community Socialization Workshops

CFDP and CONIF staff participated in several communications workshops designed to train them in community socialization. The workshops focused on key messages, past socialization experiences, the commitments they needed to establish with the communities and how to explain the different steps leading up to project initiation (inventories, socio-economic diagnostic, etc.).

In late June, the regional team held their first socialization meeting with the fourteen *consejos comunitarios* that constitute Recompas in Bajo Mira, supported by CFDP staff and consultants. The communities were interested and receptive. CONIF expects to sign community agreements with each Bajo Mira *consejo* early in the next quarter and begin the inventory and socio-economic diagnostic work immediately afterwards. Socialization work with the *consejos* in Satinga and Sanquianga is also scheduled to begin early in the next quarter.

2. CONIF's New Regional Team

CONIF hired a new regional team for the office. The new regional coordinator, William Ballesteros, previously worked for the CVC-Holanda agroforestry project and has significant experience in community socialization and agroforestry. Omar Guauque, previously the regional coordinator, is now acting as the technical support. Silena Dahome Palacios will act as the socialization assistant. An administrative assistant will be hired early in the next quarter.



Transportation in Nariño

The new regional team participated in team-building exercises and is now engaged in moving forward with program activities in the region and setting up their offices.

3. WWF

WWF personnel have begun implementing natural forest management activities in Guapi. They have held socialization workshops with the communities that promote the goals of sustainable natural forest management. In addition, they have begun identifying key links in the area's forestry chain, such as local sawmills, and have begun the process of integrating them into the program.

D. Bajo Magdalena

1. Regional Forest Inventory

CONIF initiated work on its regional forestry inventory for the nucleus and generated a draft of its report. They conducted a survey, by age and specie, of the plantations of: Pizano, Refocosta, RESS, Madeflex and Cormagdalena in the Magdalena and Bolivar departments. CONIF's team evaluated four species: *ceiba roja*, melina, eucalyptus and teak. In general they found, taking into account the age, uses, harvest cycles and industrial processes utilized, that a stable supply exists only for melina and eucalyptus.

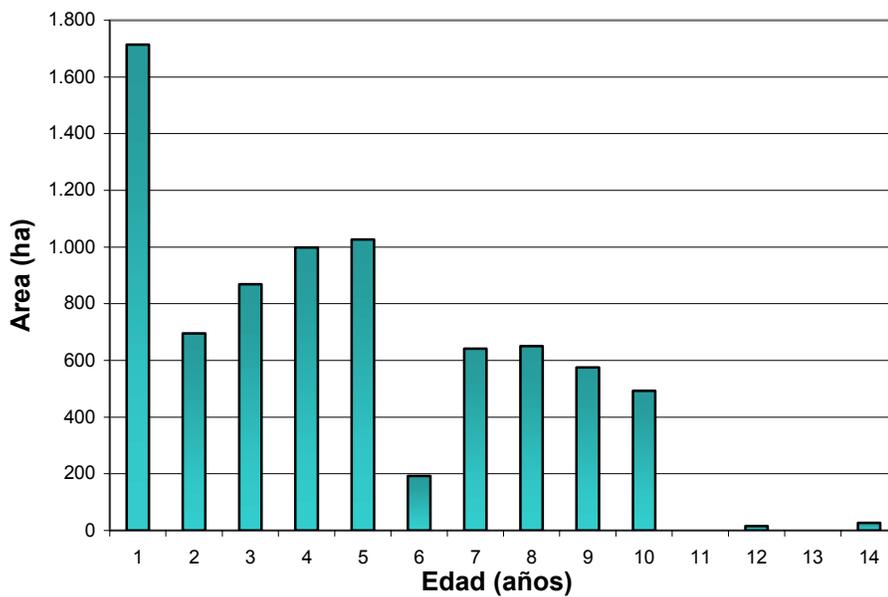


Figure 1. Total area of melina planted by age.

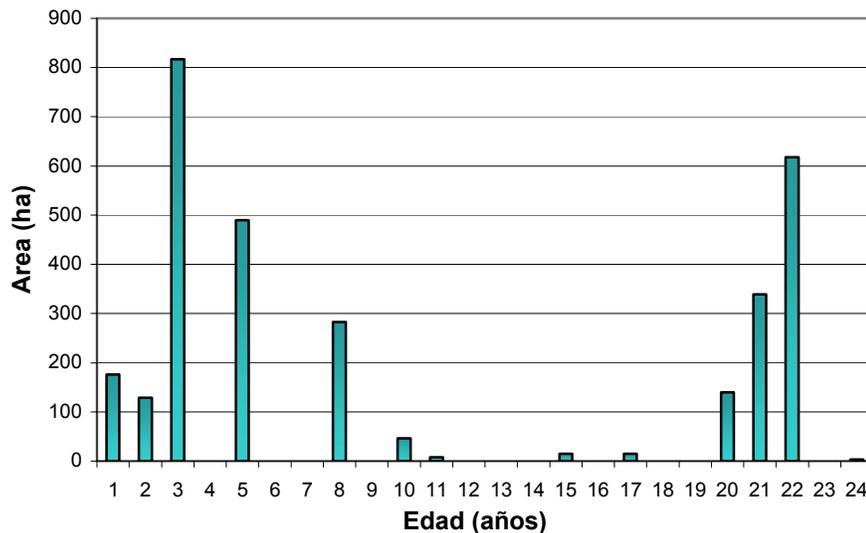


Figure 2. Total area of *Eucalyptus tereticornis* planted by age.

The *ceiba roja* plantations still have not met the 25 year maturity mark and the area planted will not be sufficient to supply the installed capacity of the transformation industry in the region.

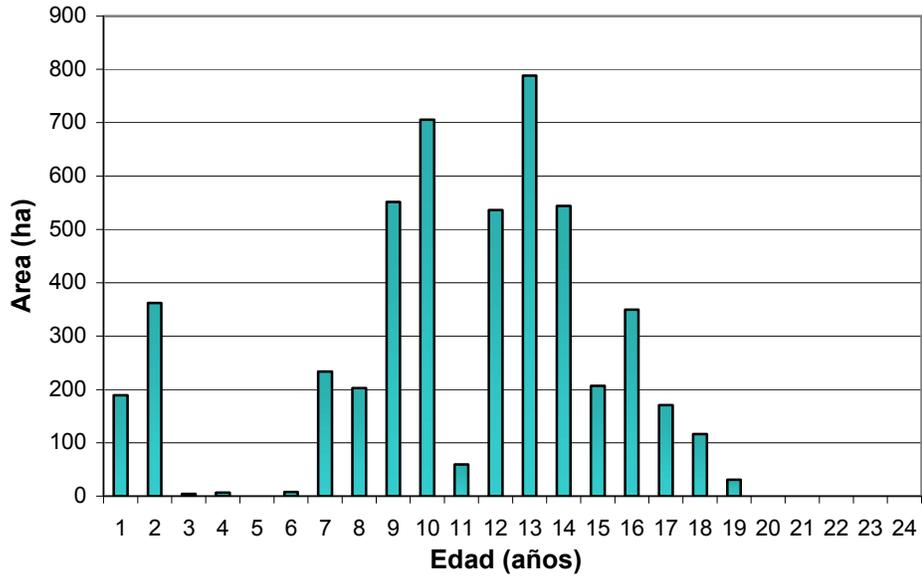


Figure 3. Total area of ceiba roja planted by age.

The existing teak plantations are clustered around the first and last years of the 25 year cycle. There are virtual no plantations of intermediate age.

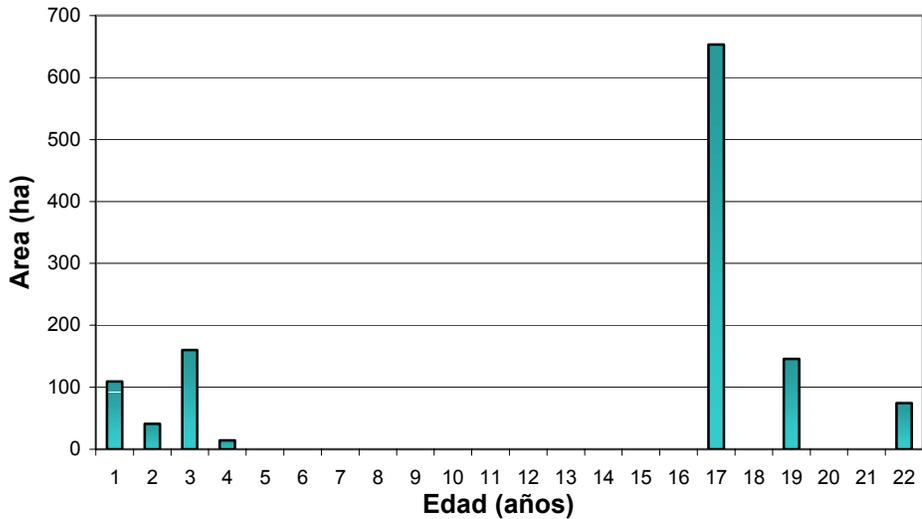


Figure 4. Total area of teak planted by age.

Next quarter CONIF will work to develop a study of the requirements necessary to fully take advantage of the supply available of all four species and the types and level of industries the supply is capable of sustaining.

2. Regional Agroforestry Evaluation

CONIF developed a regional agroforestry evaluation for the Bajo Magdalena nucleus that investigates the current agroforestry schemes used in the area and the strategies to use when implementing this module of production in the region. At this time, four agroforestry schemes are currently used in the region: 1) silvopastoral (combining trees and cattle), 2) taungya (combining trees and other agricultural crops such as corn), 3) living fences (trees used as fences along roads) and 4) home orchards (small property owners combine commercial lumber trees and other subsistence crops such as fruit trees).

While each of these combinations has its own advantages and disadvantages, CONIF recommends exploring the living fence scheme with small and medium-sized land owners using woods such as teak and eucalyptus. Both have shown good growth rates and adaptability to this method. CONIF will continue to develop this project during the next quarter.

3. Log Grade Standards

CFDP finished developing log grade standards for several commercial species. Grading trees involves cutting down samples, observing their characteristics and developing quality guidelines. Log grades were developed and finalized for melina, *ceiba roja*, teak and eucalyptus. Log grade standards allow producers to judge the value of their standing trees and market their products accordingly. These guides will increase the profits plantation owners receive for their trees and improve their investment portfolio. CONIF presented these guides to regional forestry actors in Bajo Magdalena and CFDP is currently exploring the possibility of publication.

4. Reforestadora San Sebastian (RESS) Proposals

In the second round of the grants *convocatoria*, CFDP received two concept papers from RESS. The first proposal asks for additional funds to digitize, consolidate and safeguard their genetic studies of eucalyptus. RESS has successfully adapted a eucalyptus species to the dry tropics. Once the information has been organized, RESS will make their research records available to other planters. Their specially adapted species may be used by CFDP in reforestation efforts in the region.

The second RESS concept paper involves partially funding 3,000 hectares of eucalyptus in Bajo Magdalena. The project would leverage existing technology and genetic material, provided by RESS, and the reforestation would take place on land owned by small farmers. These farmers would also supply the necessary labor. CFDP's other regional studies have shown that a viable regional market exists for value-added eucalyptus products. However, to take advantage of this opportunity, the plantation base must be enlarged to support economies of scale.

5. RFA for Bajo Magdalena

Based on the RESS proposal and expressions of interest received from regional actors, CFDP plans to release a Request for Applications (RFA) for Bajo Magdalena. The RFA will request other applications similar to the RESS-reforestation proposal that involve a consortium of one large regional actor, such as RESS, and smaller producers within their geographical area of influence. Financial consultant Ken Peoples will explore the opportunity of attracting additional investors through mechanisms such as securitization during his upcoming trip early in July.

E. Northeastern Antioquia

1. Sampling for Pine in Construction Grade Lumber

CFDP selected Silvitecnia Ltda. to conduct a nation-wide sample of pine species grown in Colombia. These samples will be used to establish national norms for the classification of pine species in the construction industry. CFDP partner Renewable Resource Associates (RRA) will send down two specialists, Lon Sibert and Matthew Anderson, to review the sampling facilities and technical expertise. Medellín's National University Forest Products Laboratory will be used to conduct the studies. The two consultants will evaluate their equipment and approve the sampling plan during the next quarter. Based on their recommendations, CFDP will consider updating the University's equipment to guarantee a solid sampling process.

2. Regional Forest Inventory

CFDP selected Servicios y Consultorias to conduct a regional forest inventory similar to that of Bajo Magdalena. However, the study will focus on species of pine, as that is the major forestry crop in the area. This study will be completed during the next quarter. It will be used as a basis for the feasibility study for the transformation center tentatively planned in Barbosa and will also identify land available for new plantations.

VI. Commercial Forestry Development Fund

Fedemaderas was established in December 2003 to unify the interests of forestry regions and different production links of the forestry chain into one *gremio*. To date, Fedemaderas has incorporated 140 companies throughout the forestry chain. In order to guarantee a strong forestry sector, a strong *gremio* is required. CFDP feels that it can provide positive support to Fedemaderas in the following areas: technical training, advocacy techniques, information management and marketing skills.

CFDP has designed an initial technical assistance package for Fedemaderas that has the following objectives: 1) define its structure, its mission and the services it will offer to members, 2) develop a sustainable financial plan and 3) define the participation of CFDP in Fedemaderas' development in the short and medium term (training events, technical assistance, etc.).

During the last quarter, CFDP obtained a concurrence in principal from USAID that enabled work with Fedemaderas to move forward. After a competitive selection process, CFDP has selected Gamboa y Acevedo Asociados to implement the technical assistance package. Gamboa y Acevedo is scheduled to begin working with Fedemaderas early in the next quarter.

VII. Progress toward SO2 Goals

Field work initiated during this quarter. To date, CFDP can report 158 workdays generated in Bajo Magdalena and Nariño.

VIII. Program Management and Support Activities

A. Grants and Contracts

WWF signed their second contract with CFDP on April 15, 2004 and initiated their field activities.

The grants manual was approved by USAID in the English version on May 28. By the end of the quarter CFDP had translated 80% of the manual into Spanish.

The second round of the *convocatoria* yielded 31 concept papers and five were selected to continue on into phase two of the approval process: CVS (CO2), RESS – genetics, RESS – reforestation, Pizano/Monterrey Forestal (CO2) and CIDICO (construction).

The third round of the *convocatoria* yielded eight concept papers and the technical evaluation committee. The committee did not approve any for development.

CFDP expects to send a proposed budget modification to USAID in August.

B. Work Plan

CFDP expects to send its Revised LOP Work Plan to USAID for approval in August.

C. Monitoring and Evaluation

An initial draft of the socio-economic diagnostic was developed and shared with CFDP technical staff and CONIF. The diagnostic will contain detailed information on the region, the communities and the forestry chain in each region. CFDP also integrated members of AIC, the socio-economic contractor, with the CFDP and CONIF teams.

Detailed definitions were provided to the implementers on the indicators and quarterly report requirements.

During the next quarter, M&E specialist Kris Merschrod will spend two weeks in Colombia to assist the Operations and Support Manager in finalizing the database, preparing guidance for implementers and finalizing the socio-economic diagnostic.

D. Communications

During this quarter, CFDP designed and finalized its communications framework. The framework established the program's communications needs and available local resources. The

framework was developed in extensive consultant with CFDP staff, external consultants and meetings with program clients, including USAID, the Ministries and sub-contractors. A copy of the report will be provided to USAID in July.

In addition, CFDP hired a local company, Words and Ideas, to assist in the development of the framework and focus specifically on the issue of socializing natural forest communities. CFDP staff and Words & Ideas developed the necessary key messages and trained CONIF staff on socialization techniques.

E. Personnel

USAID approved Vincent Ruddy as CFDP's Chief of Party on April 12, 2004. He restructured and reoriented program activities and personnel responsibilities through a series of workshops and budgeting exercises.

CONIF has hired nine staff members for their central office, three in the Nariño regional office and two in Baranquilla. This brings the total number of CFDP-CONIF personnel to 15. They also reported a total of 215 professional workdays by professional consultants on policy and forestry topics.

I. Paraguay Poverty Reduction, TO#825 *Start Date: August 15, 2003* *End Date: August 15, 2006* *Amount of Delivery Order: \$3,989,507.00*

Under the General Business Trade and Investment Indefinite Quantity Contract (IQC), on August 12, 2003 the Chemonics consortium was awarded a task order to provide technical assistance in support of the Paraguay Poverty Reduction Program (Contract No. PCEI00990001500, Task Order 825). The contract is being implemented by Chemonics International with Crimson Capital Corporation, Universidad Católica Nuestra Señora de la Asunción/Shirosawa Company SAIC Consortium (UC/Shirosawa), Cámara de Comercio Paraguayo-Americana, Enlace/Asecorp Consortium, and Centro de Análisis y Difusión de la Economía Paraguaya (CADEP) as subcontractors. The duration of the task order is about three years, during which time we shall provide business development services to reduce poverty and to expand sales, jobs, and investment in Paraguay.

The Paraguay Vende project works to increase the incomes of the poor in selected economic regions and produce a rapid economic turnaround through job creation and income generation. Paraguayan subcontractors manage three Economic Service Centres (ESCs) located in Ciudad del Este, Coronel Oviedo, and Yby Yaú. These cities lie in strategically selected economic corridors where poverty converges with potential for economic growth. Adopting a demand-driven approach, the ESCs identify individual firms with the highest potential for growth and a willingness to invest, regardless of the sector or product. Providing only non-financial technical assistance, the project helps client firms problem-solve to overcome specific obstacles to

expanding sales and entering new markets. Paraguay Vende helps firms make contact with buyers, meet quality standards, achieve consistent quality and supply, and increase profits by maximizing the value added locally. Moreover, working with client firms, the project will identify policy and regulatory constraints hindering economic growth, and the project's Foro de Politico y Comercio (FPC) will work to remove these constraints and foster a more enabling environment.

The project shall achieve economic growth and poverty reduction goals through a demand driven approach.

Intermediate Result 1—Business Development Strategies:

The contractor shall define the economic areas, selecting entities with whom to work and interventions to undertake.

Intermediate Result 2—Financial Services

Increased financial services are a means to the end of generating jobs, employment and increased opportunities for the poor. This contract shall not seek to achieve institutional reform or improvements in financial mediation that are not linked directly to enhancing demand and expanding economic activities that contribute to growth and poverty reduction. The contractor, to the extent that access to credit and other financial services are a serious constraint to businesses' and producers' opportunities for growth, will be expected to include these services.

Intermediate Result 3—Business Environment

Because policies and regulations may constrain opportunities for increasing sales, investments, exports and business expansion, the contractor shall focus on those areas where the potential significance of the policy or regulatory constraint can be assessed and where it appears feasible to achieve changes, working, as appropriate, with other donors and partners. The contractor shall not only analyze constraints and recommend reforms but also help to educate public sector decision-makers and even help to build constituencies for reform. The contractor shall select and address policy and regulatory issues.

Results

Program success will be measured in terms of the program's documented impact on several critical indicators. These results should be directly attributable to the contractor's interventions and assistance to the clients it serves. The program is expected to achieve the following results:

1. Employment: 750,000 days of employment generated
2. Increase in Business volume (sales): \$9,000,000
3. Increased Investment in plant and equipment: \$1,000,000

4. Increased Exports (may be a subset of sales reported in indicator #2 above): \$3,000,000

This report summarizes Paraguay Vende's activities and progress this quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.

A. Summary

This section presents an overview of the project's activities during the past quarter. The information is sorted by continuing technical assistance and new technical assistance projects initiated this quarter.

A1. Continuing Technical Assistance

The Paraguay Vende project initiated work with Xtreme, James May Company, Telnet, Kemagro, Magroplan, and Soja Rica during the first quarter and has continued to work with them throughout the second quarter.

A1a. Xtreme (wood moldings)-Eastern Corridor

Jim Krigbaum continued to work with Xtreme to identify potential buyers in the second quarter. In late April, Mr. Krigbaum traveled with representatives from Xtreme throughout the United States to meet with wood buyers interested in mouldings produced by Xtreme. Mr. Krigbaum arranged meetings with 12 large wood buyers in Florida, Georgia, Tennessee, Ohio, Arkansas, Texas, California, Idaho, Oregon, and Seattle. These meetings have generated interest in products from Xtreme, and Mr. Krigbaum prepared a final report on the work with Xtreme providing general suggestions related to the wood sector in Paraguay along with specific advice for Xtreme. After the trip to the United States, Xtreme has not been as responsive to inquiries as its potential U.S. buyers would like. Juan Carron, the project's deputy director, is working with Xtreme to rectify this issue so that Xtreme can take advantage of the promising opportunities created by the visit to the United States. At the same time, the project has aggressively sought other Paraguayan wood companies that may be of interest to the buyers that met with Xtreme and have knowledge of the Paraguay Vende project.

A1b. James May Company and Telnet (Stevia)-Central, Northern and Eastern Corridors

During this quarter, the Paraguay Vende project continued to work on preparing a report on additional commercial possibilities for stevia. The project continued to utilize technical expertise from Karen Timke on the local markets and the Brazilian market for stevia, and Jim Krigbaum continued to evaluate opportunities for stevia in the United States. The project also hired Dr. Junichi Uno, an engineer, with many years of experience in the food sector in Asia to evaluate the

Japanese market as well as the regional Asian market for stevia. Ms. Timke, Mr. Krigbaum, and Dr. Uno worked throughout the quarter to finalize the report, and the project will release the final report on stevia in the next quarter.

A1c. Kemagro KH (Organic Sesame)-Northern Corridor

Lourdes Martinez has continued to work on identifying niche markets for high-quality sesame oil in the United States. Due to a change in their buyer, Kemagro is now also looking to find a new market for its lower quality sesame oil and for sesame seeds. The project plans to hire ST expat Bahman Dejbod to identify markets for less refined, non-premium sesame products.

A1d. Magroplan and Soja Rica (Weight loss herbs and dietary supplements)-Central Corridor

Paraguay Vende has continued to monitor the results from both Magroplan and Soja Rica to determine the results of the project intervention for both firms. The Paraguay Vende project expanded its assistance to Soja Rica during this quarter in order to identify a graphic designer to develop a new product image to improve sales. Unfortunately, Soja Rica has been unwilling to provide the Paraguay Vende project with data on its results from this quarter. The Central Corridor ESC is working to try to gain access to this information.

Magroplan has continued to demonstrate solid results. All three product lines, 200 gram, 60 gram, and individual packets of herbs, exceeded the previous year's sales rates during this quarter after assistance from Paraguay Vende. In particular, sales of individual packets of herbs have more than doubled over the first 6 months of this year in comparison to last year with an increase in sales of 19,506,922 Gs.²

A2. New Technical Assistance During this Quarter.

The project initiated assistance with 16 new firms during the third quarter. Unlike the existing technical assistance that occurred primarily through the main office in Asunción, these firms are the first group of firms to receive assistance from the Economic Service Centers. Therefore, this assistance will be divided by economic corridor.

A2a. Eastern Corridor

The Eastern Corridor managed by Cámara de Comercio Paraguayo-Americana in Ciudad del Este has initiated work with five firms, Braview, Dalazen, Estancia FD, Metal Forte, and Transtrade.

1. Braview

Braview is a new firm that recycles computer monitor parts to build refurbished monitors for sale. The CSE has coordinated their efforts with the project's Foro de Políticas Comerciales (FPC). The FPC is working to loosen regulations in order to facilitate the manufacture of

² 1 US\$ = approx. Gs. 6,000 as of 7/27/2004.

computer monitors for the information services market. The firm has begun manufacturing and had 177 million Gs in sales for its first month in June.

2. Dalazen and Metal Forte

Both Dalazen and Metal Forte are companies that manufacture enclosed driver compartments for tractors and self-propelled sprayers. Paraguay Vende is working with both companies to strengthen their basic product advertising. For Dalazen, the monitoring and evaluation unit for Paraguay Vende has not been able to establish baseline data and therefore cannot determine results that are attributable to the project. For Metal Forte, the project has results for June that demonstrate a growth in sales from 174,230,000 Gs. in June of last year to 253,110,00 Gs. this June. This is a 44% increase in sales for the month.

3. Estancias FD

Estancias FD is a producer of Yerba Mate and other food products that the Paraguay Vende project is helping to improve its commercial strategy for the following products: yerba mate, fruits, meat, and grains. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results.

4. Transtrade

Transtrade provides international logistics support for businesses in duty free zones, including warehouse storage of shipments and provision of office space for companies. The project is working with Transtrade to develop its potential to be a focal point for economic development within the context of MERCOSUR. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results.

A2b. Central Corridor

The Central Corridor managed by Universidad Católica Nuestra Señora de la Asunción/Shirosawa Company SAIC Consortium (UC/Shirosawa) in Coronel Ovidedo has initiated work with seven firms, Aceitera El Salvador (Delfin Ruiz), Confecciones Catedral, El Agricultor, Enrique Remele Sacei, Industria Alimenticia Acasa, Oro Verde, and Shirosawa.

1. Aceitera El Salvador

This firm produces crude oils and cottonseed oil. The Central Corridor ESC is consulting the firm regarding commercial issues and on the provision of alternative raw materials. In the next quarter, the project will seek alliances to promote the production of biodiesel. In June, the firm's sales of cottonseed oil jumped to more than 370 million Gs., a more than 750% increase over previous average monthly sales.

2. Confecciones Catedral

Confecciones Catedral produces candy. Paraguay Vende is working with Confecciones Catedral to meet new buyers and to modernize their production methods. Paraguay Vende has only

recently begun to provide support to this firm, so there are not yet results.

3. El Agricultor

The Paraguay Vende project is working with the Yerba Mate producer, El Agricultor, to select a regional distributor and identify an external market for its products. For the month of April, El Agricultor has experienced a moderate growth in sales of 25 million Gs.; however, the project does not have data on sales in May and June to determine whether this growth has continued throughout the quarter.

4. Enrique Remele Sacei

Enrique Remele Sacei is a flour mill and flour bleaching factory. The ESC staff is working with this firm to identify a large buyer that can facilitate the creation and coordination of the brand. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results.

5. Industria Alimenticia Acasa

The firm Industria Alimenticia Acasa produces Chimichurri, a sweet and mildly spicy sauce. The Paraguay Vende project is working to increase sales by identifying new buyers and modernizing the firm's production methods. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results.

6. Oro Verde

With Oro Verde, the Paraguay Vende project is working with another firm that produces Yerba Mate. The project is working with the firm attempting to identify and negotiate potential orders in external markets. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results to report.

7. Shirosawa

Shirosawa is a distributor of food products that the Paraguay Vende project is assisting with its local distribution and also helping with commercialization of some pre-selected products for international markets. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results to report.

A2c. Northern Corridor

The Northern Corridor, managed by Enlace/Asecorp Consortium in Yby Yaú has initiated work with four firms, Herbapar, Itacuer, Jose Coelho, and Panter.

1. Herbapar

The firm, Herbapar, is a seller of medicinal herbs in the Northern Corridor. The ESC is helping Herbapar to uncover new buyers for its products and to improve its production methods.

Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results to report.

2. Itacuer

Itacuer operates a tannery and produces leather products. The Paraguay Vende project has not yet finalized its assistance to Itacuer and therefore does not yet have demonstrable results.

3. Jose Coelho

Paraguay Vende is working with the Jose Coelho company, a producer of charcoal, to identify new buyers and improve production methods. Paraguay Vende has only recently begun to provide support to this firm, so there are not yet results to report.

4. Panter

Panter is a firm that produces orange peel and sesame seeds that are further refined by other producers. The ESC is attempting to identify and negotiate sales with new final producers. The Paraguay Vende office has hired a local consultant that has not yet unearthed new buyers; however, the consultant will continue to work in the third quarter to identify new opportunities. Since the project has not been able to generate new sales, we do not yet have results for this company.

A3. Consortium Management

During this quarter, Chemonics finalized a subcontract with Crimson Capital, one of our consortium members, to start identifying markets in Europe for specific Paraguay firms. Chemonics anticipates fielding consultants under this subcontract in the third quarter.

In Paraguay, the management of the ESCs and the FPC has gone well so far. There were a few early difficulties with some of the accounting centers that delayed billing for the first month from the center in Yby Yau. The project accountant, Enrico Aveiro, spent considerable time working with the centers so that the accounting system for all the centers is now running smoothly.

B. Technical Activities Planned for Next Quarter

During the next quarter it is anticipated that many of the above referenced consultancies will continue. In addition, Paraguay Vende has contracted Bahman Dejbod to work on identifying markets for two firms, La Trinidad and Kemagro, producers of teas and infusions, and sesame. The Paraguay Vende project will also work with Enlace, a member of a consortium managing one of our ESCs, and the Club de Ejecutivos, a local NGO, to organize the second Foro de Inversiones (Investor's Forum) in Paraguay. Paraguay Vende will provide the keynote speaker, Mr. Jim Krigbaum, for the forum on July 27th, 2004. The project is also inviting several of the wood buyers that met with Xtreme to come to Paraguay to attend the forum and then visit several other firms in the wood sector in Paraguay in hopes of generating new opportunities for wood producers.

Activities next quarter for Crimson Capital will include work with Mr. John Cockcroft who will seek to identify markets for Paraguayan textiles with particular focus on *aho poi* produced by *Confecciones Catedral* and *Industria Casera Aho Poi*. The project is also awaiting approval to hire Steve Caiger to undertake an assignment identifying markets for a firm looking to export Paraguayan teas.

C. Problems and Proposed Solutions

During implementation, the project has had difficulty finding qualified expatriate Level II candidates (or equivalent TCNs) to carry out assignments to contact potential buyers and help negotiation sales for Paraguayan firms in the United States and Europe. The project has had good success identifying qualified Level I candidates including Jim Krigbaum and Bahman Dejbod who have the necessary skills to find buyers and facilitate deals. Because of budget constraints and USAID's concerns about the high cost of Level I candidates, Chemonics is taking concrete steps to identify and utilize suitable level II candidates. For example, Chemonics has also considered the possibility of utilizing Level I consultants to mentor and supervise Level II consultants, as a way to achieve more using less level I LOE. While Chemonics is searching for a solution, we fully realize that any solution must not compromise the quality of the technical assistance being provided. Chemonics commits to identifying ways to utilize more level II LOE, in order to get more bang for each contract buck. However, delivering the highest quality assistance and achieving the project's target results remain our top priorities.

D. Level of Effort

Work Day Category	Total LOE Budgeted	Total LOE Currently Under Contract	Total LOE Invoiced to Date	LOE Remaining To Invoice	% LOE Spent
LT Local Professionals	3,787	3,787	882	2905	23%
ST Expat Specialists	280.00	90	53.40	190	19%
ST TCN Professional	36.00	3	3	33	8%
ST Local Professional	941.00	246	186	755	20%
HO Technical and Management Support	182.00	182.00	26.50	155.50	15%
TOTAL LOE	5,226.00	4308	1150.93	4075	22%

E. Financial Summary

Line Items	Contract Budget	Invoiced Through June 2004	Contract Funds Remaining
Work Days Ordered	\$1,727,320.00	\$374,993	\$1,352,327
Other Direct Costs	\$2,117,624.00	\$318,049	\$1,799,575
G & A	\$107,364.00	\$14,901	\$92,463
Total	\$3,952,308.00	\$707,944	\$3,244,364

J. Increasing the Development Impact of Economic Growth Paradigms, TO#014

Start Date: September 25, 2003

End Date: September 30, 2004

Amount of Delivery Order: \$383,099.00

Project Summary

The goal of Task Order 14, Increasing the Development Impact of Economic Growth Paradigms, is to “examine competitiveness” in relationship with other drivers of economic growth such as good governance, the rule of law and political commitment, in order to increase the impact of these drivers on international donor policies, global competitiveness, and the political economy of developing countries. This effort will drive the redesign of monitoring, coordination and consultative mechanisms in order to improve aid effectiveness at all levels of the US government.

The revolution in development assistance that started with the announcement of the Millennium Challenge Account (MCA) was driven initially by the urgency to address the growing gap between the industrialized and developing worlds that stems from a global economy. This effort will focus on “how to catalyze the institutional development and policy changes that will ultimately promote and sustain private sector development and public-private partnerships.

Key Tasks:

Task 1- Country Consultative Process Review: Consultative economic policy bodies can help the government shape economic policy and rules that facilitate investment and economic growth. The process also contributes to democratic, representative rule-making that affects broad national business interests rather than just a few strong economic interests. Perhaps most importantly, such bodies provide momentum that reduces the effects of democratic government change-overs on national policy, as well as other potential sources of instability.

For this task, Chemonics will take a the list of countries which may become likely to be MCA fund recipients during the first several years of the program, do literature research and interviews to identify whether those countries have consultative economic policy bodies, and then extract best practices and lessons learned by these bodies. identify notable policy or rule change as a result of the existence of these bodies, and correlate GDP growth rates. In a comparative analysis, we will also identify those countries that have no such bodies and correlate their GDP growth rates.

The analytical results will be packaged into a concise, easy-to-understand briefing paper limited to 5 pages and a PowerPoint presentation, which will be vetted by the relevant USAID and MCA Working Group staff members.

Once their comments have been addressed, we will present the findings to the MCA Working Group in a one-day workshop. The technical panel, as described below, will be present for this

workshop and will be able to engage with the MCA Working Group in a discussion concerning the findings.

Task 2- Economic Growth Review: The second task, which will be started concurrently with Task One, is to review selected ' activities in the area of donors to provide input to the MCA Working Group regarding the level of resources available to support economic growth and competitiveness across those countries that may become MCA fund recipients. The sample of donors would not be universal, but rather would consist of some representative ones, such as DFID, Norway, the Netherlands and Japan in the bilateral category; and the World Bank and Asian Development Bank in the multilateral category. Further information on U.S. agencies such as OPIC, Export-Import Bank, etc. whose activities may bear directly upon economic growth in developing countries will be provided.

Through literature research and interviews, the team will develop information on disbursements for economic growth versus other types of programs; the assistance model or “business decision,” i.e. how do they work (loans, grants, guarantees, etc.). This information will be presented according to the countries that may become MCA fund recipients to determine how inter-donor coordination might best be promoted.

These findings will be presented to the Working Group along with the findings under Task One. We must vet the results with the relevant USAID and Working Group members. Once vetted, we will present the findings to the Working Group in the first workshop and engage, as desirable, in a discussion of implications of these findings.

Task Three- Country Risk Assessments: In a similar manner, we will undertake the analysis of country fiduciary risk assessment methodologies. Several important risk assessment methodologies exist that have been developed by various multilateral and bilateral donors primarily for the purpose of providing them with an assessment of a country's public financial management system. investors with country-level information that they can use in their investment-making decisions. We will not be undertaking country risk assessments, but rather using these assessments as a basis for a comparative analysis of the countries that might be MCA fund recipients. If the aggregate of the MCA indicators are providing one set of countries, and independent risk assessments are giving a totally different reading, such a finding should be important to the Working Group. We will compare these assessment methodologies and recommend a protocol appropriate for and MCA-like donor or USAID to use in determining how best to deliver assistance funding.

In the same manner as Task One, we will prepare a briefing paper and a PowerPoint presentation draft to be reviewed by relevant USAID and Working Group staff. Once their observations are incorporated, we will present the information in at the workshop, providing answers to the questions that the presentation raises.

Task Four- Competitive Analysis/Review, Survey and Outreach: The World Economic Forum (WEF) initiated efforts to expand its geographic coverage in 2003 based on consultations with top policymakers in Washington, DC. Particular efforts were devoted to the inclusion of Macedonia, Malawi, Mozambique and Serbia; the USAID missions in these countries have

indicated their willingness to support such an effort. USAID's primary interest in this effort is to ensure that these countries continue to collect quality data and that the data are published in the Global Competitiveness Report on an ongoing basis. This is to ensure that these four countries begin to take actions to improve their competitiveness posture, which will also make them more likely recipients of MCA funding.

These four countries are new Global Competitiveness Report (published by WEF) entrants, which historically risk falling out of the Survey in the 2nd and 3rd years of coverage. In order to sustain these countries' participation in the annual Executive Opinion Survey and thus establish a process whereby the progress of these countries can be monitored on a yearly basis through its coverage in the Global Competitiveness Report, we will engage the WEF in the commissioning and training of the local Partner Institute and will collaborate to determine the level of progress in contracting with local WEF partners, the quality of research, etc. We will both manage the subcontract work with WEF and suggest additional indicators that may coincide more closely with the kinds of indicators now suggested for selecting and monitoring progress under the MCA program. WEF will complete a Competitive Analysis/Review report in the fall of next year.

Progress this Quarter

We are continuing to manage and monitor the subcontract work with the WEF.

K. Assistance for Regional Investment Centers and Investment Promotion in Morocco, TO#826

Start Date: October 27,, 2003

End Date: December 31, 2005

Amount of Delivery Order: \$2,195,463

1. 1.0 INTRODUCTION

Chemonics International Inc provides the requisite technical assistance for implementation of USAID/Morocco's Assistance for Regional Investment Centers and Investment Promotion program. The firm's services are offered under USAID's SEGIR GBTI contract, number PCE-1-00-98-0015-00 TO 826. The total value of services, including direct and indirect costs, is \$2,195,463. The objective of this Task Order is to assist the government of Morocco in developing domestic and foreign investment opportunities. More specifically, Chemonics and USAID are working to improve the procedures and operation of the Regional Investment Centers (RICs), and to improve the capabilities of the Department of Investments (DI) and its information systems.

2.0 ADMINISTRATION

During this quarter, Samuel Morris resigned his post as chief of party for personal reasons. His resignation was effective July 2, and he returned to the United States on July 7. Mr. Morris' contract

originally ended in March 2005. Given the length of time that would be required to mobilize a new international long-term consultant, Chemonics proposed to USAID a reorganization of the project. We asked to: a) name Suzie LeBlanc to the position of Project Director b) increase the work schedule of Abdellatif Mazouz from 2.5 days/week to 4 days/week, and c) retain the services of Andrew Thorburn as an expert investment promotion advisor, for 10 days per month over the next 12 months. These proposed changes must be approved by the USAID Contracting Officer in Jordan. If accepted, they will make it possible for Mr. Thorburn to begin working in Morocco in September.

Mr. Thorburn's short-term assignment in May (see section 3.1 below) demonstrated the need in Morocco for additional training and enhanced strategic planning in investment promotion. Mr. Thorburn's expertise and considerable international experience should make it possible for the project to respond to those needs. His contribution to the project will be also very important within the framework of the activities related to regional economic development strategies, such as the creation of public-private partnerships.

Ms. Asmaa Oubou has taken a leave of absence from the project for medical reasons. She will return in September, and until then, the management of the project's QuickBooks accounting system is in the capable hands of her assistant, Mohcine Boulaid. We plan to recruit a temporary receptionist for the summer.

3.0 PROJECT IMPLEMENTATION

We continued implementation of the project with the first study tour to the United States and an organizational review of the Department of Investments. A draft handbook of procedures was developed for the DI, and vital groundwork was laid for developing an investment gate site for Morocco.

For the RICs, we organized a series of trainings on investment for regional decision-makers. Another training was offered to 22 executives from the RICs and two from the DI. We also completed the important task of developing a handbook of procedures for the one-stop shop for investment. Additionally, we undertook an evaluation of the two data-processing applications used in the one-stop shop for business creation, and a general website for all the RICs is under development. Finally, we organized the first semi-annual meeting of the RIC directors.

3.1 The Regional Investment Centers

Study tour to the United States:

The first observational study tour to the United States occurred on April 20-30, 2004. It seems to have achieved its goals, which were to see how agencies similar to the RICs use the dynamics of public-private partnerships to catalyze regional development.

The reader is invited to consult the report "Voyage d'étude en Georgie et Caroline du Sud – 20 au 30 avril 2004" for the details of this trip and its findings.

Training:

A series of five trainings intended for regional decision-makers was offered in Agadir, Safi, Settat, Beni Mellal, and Casablanca, with a shorter session in Rabat. The trainings, offered by Andrew Thorburn with the contribution of Abdellatif Mazouz, focused on attracting foreign direct investment and promoting regional economic development.

Mr. Thorburn's assignment ended with a 3-day training on the same set of themes explored in greater depth. This training was offered in Settat, and attended by 24 representatives from 9 RICs and the DI.

These trainings seem to have been very well received. Several directors and regional decision-makers declared that they had realized, through contact with Mr. Thorburn, the pressing need for targeted training on these topics, for themselves and other RIC executives.

The reader is invited to consult the report "Ateliers de formation en Développement régional et promotion des investissements" for the details of these trainings.

Procedures manual for Guichet 2 :

One of the requirements of Chemonics' contract is to capitalize on the efforts already initiated by the RICs to develop procedures manuals. Our efforts are centered on the development of a procedures manual for the one-stop shop for investment. This work has been entrusted to Jean-Michel Mas of our local subcontractor, MTDS. Mr. Mas is an expert in the simplification and computerization of administrative procedures. His work is being facilitated by the RICs of Tangier, Agadir, Beni Mellal and Rabat, who have put their expertise at his disposal and are approving the various stages of development involved in producing the manual.

The development and adoption of one procedures manual by all the RICs will achieve several objectives. First, it will ensure that all citizens and investors have access to the same services and are treated in the same manner throughout the kingdom. Then, when the various central administrations have endorsed the manual, we will ask them to communicate this decision to their regional administrations. In so doing, they will formalize the collaboration process between the regional administrations and the RICs throughout the country. This collaboration will no longer be the result solely of individual efforts on the part of representatives from the RICs and central administrations.

Finally, the adoption of procedures for internal operations is essential for the efficient operation of the RICs. Organizational effectiveness should not rest exclusively in individuals, but in systems as well. This ensures that as employee turnover occurs and new employees enter the RICs, the latter will be able to function in their new capacity almost immediately.

An additional point worth noting is that the formalization of processes through such means as the development of procedures manuals is a necessary step toward any certification of conformity to international norms and standards. This conformity can be an important selling point in attracting foreign investors.

To develop this procedures manual, Jean-Michel Mas must create model project profiles for various

industrial sectors. This modeling will initially make it possible to disseminate complete and uniform information to potential investors. Thereafter, it will permit all the RICs to generate reliable statistical and economic data. The ability of Mr. Mas to deliver the product on time depends in part on the cooperation of the RICs concerned, and any delays generated in their approval process.

For a detailed report of the steps taken, and the work accomplished to date, the reader is invited to consult the report produced by Jean-Michel Mas entitled “Manuel de procédures.”

Evaluation of the two software applications:

The evaluation of the two main software applications used by the RICs for enterprise creation was carried out by an independent consultant named Tarik Fdil. Mr. Fdil’s report will be released shortly, but he must first complete the process of gathering relevant financial data for various possible scenarios. His preliminary report indicates that both applications are very powerful and responsive to the needs of the RICs where they are installed. These applications are the property of private firms, one created for the Agadir RIC under a previous USAID project and the other licensed on a provisional basis to eight RICs by the private firm Lixeo, without international donor support. It is worth noting here that one of the reasons why certain RICs have not invested in such a data-processing system is simply that the volume of enterprise creation does not justify it at the present time. Cost will thus be an important factor in the project’s recommended choice of software.

Through such studies as the “Investor Road Map for Morocco,” the development of a single form for enterprise creation, and the technical studies which enabled the development of the two applications, USAID has already had a considerable impact in reducing the time and administrative burden required for enterprise creation. As this project is principally concerned with investment promotion, our contractual requirement to automate enterprise creation in the relevant RICs must be fulfilled at the lowest possible cost.

Website for the RICs:

A first generation website for the RICs was created during the past two years. It was a laudable initial effort on the part of the RICs. Within the constraints of the project’s resources, we aim to provide the RICs with the technical assistance required to improve their presence on the Web.

Work sessions were organized in Marrakech, Oujda, and Tangier to discuss the development of a website with a common framework for all the RICs, but allowing for variable content. The content would represent the regional differences which would be highlighted by means of visual materials (color, photos, etc.), marketing elements, and variations in informational content. The different RICs could promote that which is most important in their region, such as unique regional dynamics, large-scale infrastructure projects, or sectoral priorities. A presentation on this concept was given at the semi-annual meeting of RIC directors in Tangier. The project will work with RIC directors interested in this approach.

Semi-annual meeting of RIC directors :

The first semi-annual meeting of RIC directors was held in Tangier on June 24-25. All the directors

present indicated that they found the meeting productive. For our part, we consider it essential to our objectives. The meeting highlighted a number of key issues. Our conclusions from the meeting—which do not necessarily reflect the opinions of the RIC directors—are as follows:

There is an urgent need for the RICs to define more precisely their role and mission with respect to regional development and investment promotion. We are convinced that the RICs have, after the Walis, the most important role in regional development and the decentralized management of investment as defined in the Royal Letter of January 9, 2002. However, we noted a certain disparity of viewpoints among the RICs in their interpretation of their mission. A formal definition of that mission would make it possible to maintain, and even increase, the progress made by the RICs thus far.

It is also necessary to establish concrete opportunities for collaboration between the RICs and the DI. For this to occur, clarification of the respective roles of the RICs and DI is needed.

A lack of practical knowledge of regional economic development in general, and of investment promotion in particular, magnifies these ambiguities. We feel that the contribution of Andrew Thorburn will help to define better the role of investment in the dynamics of regional economic development and its requirements (implies more than merely providing investors with the information they need). Mr. Thorburn's work will produce a definition of the mission of the RICs that is clearer and in harmony with the kingdom's decentralization policy. It will also delineate more clearly the respective roles of the DI and the RICs, contributing to increased coordination and improved cooperation between the two.

The RICs are unhappy that the project as negotiated by the Ministry of Interior responds only to those needs shared by all the RICs (such as procedures manuals, mutualization of software applications, common statistics, centralized data, and a generic website), and answers few needs exclusive to specific RICs. Our mandate and our resources preclude us from accommodating so many unique regional needs and characteristics.

There seems also to be disagreement over what can be common to all RICs and what must differ from one RIC to another. It follows naturally that the dynamics of regional economic development are unique in each of the regions, and the investment promotion strategies which the RICs will develop will likewise be individual in nature. They will reflect the diverse dynamics of regional development and that of public-private partnerships. By way of example, we do not believe that the procedures related to the recent delegation of powers to the regions in matters of investment must take regional differences into account. They should set guidelines for the implementation of common and uniform regulations.

The Directors' meeting was most informative. We are very grateful to the participants, and if our resources allowed it, we would organize these meetings on a more frequent basis.

For a detailed report of the meeting, the reader is invited to consult the report produced by Abdenasser Daif entitled "Première rencontre semestrielle des Directeurs des Centres Régionaux d'Investissement – Tanger 24 & 25 juin 2004."

3.2 Department of Investments

The work on the investment gate site is progressing rapidly. The ARGAZE team is doing exemplary work on content production and the installation of the various stages to be approved by the DI. We anticipate that the gate site will be completed on time, coming online at the end of September.

Prior to his departure, Samuel Morris prepared a draft report evaluating the DI. This draft was submitted to the DI for comments. It will afterward be translated into French and submitted to the Steering Committee for discussion.

Mr. Morris also prepared a draft handbook of policies and procedures which the DI could, if desired, use to reorganize its staff and restructure its services. This handbook will also be translated into French as soon as is practicable.

4.0 DELAYS ENCOUNTERED IN PROJECT IMPLEMENTATION

The calendar of activities which we presented in our 2004 work plan seems to have been somewhat overly optimistic. We have encountered slight delays in the implementation of several activities. Specifically:

Capitalizing on the Extranet project:

The Extranet was developed by ARGAZE on schedule, and brought online. However, the unexpected reduction in our staff during the course of the present quarter did not permit us to begin using this tool in the management of the project. We are, however, confident that this will begin in July.

Evaluation/Modification of the single form:

This activity must be carried out in conjunction with and on the basis of the recommendations which we make to the RICs. Time constraints prevented us from undertaking these activities during the previous quarter, but we expect to do so in mid-July.

Software for Guichet 1:

We encountered administrative delays in adding Tarik Fdil to our contract. Mr. Fdil is the consultant whom we recruited to carry out the evaluation of the software applications used by the RICs for enterprise creation.

Fortunately, a meeting with USAID is planned for mid-July. This meeting will make it possible for us to secure agreement from our partners on the approach adopted by the project and on our choice of technology .

Web-based Newsletter

The compilation of this bulletin proved to be a slow process due to difficulties encountered in gathering all the information needed for production. Securing the RICs' contributions proved difficult, in spite of our frequent calls and invitations for participation that we extended to all RICs and the DI. The first issue will be released in July. We will request feedback from the RICs on this

issue, then we will finalize the format of the newsletter.

Performance Indicators

We decide to postpone this task until fall 2004. The first phase of the assignment requires the gathering of reliable statistical and economic data on the RICs' activities. In order to gather these figures, it is necessary to consider broadly the level of familiarity the RICs have with the management tools that will be used to measure performance. The most effective means of familiarizing the RICs with these tools will be discussed as part of the activities planned for the fall.

5.0 CONCLUSION

The second quarter of 2004 was very intense in terms of project implementation. Despite this, our efforts, which must necessarily be spread across a great many RICs and regions, are probably not yet perceptible by the RICs. We hope that this will change with time.

The expanded role for Andrew Thorburn as a key member of the project team, the departure of Samuel Morris, and the increase in Abdellatif Mazouz's workdays will compel us to reexamine the prioritization of certain activities and the scheduling of their implementation. The team will review and revise its 2004 work plan upon Mr. Thorburn's arrival in Morocco at the beginning of September. The results of these efforts will be communicated to the Steering Committee prior to the September meeting.

L. Improving the Business and Investment Climate of Nicaragua, TO#827

Start Date: October 30, 2003

End Date: October 29, 2004

Amount of Delivery Order: \$424,672

This is the third Quarterly Report of the Nicaragua GBTI Task Order to Improve Economic Competitiveness: Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua. The objective of this task order is to support the creation of a sound business and investment climate in Nicaragua as a means to improve the country's overall competitiveness position. The contract was signed on October 31, 2003 and work began immediately.

Section A provides an overview of the project, the key objectives, and the underlying implementation strategy. Section B describes in detail key results during the reporting period, and Section C describes the principle activities to be carried out during the third Quarter of 2004. Deliverables and reports generated by the project during the reporting period are included in Annex A, Trade and Investment Barriers: Assessments and Recommendations Report, Annex B, Economic Analysis and Recommendation Paper #2: Short-Term Economic Reforms, Annex C,

Minutes on Private Sector Meetings, and Annex D, Power Point Presentation on Ireland Economic Experience and Lessons Learned for Nicaragua-presented both the Mario De Franco at SECEP and at the United States Agency for International Development (USAID/Nicaragua).

A. Introduction and Project Overview

During the last 9 months Chemonics has continued to provide economic policy advice to the President's Chief of Staff in the Presidential Secretariat for Strategy and Coordination (SECEP) to help the Government of Nicaragua (GON) formulate and implement critical economic reforms to stimulate the Nicaraguan economy and increase trade and investment. Technical assistance builds on a wide range of existing initiatives, rather than creating new mechanisms. A great deal of the proposed technical assistance focuses on enhancing the GON capacity to coordinate the programs and initiatives currently under its mandate; such as the National Competitiveness Initiative, ProNicaragua, Customs Improvement, the Ministry of Industry, Trade and Development (MIFIC) business registration procedures, and the IICA Grant for a Presidential Advisory Unit. Technical assistance has been provided to the SECEP, MIFIC, ProNicaragua, the National Competitiveness Program, and the Nicaraguan private sector for this purpose. The end goal is to facilitate the creation of new trade-led economic opportunities for the Nicaraguan poor, consistent with USAID's overarching strategic objective for the new 2003-2008 strategy period.

A1. Key Objectives

Work under this task order focuses on achieving four primary results:

- **Result 1:** Enabling Environment for Increased Trade and Investment Enhanced
- **Result 2:** Key Economic Policies Reformed and Economic Incentives and Business Environment for Trade and Investment Improved
- **Result 3:** Improve Nicaragua's Economic Competitiveness by Increasing the Participation of Private Sector Groups and other Relevant Stakeholders
- **Result 4:** GON Ministries and Donor Programs Coordinated

B. Tasks Completed During the Reporting Period

The project was initiated on October 31, 2003 with the signing of the task order contract. This section outlines the main results and activities carried out during the second quarter (April through June) of the year 2004.

B1. Administrative Tasks

Chemonics' home office project management unit continued to provide financial and administrative support to the task order. As such, the Chemonics home office project administrator, Mr. Joel Weber, was tasked to identify a qualified replacement for the originally proposed Trade and Export Promotion Specialist, Mr. Andres Vicens. Mr. Vicens was

unavailable to conduct the assignment scheduled for late April to early May due to scheduling conflicts. Mr. Weber successfully initiated communications and arrived at an agreement with Mr. Vicens associate, Mr. Rene Benavente Jaque, to undertake the assignment. Mr. Benavente was qualified and well regarded for his work on the design and implementation of the El Salvador export promotion agency. Mr. Benavente Jaque's consultancy resulted in the completion of the Trade and Investment Barriers: Assessments and Recommendations deliverable in Annex A of this report. This report was submitted to USAID on May 20th, 2004.

On April 20th, 2004 Dr. Efrain Laureano submitted the second economic analysis and recommendation report included in Annex B. The third and final economic analysis/recommendation report will be submitted in the following quarter.

In addition, Chemonics' International Education and Training department Training Specialist, Ms. Amanda Jefferson, assisted with the logistics of the Ireland Strategic Investment Promotion and Competitiveness workshop and exposure study tour to Ireland. Throughout the quarter, the task order received continuing support from Ms. Martha Fisher and Ms. Georgina Forester in the Chemonics Publications Department.

During this reporting period the task order was issued the following contract modification:

- Modification 6: to increase the obligated amount from \$123,000 to \$268,000; to revise the Business Roundtable standard under Performance Requirement No. 3; to revise the delivery schedule; to replace the Trade and Export Promotion Specialist, Mr. Andres Vicens, with Mr. Rene Benavente Jaque; and to adjust the workdays ordered.

B2. Result 1: Enabling Environment for Increased Trade and Investment Enhanced

B2.1 Support to the GON on elaborating a "Second Generation PRSP"

During this reporting period, a great deal of effort has been dedicated to completing the "Operational version of the PND" or "Second Generation" Poverty Reduction Strategy (PRSP-II). The result of multiple coordinated efforts to refine the PRSP-II has resulted in scheduled presentations to the World Bank and the IMF Boards to take place during the third quarter of 2004.

During the past 9 months, Dr. Laureano succeeded in becoming an integral and important part of the SECEP Technical Team. During this time, Dr. Laureano's active involvement and dynamic participatory approach, grounded on building strong relationships, effectively increased the degree of influence and leverage of the policy advice provided.

Assistance for this reporting period has focused on guiding SECEP through the process of elaborating detailed operational matrices. Detailed attention has been given to ensuring that the operational matrices correspond to the GON actions and services that will be conducted and/or provided within the productive sector in collaboration with the various sector ministries involved. The matrices in mention included key sectors such as:

- Business and Investment Climate
- Tourism
- Coffee
- Meat and Dairy
- Forestry
- Mining
- Rural Development
- Property Issues
- Small and Medium Enterprises
- Environment
- Financial Sector

Each matrix involved a four tier degree of specification including: (1) National Goals, (2) Specific Objectives, (3) Expected Results, and (4) Specific Actions. This differentiated system allows for a different analysis to be conducted both by the GON and the donor community. It also, adds value by integrating a significant degree of flexibility into the monitoring and evaluation process since any interested party could adapt their monitoring system to the degree of specification needed.

In retrospect, completing the matrices and finalizing the report on the productive sector has proved to be more difficult than what was originally anticipated by the GON. As a result, the GON estimates having a complete draft no earlier than the end of July 2004. The GON expects to finish elaborating the new PRSP-II by early September 2004. The objective is to have a complete document that is ready for review by the Boards of the World Bank and the IMF before November 2004. Chemonics, through Dr. Laureano, will continue to provide targeted assistance, as needed, to the SECEP and to the productive sector to ensure that this important process continues in the right direction.

B2.2 Strategic Investment and Competitiveness Workshop in Ireland

Dr. Laureano was part of the Nicaraguan delegation that participated in the Strategic Investment and Competitiveness Workshop in Ireland from June 12th through June 24th, 2004. The Ireland: Lessons Learned for Nicaragua Power Point Presentation which was presented to Mario De Franco, Presidential Secretariat for Strategy and Coordination (SECEP), and USAID/Nicaragua is included in Annex D. Participation in the Strategic Investment and Competitiveness Workshop in Ireland has already resulted in a discernible impact on the way the GON views economic policy implementation.

Accordingly, a roundtable meeting was held on June 29th with Dr. Mario De Franco and the SECEP technical team to discuss the Ireland model and to assess the key issues and lessons learned that are pertinent for Nicaragua. One of the key arguments emphasized in the discussion was the need to move progressively from vision and policy formulation to concrete action. After reviewing the Ireland case study, in particular their targeted focus on the Enterprise Sector and on attracting Foreign Direct Investment as the engines for growth, job creation and sustained development, it was decided that there was much knowledge to be gained from this experience

and that adopting a similar focus could yield important, progressive and positive results for Nicaragua.

The following summarizes the key lessons outlined in the discussion:

- The need to concentrate efforts on the enterprise sector, with particular attention for export markets
- Start out with a clear vision of where to go, establish strategies and formulate appropriate policies to reach desired outcomes
- Support decisions with appropriate levels of resources
- Identify and establish appropriate implementing mechanism
- Take action, one step at a time but in the right direction; *just do it!*
- Engage the various economic stakeholders
- Communicate strategies and results as they are realized

Ireland's practical approach to the policy process represents the weakest link for Nicaragua. While Nicaragua has elaborated a National Development Plan that sets forth a new and innovative vision for the country, and while several strategies have been identified to transition towards the outlined vision, significant work remains to be done on the implementation side of the equation.

During the next reporting period, Chemonics will devote considerable attention and resources to providing assistance, through Dr. Laureano, with the purpose of encouraging the GON to shift their attention and efforts towards implementation. To this end, assistance will also be given to the Rural Development Institute (RDI) so that they can align their projects and coordinate interventions in a way that furthers the development of the rural enterprise sector.

B3. Result 2: Key Economic Policies Reformed and Economic Incentives and Business Environment for Trade and Investment Improved

One important outcome under this requirement is the realization of the need to strengthen and broaden the scope and mandate of Pro-Nicaragua as an Investment Attraction Agency. Participation in the Strategic Investment and Competitiveness Workshop reinforced the recommendations made by Chemonics' Pro-Nicaragua assessment during the previous reporting period. Accordingly, there is a need to evolve from a reactive to a proactive mode of investment attraction.

Furthermore, Dr. Mario De Franco has demonstrated significant interest in ensuring that Pro-Nicaragua becomes increasingly active in promoting the Food and Agribusiness Industry as well as the Internationally Trade Services Industry, rather than duplicating the work of the Free Trade Corporation in promoting the textile industry. It is expected that such a shift will result in the attraction of key International Food Firms which would then promote the building of a sub-supply chain and which would also help the local industry and production groups upgrade their production standards and climb the value chain.

B3.1 Promoting Business Opportunities in Nicaragua

Simultaneously, over the present reporting period, a considerable amount of time was dedicated to supporting SECEP and USAID in the establishment of a Project Implementing Unit. The Project Implementing Unit, referenced from this point forward as the Unit, focuses on Enterprise Promotion and Development in Nicaragua. The Unit will strive to attain two key results: (i) Promoting a sound policy and regulatory environment conducive to business development and investment in Nicaragua; and (ii) Supporting the creation of a competitive, market-driven enterprise sector capable of competing in the regional and international markets and capable of generating employment in the country.

The discussions emanating from the establishment of such an implementing unit have instigated a change in the traditional mindset of the GON. The noticeable impact of the proposal within the GON has led to constructive criticism and heightened awareness of the identifiable weak points. The GON has openly recognized the lack of and the need for coordination among the myriad enterprise development efforts that already exists in the country.

The GON is aware of the need to coordinate these efforts with the work of Pro-Nicaragua, and the need to coordinate the policy work among the various ministries and key actors.

A new momentum has begun to take shape over the last three months. This momentum needs to be maximized by the GON and capitalized by the donor community. Through Dr. Laureano's continued assistance, Chemonics will be providing key inputs into this evolving policy and assisting with activity coordination efforts over the upcoming reporting period.

B3.2 Promoting Foreign Direct Investment in Nicaragua

There are multiple examples of lessons learned from the Irish experience that could be particularly important for Nicaragua to consider. The discussion initiated with Pro-Nicaragua and SECEP emphasized the following points:

- a. Pro-Nicaragua and the Competitiveness Program at MIFIC should conduct "Benchmarking" analysis to systematically compare Nicaragua to the rest of the countries in the region, in addition to other key international competitors.
- b. Benchmarking should be conducted with regards to:
 1. Business and Work Environment
 2. Economic and Technological Infrastructure
 3. Education and Skills
 4. Entrepreneurship and Enterprise Development
 5. Productivity per worker
 6. Cost: Insurance, Broadband, Telephone, Rent, etc.
 7. Prices and Wages
 8. Macroeconomic Performance
 9. Sustainability, Social Capital and Long-term Planning

- c. Benchmarking analysis and its corresponding feedback to the systemic process of policy formulation/implementation should become the main source of input to improve the country's competitiveness position. Hence the thrust of the argument is to promote investment and enterprise development in Nicaragua.
- d. The strengthening of Pro-Nicaragua's planning department is a central requirement in order to have the capacity to prepare "Location Dossiers" for the different economic regions while stressing the regional advantages by leveraging existing resources, attractions, cost structures, and human capital formation in Nicaragua. These Dossiers would serve the fundamental role in taking a proactive stance to attract investments in the areas with the potential to contribute to the economic development and to the employment generation needs of each region.
- e. Another focal point for Nicaragua would be to initiate negotiations with a select number of countries for the purpose of entering into "Double Taxation Agreements" as a means to spur investment to Nicaragua. These agreements should be negotiated with:
 - 1. Countries who are already investing in Nicaragua (e.g., USA, Taiwan, Korea)
 - 2. Countries that could be interested in establishing investment operations in Nicaragua in order to take advantage of the US Market access provided under CAFTA (e.g., European Countries)
- f. The Double Taxation Agreement should focus on obtaining the maximum possible tax offsets for firms investing in Nicaragua. In some cases, an opportunity may arise to negotiate a "one-tax" system, were the tax paid in Nicaragua would be the sole corporate tax charged to the firm.
- g. Double Taxation agreements are powerful tools for attracting investment and creating jobs. However, this is a tool that Nicaragua has not yet used. The primary advantage of this tool is that the existence of these agreements creates an enabling environment that would allow the country to establish an advantageous investment regime. More advantageous than that of the Free Trade Zones regime under which firms are exempted from paying any Corporate Tax.
- h. Given the implications that this proposal could have for the potential development of the country, the Double Taxation Agreement proposal will be discussed at length during the upcoming months with both the Economic and the Competitiveness Cabinets.

B4. Result 3: Improve Nicaragua's Economic Competitiveness by Increasing the Participation of Private Sector Groups and other Relevant Stakeholders

Over the reporting a couple of key meetings were held with the Nicaraguan Private Sector. The minutes of these meetings are included in Annex C.

B5. Result 4: GON Ministries and Donor Programs Coordinated

During this reporting period, Dr. Laureano participated in several meetings with USAID and GON representatives. The following illustrates the main topics addressed at these meetings:

- The main results achieved by the Task Order to date;
- The establishment of OPORTUNIDAD, the Project Implementation Unit adopted by the GON's which is focused on (i) promoting a sound policy and regulatory framework conducive to trade, business development and investment in Nicaragua; and (ii) supporting the development of a strong and competitive enterprise sector in Nicaragua;
- The important economic and political events affecting economic development in Nicaragua. This topic arose during a meeting with the President Enrique Bolaños, and Mr. Jim Vermillion, the USAID Director for Nicaragua.

Dr. Laureano has participated in five meetings that took place between USAID and the GON's Presidential Secretariat for Strategy and Coordination on the topics of OPORTUNIDAD and the Millennium Challenge Account (MCA) for Nicaragua. The meetings have centered on:

Oportunidad:

- i. Discussing functions and coordination mechanisms under the program mandate of the OPORTUNIDAD Unit;
- ii. Coordinating meetings between USAID and the GON to reach agreement on: type of assistance, implementing schedule, staffing, and selection criteria for beneficiaries;
- iii. Finalizing the reviewed Concept Paper that could serve as a basis for the GON-USAID agreement.

MCA:

- i. Discussing with President Bolaños, Dr. Mario De Franco and SECEP's technical team the key elements of President Bush's MCA program and the need to develop a Nicaraguan response that adequately reflects the country's key development constraints and opportunities;
- ii. Brainstorming with President Bolaños, Mario De Franco, Eduardo Montealegre and key private sector representatives on the GON's initial ideas for a potential MCA Compact.
- iii. Assisting with the preparation of the Agenda for the MCC visit to Nicaragua in June 2004.

USAID has actively supported GON initiatives by facilitating the process for elaborating a "Compact" to be presented to the MCC Board, it is important to "Compact" to be presented to the MCC Board, it is important to note the pivotal role of the newly formed Inter-Institutional Technical Commission (IITC). The content of the proposal can be largely attributed to the joint effort of the IITC and key private sector representative. Chemonics assistance primarily served

to facilitate the dialogue and sustain the momentum of the dynamic process rather than elaborating the proposal.

Dr. Laureano will continue to provide limited assistance, as needed, in facilitating the consultation process that the GON has initiated with the key stakeholders in the country. The GON's objective and intent is to ensure that the proposed Compact be a true representation of the country's main development priorities.

Finally, Dr. Laureano has been in constant communication with Ms. Lilliam Baez, the USAID CTO, Mr. Steve Olive, from USAID's Trade and Agribusiness Office, and the Front Office in order to keep maintain open channels of communication regarding the pressing economic issues affecting Nicaragua. Through face-to-face meetings, telephone briefings and emails, Dr. Laureano has ensured that the USAID Mission obtains first-hand information on the transient economic events in Nicaragua.

C. Planned Activities for Quarter 3, 2004

All pending deliverables will be finalized and submitted to USAID within the terms of the contract. The following reports are pending: (i) Economic Incentives Assessment /Recommendations report due July 31st, 2004; (ii) Third economic analysis and recommendations report due October 29th, 2004; and (iii) Final report due October 29th, 2004.

All deliverables approved by USAID will be submitted to USAID DEC for public use and archiving purposes. The Chemonics will commence close out preparations.

C1. Administrative Tasks

It is projected that during the next and final quarter of the Task Order, Chemonics' home office project management unit (PMU) will provide continuing support in all Task Order related activities. Furthermore, the home office PMU will continue monitoring and backstopping with the intention of ensuring quality deliverables and superior performance. All pending deliverables will be reviewed, edited and translated by the experts in the home office publications department.

Due to the proximity of the contract completion date, it is probable that a member of the home office PMU will travel to Managua, Nicaragua to assist with the close out procedures. Dr. Laureano's ongoing assistance, the integral support provided by the Research Assistant, Amanda Fonseca, and Chemonics' home office PMU is certain to meet, if not exceed, all the terms and conditions of Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua, GBTI IQC Contract No. PCE-I-00-98-00015-16, Task Order 16.

C2. Result 1: Enabling Environment for Increased Trade and Investment Enhanced

Dr. Laureano will continue to provide technical assistance to SECEP in the completion of the "Second Generation" Poverty Reduction Strategy that will be presented to the World Bank and IMF Board later this year. In addition, Dr. Laureano will produce the following deliverables in

accordance with Chemonics' high quality standards: (i) Economic Incentives Assessment /Recommendations report due July 31st, 2004; (ii) Third economic analysis and recommendations report due October 29th, 2004; and (iii) Final report due October 29th, 2004.

C3. Result 2: Key Economic Policies Reformed and Economic Incentives and Business Environment for Trade and Investment Improved

Dr. Laureano will continue to provide assistance, as needed. He will follow up with the SECEP so as to help eliminate the identified policy constraints and so as to ensure that the recommendations emanating from the various assessment conducted under this Task Order are put into practice by the appropriate government institutions.

C4. Result 3: Improve Nicaragua's Economic Competitiveness by Increasing the Participation of Private Sector Groups and other Relevant Stakeholders

The project will continue to engage in policy dialogue meetings with the private sector and will continue to serve as liaison between the public and the private sector to further the policy reform agenda needed to promote trade-based economic growth in Nicaragua. We expect that more time will be devoted to this task during the upcoming reporting period as the GON starts increasing the consultation and policy dialogue with the various private sector groups with regard to several important proposals to promote business development and investment that could result in new job and economic opportunities for the population. Consultation and/or policy dialogue processes will be conducted for discussing the MCA Compact proposal, the scope and implementing mechanisms (including beneficiary selection and TA delivery process) of OPORTUNIDAD, among others.

C5. Result 4: GON Ministries and Donor Programs Coordinated

Dr. Laureano will continue to support the process of establishing the GON/USAID Project Implementation Unit—OPORTUNIDAD—as a mean to promote a sound policy and regulatory environment conducive of trade, business development and investment in Nicaragua and to create a competitive, market driven enterprise sector capable of creating employment and increasing exports. The Unit is expected to be fully operational by September 2004.

M. Uganda Strengthening the Competitiveness of Private Enterprise (SCOPE), TO#828

Start Date: December 18, 2003

End Date: December 31, 2006

Amount of Delivery Order: \$5,922,598

A. Introduction

Strengthening the Competitiveness of Private Enterprise (SCOPE) facilitates the transformation of subsectors into competitive national industries through formation of clusters and implementation of cluster strategies. Clusters are private sector-driven, private-public partnerships organized to

facilitate improved competitiveness in target markets, whether domestic, regional or international. Improved competitive marketplace positioning results in increased volumes, higher values, and increased market share for selected Ugandan commodities and products, and therefore, leads to improved overall trade positions. SCOPE's target subsectors are coffee, cotton, horticulture, dairy, fisheries, grain (maize and beans), oilseeds and tourism.

To support achievement of increases in export volumes and values, SCOPE works with business leaders to identify opportunities for introduction of diversified, value-added, and/or branded, products which fetch higher prices and have higher potential for sustainability in the marketplace. SCOPE assists business leaders, if and as relevant, to consolidate and expand domestic and regional market opportunities, even as they seek ways to tackle other export market challenges. Currently the European Union and the COMESA region are the main recipients of Uganda's exports. To compete effectively, Uganda needs to increase productivity, achieve efficiencies within subsector commodity chains, expand market share in existing markets and open new markets in Asia, North & South America, the Middle East, and Australia. To support this, Uganda needs new and more effective forms of private-public partnerships.

SCOPE works through three components to achieve its goals:

1. Private Sector Competitiveness Increased
2. Private/Public Partnerships for Competitiveness Increased
3. Competitiveness Understood and Promoted

B. SCOPE and USAID's Strategic Objective 7 (SO7)

As an activity within USAID's Strategic Objective 7 (SO7) portfolio, SCOPE focuses on expanding sustainable economic opportunities for rural sector growth. SCOPE's target subsectors provide a livelihood for an estimated 12 million Ugandans³, the majority of whom live in rural areas. SCOPE activity is directly responsive to the Government of Uganda's (GOU) focus on directions for reducing rural poverty from the current 45% to 35% by 2010, as outlined in the Poverty Eradication Action Plan (PEAP). The PEAP makes a direct linkage between increased volumes and values (for export and domestic consumption) and the reduction of poverty. Agriculture, even though its share of GDP has continued to drop over the past five years, remains the primary support for about 70% of Uganda's population, and increased agricultural output and productivity are critical to achievement of improved farm revenues. As revenues increase in rural areas, more jobs (on farm and off farm) and more new enterprises are created. Enterprise expansion translates into increases in government revenues, and, hopefully, improvements in government ability to extend /provide social services.

³ It is estimated that about 50% of Uganda's population of 25 million, derive their livelihoods from the 8 sub sectors, based on GDP figures for 2002.

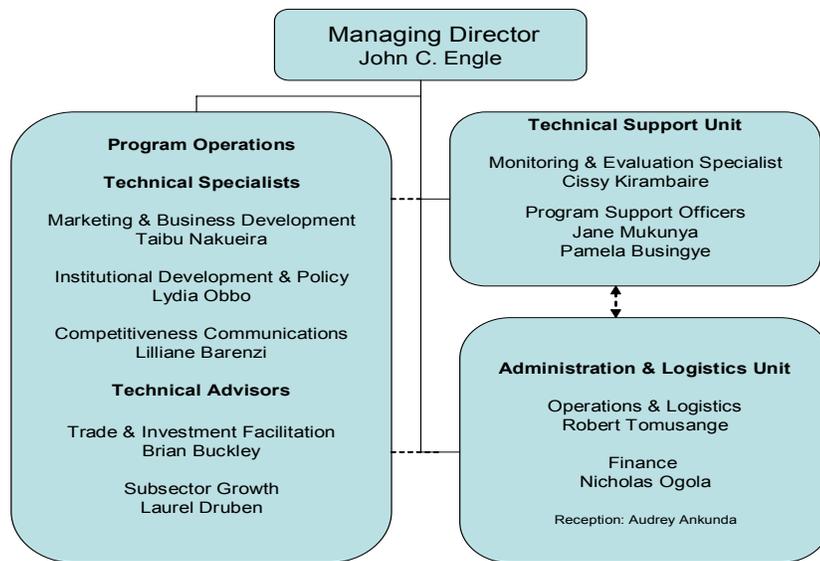
These factors must work together to move rural populations above the poverty line.

Activities within USAID’s SO 7 portfolio (SCOPE, SPEED, APEP, PRIME/West, Land o’ Lakes) carry out complementary efforts within this framework. As the USAID activity charged with working with private and public sector leaders to develop overall perspective and directions for expanded subsector economic growth and competitiveness, SCOPE seeks to ensure maximum complementarity among all SO 7 initiatives.

C. SCOPE Organization and Methodology

With the addition of the Monitoring and Evaluation Specialist and the Competitiveness Communications Specialist, the SCOPE team was at full complement by the end of the second quarter. These individuals reported for duty on 3rd May 2004 and 14th June 2004 respectively.

Figure 1 SCOPE Organization Structure



SCOPE methodology calls for an intensive level of effort between SCOPE and private and public sector leaders operating within clusters, as well as for a range of activities designed to strengthen the institutional framework needed to sustain competitiveness activities. SCOPE staff is organized into technical teams to provide support to both the cluster and institutional framework initiatives.

D. SCOPE Activity Indicators

The SCOPE Activity Goal, Sub-Objective and Activity Intermediate Result (AIR) indicators are defined in the SCOPE Performance Monitoring Plan (PMP), which was submitted in April 2004. Table 1 below gives a summary of the SCOPE Life-of-Activity indicators. SCOPE is currently compiling baseline information for these indicators as a basis for tracking change and progress towards desired results throughout the life span of the activity. The majority of the indicators are tracked annually and progress will be reported upon in the first Monitoring & Evaluation Report to be submitted by 10/31/04.

Table 1 SCOPE Life of Activity Indicators

Indicator	Indicator Name	LOA Target	9/30/04 Target*
1	Percent change in household income	25%	5%
2	Number of households supported by SCOPE	150,000-200,000	50,000
3	Number of on- and off-farm jobs created	100,000	1,000
4	Number of on- and off-farm enterprises created	10,000	100
S1	Percent change in value of targeted commodities marketed	40%	10%
S2	Percent change in volume of targeted commodities marketed	30%	10%
1.1	Percent change in cluster share of targeted markets	50%	10%
1.2	Percent change in gross cluster revenue	35%	10%
1.3	Percent change in investment in clusters	15%	5%
1.1.1	Number of cluster action plans developed	8	1
1.1.2	Percent change in cluster membership	100%	20%
1.2.1	Number of cluster action plans implemented	8	0
1.2.2	Percent change in business participation in clusters	150%	30%
2.1	Amount of resources leveraged through private/public partnerships	\$8,000,000	\$ 100,000
2.1.1	Focal point for competitiveness established	Yes	Yes
2.1.2	Number of clusters achieving sustainability	6	0
2.2.1	Number of key policy and regulatory constraints alleviated	15	3
2.2.2	Number of key policy and regulatory constraints addressed	30	8

3.1	Change in cluster business leaders rating of business environment	10%	0
3.2	Number of clusters formed outside SCOPE	4	0
3.1.1	Number of Uganda brands in target markets	4	1
3.1.2	Number of cluster-initiated media activities	160	25
3.2.1	Percent change in trade volume within selected agreements	10%	2%

*Note: These are tentative targets set by SCOPE to provide guidelines for judging impact of business planning and cluster activities. SCOPE will report on progress against these targets in its year-end report for the nine-month period through September 2004. All baseline activity will be complete and targets will be re-evaluated at that time.

A. Introduction

This section provides an overview of SCOPE's target subsectors based on SCOPE-collected baseline data. Coffee is the largest export earner, followed by fisheries, horticulture, maize/beans, cotton, and oilseeds and dairy, in that order. Tourism is not shown on the chart, but would represent an even smaller figure. The total contribution of the SCOPE subsectors to Ugandan exports declined from 73.7% in 1999 to 48.4% in 2002. Apart from exports of vanilla, cut flowers and fish, all of which increased, the other subsectors face declining or stagnant trends. Table 2 shows the percentage share of the subsectors for the period 1998-2002.

Table 2 Percentage Contribution of SCOPE Subsectors to Uganda GDP

	Subsector	1998	1999	2000	2001	2002
1	Coffee	55.1	60.1	31.2	21.6	20.7
2	Cotton	1.4	3.6	5.5	3.0	2.0
3(a)	Maize	1.7	1.1	0.6	4.1	2.3
3(b)	Beans	1.2	1.8	1.1	0.5	0.7
4	Fish	7.4	5.2	7.7	17.3	18.8
5	Horticulture (Floriculture)	1.4	1.5	2.5	3.3	3.8
6	Dairy	0.4	0.1	0.2	0.04	0.04
7	Oil Seeds	0.1	0.3	0.8	0.2	0.1
Total Contribution of 7 Subsectors to Uganda GDP		68.7	73.7	49.6	50.0	48.4

Data source: Uganda Bureau of Statistics

Competitiveness focuses on enhancing efficiency and productivity with the ultimate goal of increasing Uganda's share of target markets and improving Uganda's trade positioning. Table 3 shows Uganda's current position in relation to the rest of the world. SCOPE will track and report on changes in Uganda's positioning in all of the categories shown in the table below.

Table 3 Uganda Positioning in World Markets

	Commodity	% of World Market	Ranking among World Exporters	Ranking among African Exporters	Ranking among African Exporters East	Ranking among Uganda Exports
1	Coffee	1%	19	2	1	1
2	Fish	1%	21	3	2	2

3	Floriculture*	0.3%	29	5	3	6
4	Cotton carded/combed	3%	7	3	1	8
5	Maize	0.3%	33	3	1	10
6	Oil seeds	0.09%	66	16	2	26
7	Dairy	0.003%	76	5	2	51
8	Tourism	N/A	N/A	N/A	N/A	N/A

Source: International Trade Centre (ITC), (based on value) -2002; Note

Note*: Does not include cuttings,

B. Sub-Sector Positioning

Subsector	Brief	Employment	Livelihoods (Estimate)	Current Major Products and Markets	Market Expansion Targets as of 6/30/04
Coffee	Largest export earner. Contribution to Uganda's total exports declined from 60% in 1999 to 21% in 2003.	Estimated at 500,000 farmer families.	5-6 million	Green beans to European Union, Eastern Europe and United States	Increase volumes to existing markets and explore new markets e.g. Eastern Europe.
Cotton	Production once as high as 500,000 bales; 162,000 bales in 2003	3,000,000 plus farmers	5-6 million	Cotton lint (data to be updated through survey underway)	600,000 bales by 2010
Horticulture / Floriculture	New export area. Contributes 2-4% to total exports	5,775 employees (60% female)	28,875	Roses and chrysanthemum cuttings mainly to Holland	15,000 MT by 2010
Dairy	Mostly domestic consumption oriented.	TBD (survey now underway)	TBD	Cheese, UHT, Ghee to Eritrea, Kenya and domestic market	Build domestic market for value-added product; expand regional export position
Fisheries	Contributes 18% to total Uganda exports	Employs 300,000 people directly and 750,000 indirectly.	2-2.5 million	Nile Perch whole and filleted to EU; wild tilapia to US and EU; pond tilapia and African catfish to domestic and regional markets	Regional markets with dried/smoked fish; expand domestic sales; expand in new export markets
Grains	Maize and beans are			Maize meal and grains for the	Domestic and Regional.

	major food crops; widely traded throughout region, much done through informal cross border trade	TBD (Survey of traders to be undertaken in 3 rd quarter)	2.5 million -3	domestic and relief market; maize grains and beans to the East African region	Currently mainly informal trade. Need to make it formal. 200,000 metric tones per year
Oil seeds	Basic raw material for edible oil. Grows at 3% per annum. Opportunities for subsector change as market context for cotton, maize, etc. shifts	TBD (Survey to be carried out in 3 rd quarter)	TBD	Simsim, cotton, groundnuts to local processing companies	Expand domestic and regional markets; need new market strategy to guide industry development
Tourism	Regarded as stand-alone sector, with impacts across other sectors and wide range of services – from hotels to restaurants to wildlife and community-based natural resource develop.	TBD (initial meetings held in second quarter; surveys and follow up in 3 rd quarter)	Unknown	White water rafting on the River Nile, Rwenzori mountains, Kibaale Forest National Park, Bwindi Impenetrable Forest, Source of Nile, Sese Islands. Bulago Islands – US and Europe Wide range of convention and business conference activities	Expand number of tourists (now at approximately 8,000 per year) to 20,000 per year

SCOPE subsectors are critical to Uganda's economy and to rural populations. Overall they impact the lives of at least 12 million Ugandans. (Note: The 12 million* figure is not a summation of all livelihoods as there are overlaps e.g. one farmer can be involved in more than one subsector). Where market expansion targets are provided, they are a product of SCOPE cluster activities.

C. Constraints to Uganda's Competitiveness

To increase subsector competitiveness, Uganda must identify and resolve a number of constraints and policy, legal and regulatory issues. During the second quarter, SCOPE subsector business leaders identified and began to seek ways to address issues and constraints to subsector development. The paragraphs below provide an overview of some major constraints and issues that appear across subsectors. Individual subsector cluster strategies will deal with elements within these categories as they are specific to the subsector. There are no surprises in the types of issues and constraints listed below. However, through work done to date it is already clear that SCOPE – facilitated clusters have major opportunity for creating positive change in these categories.

(i) Finance

Finance, particularly rural finance, remains a major frustration across subsectors, with the frustration occurring at differing levels. For example, while small farmers find it difficult to access any financing, larger growers find it difficult to obtain financing at rates and under terms that support their ability to compete. Commercial banking institutions charge high interest rates (as high as 25%) and have relatively short repayment periods (up to 8 years, e.g. the APEX funds). Funds for agriculture development are currently channeled through the Bank of Uganda, which charges a 3% interest before passing on these funds to the commercial banks, which in turn add up to 6% interest. Uganda's agricultural exporters do not have access to the types of agricultural finance mechanisms that are available to exporters in many of the countries with which Uganda's products must compete. SCOPE is working with business leaders, including financial sector representatives, to identify and develop approaches to agricultural finance that will support competitiveness efforts.

(ii) Land and infrastructure

Problems with the Land Registry continue to make the process of land registration difficult and time-consuming, whether for a new investor or to support a business expansion activity. In another type of land-related problem, some businesses continue to face problems in trying to deal with squatters on their land, a situation which is exacerbated by failure of authorities to provide adequate support. On the infrastructure side, lack of and/or poor quality of roads, electricity, telecommunications and water in many areas drives up the costs of production and makes expansion to new areas a poor investment, thus having a double impact on the potential for competitiveness. SCOPE works with cluster business leaders to identify and draft the types of incentives and/or government support packages that are needed to support subsector efforts to build competitive marketplace positioning.

These draft packages provide the basis for private-public dialogue within the context of cluster strategies.

(iii) Production

SCOPE findings indicate high potential for expanding market share for Ugandan products in all of SCOPE's target subsectors. For example, coffee exporters, who are currently exporting 2.7 million bags, attest that they would market 4.5 million bags if this volume were available. This situation highlights the need to boost production by reducing production costs so that farming as a business is more profitable for Uganda's small farmers. Experience shows that significant reduction of costs, for example those associated with inputs and transport, is possible when farmers work within business associations, groupings or relationships with buyers that enable them to benefit by pooling their resources and their requirements. While formation of such units is a major focus within the revised PEAP, implementation strategies lag far behind. SCOPE is working with business leaders as part of business plan formation to look at and develop new strategies for reduction of production costs within effective farmer organizations and/or through new forms of buyer-supplier linkages that can be made a major part of cluster development and implementation strategies.

(iv) Government Support

Business leaders working within SCOPE-facilitated clusters find that Uganda's regulatory agencies continue to perform functions that would be better carried out by strengthened private sector organizations. For example, members of the coffee cluster cite the Uganda Coffee Development Authority and its involvement in seedlings as just one example. A further concern among business leaders is the lack of a clear support framework for Uganda's agricultural subsectors at the policy level. In the current context, they find it almost impossible to determine where MAAIF, the PMA and the Strategic Exports Activity start and stop. They prefer establishment of a one-stop shop within a "home" ministry that will be responsible and accountable for working with them on all subsector development issues. SCOPE is working with this situation on two levels. On one level SCOPE is working with the Medium Term Competitiveness Strategy to define improvements in the institutional framework needed to support competitiveness. On the second level, SCOPE is working with cluster leaders to define their proposals and their lobbying positions for negotiation within cluster private-public partnerships.

(v) Market Strategy

Uganda's products currently compete in international markets based only on price, which leaves them particularly vulnerable to fluctuating world market prices. Within this context, any strategy to

increase volumes must be accompanied by new strategies for market position, for quality, for branding, for value-addition. Even as SCOPE works with cluster leaders to define specific strategies for defining new products and for positioning subsector products in markets, SCOPE is also carrying out direct marketing efforts on behalf of cluster expansion, with the result that new potential market opportunities and new strategies for positioning Uganda in target marketplaces are already being defined.

SCOPE works with cluster business leaders to develop business strategies and supports them to raise and address issues and constraints with relevant ministries, parliamentary committees and regulatory bodies. By the end of the second quarter, two concept notes/issues papers had been drafted (one for the coffee subsector and a general one for all the subsectors) for presentation to the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF). In support of the Floriculture Strategy 2005 – 2010 (also in draft form), SCOPE has assisted leaders to prepare a draft Investment Incentives Package which will provide the basis for expanded private-public dialogue within the cluster.

D. Work with other SO 7 Partners

SCOPE is supporting the coffee cluster to carry out a coffee production mapping and capacity survey, the objective of which is to work with farmers to identify potential for increased production and quality improvement and to inform the business plan for revitalizing the coffee subsector. SCOPE worked with APEP on the development and methodology for the survey and agreed to incorporate APEP-supported farmers to the extent possible. SCOPE also interacts closely with APEP in the cotton, maize/beans and oilseeds subsectors. Initial discussions were held with PRIME/West with regard to tourism and dairy initiatives. SCOPE continued to work with Land o'Lakes and the Dairy Processors Association to support the ability of dairy processors to design expanded approaches to market development.

Stages to Ugandan Competitiveness

A. Introduction

Because achievement of competitiveness requires changes in both subsector performance and institutional capacity for competitiveness, SCOPE defines five stages through which both the subsectors and the institutional framework must pass. These stages are illustrated in the graphic below:

Stage	Subsector Transformation	Competitiveness Framework
1	Subsector Positions Defined	Framework Assessed
2	Business Plans Developed	Framework Strategy Developed
3	Cluster Strategies & Action Plans Developed	Capacities Expanded
4	Cluster Action Plans Implemented	Framework Strengthened
5	Clusters Sustained	Framework Sustained

On the subsector transformation side, all eight SCOPE target subsectors will have completed Stage 1 by September 2004. Three of the subsectors will have passed through Stage 2. One subsector will have completed Stage 3 and have a cluster action plan in place. While work on the competitiveness framework side is driven by subsector transformation activity and is dependent to some extent upon the pace of change within other organizations, such as the MTCS Secretariat and the Private Sector Foundation Uganda, SCOPE hopes to have completed all Stage 1 activities by September 2004.

B. Progress to Date

Tables 4 and 5 on the following pages illustrate SCOPE progress to date in terms of both subsector transformation and competitiveness framework efforts. Additional details can be found in Annex (iv). While some subsectors, for example floriculture and cotton have been placed at Stage 2 from the beginning in terms of apparent readiness for expansion, SCOPE discovered early in project implementation that all subsectors, in order to provide an appropriate foundation for a) baseline development and monitoring and b) for private sector agreement on strategies and business plan development would need to go through Stage 1. The time required to move through Stage 1 depends

Stage	Coffee	Dairy	Grain	Cotton	Fish	Flowers	Oil seeds	Tourism
expanded								
Regular meetings supported								
Resources leveraged								
Business partnerships developed and supported								
Export linkages coordinated								
Monitoring and reporting carried out								
5. Clusters Sustained								
New clusters emerging based on SCOPE model								
Regular media coverage provided for all cluster-initiated activities								

Note: Shaded areas indicate level of completion

Table 5 Competitiveness Framework

1. Framework Assessed		
	Subsector policy/legal/regulatory frameworks mapped	50% complete
	Review of MTCS programs completed	Completed
	Assessment of MTCS position carried out	80% completed
	Review of PSFU programs carried out	80% completed
	Assessment of PSFU capacities completed	80% completed
	Assessment of subsector associations carried out	Completed for UFEA; underway for UDPA
	Subsector association profiles prepared	50% completed
	PSFU profile completed	To be completed 3 rd quarter
	MTCS profile completed	To be completed 3 rd quarter
2. Framework Strategy Developed		
	MTCS strategic development program prepared	In draft – June 2004
	MTCS roles re clusters defined	In draft – June 2004
	PSFU roles per cluster defined	In draft – June 2004
	Plan for upgrading competitiveness framework prepared	In draft – June 2004
	Communications requirements assessed	To be completed 3 rd quarter
	Communications program developed	To be completed 1/05
	Baselines developed	To be completed 1/05
	Association strategic development programs defined	UFEA; UDPA – 3 rd quarter
	Legal/regulatory issues identified	6 subsectors – 3 rd quarter
3. Capacities Expanded		Initial projections for completion by 9/30/04
	Baselines incorporated into MTCS monitoring framework	
	Communications program installed in initial participating organizations	
	MTCS capacity to analyze and report on competitiveness supported	
	PSFU capacity to report on competitiveness increased	
	Association capacities to support cluster activities supported	
	Competitiveness capacities of key public sector agencies expanded	
	National awareness program developed	
4. Framework Strengthened		Initial projections for completion by 9/30/04
	Standards, certification, quality, branding programs developed and supported	
	Trade, regulatory issues constraining subsector growth addressed	
	Association revenue generation programs operational	
	National awareness program implemented	
	MTCS established as focal point for Uganda global competitiveness conference	

Partnerships expanded and strengthened	
5. Framework Sustained	Initial projections for completion by 9/30/04
Clusters operational within sustainability plans	
Subsector associations provide support services as part of sustainability strategies	
PSFU private sector policy platform firmly established	
Competitiveness Council/Forum in place to sustain effective dialogue	

Progress on Intermediate Results

A. Introduction

SCOPE has three Activity Intermediate Results (AIRs), each of which has its own relevant strategies, Key Results Areas (KRAs) and performance benchmarks. Progress specific to each of the SCOPE AIRs is described in this section.

B. AIR 1: Private Sector Competitiveness Increased

AIR1 focuses on developing, supporting and strengthening market-driven clusters within the 8 subsectors. SCOPE facilitates the ability of subsector business leaders to identify market opportunities, set specific market targets, develop business plans and work with clusters to prepare action plans for the subsectors. AIR1 activities are profiled below in terms of two Key Results Areas (KRAs).

KRA 1: Market-driven Clusters Developed

Under KRA1, SCOPE catalyzes private sector-driven cluster formation by facilitating the ability of selected business leaders to identify market opportunities, set market targets and develop business plans. Second quarter activities centered on private sector cluster formation, business development activities and preparation of economic baseline profiles for the subsectors. See Annex (iii) for details on subsector work.

Progress on KRA 1 benchmarks is given below.

Benchmark 1.1. Six (6) subsector baselines completed by 9/30/04

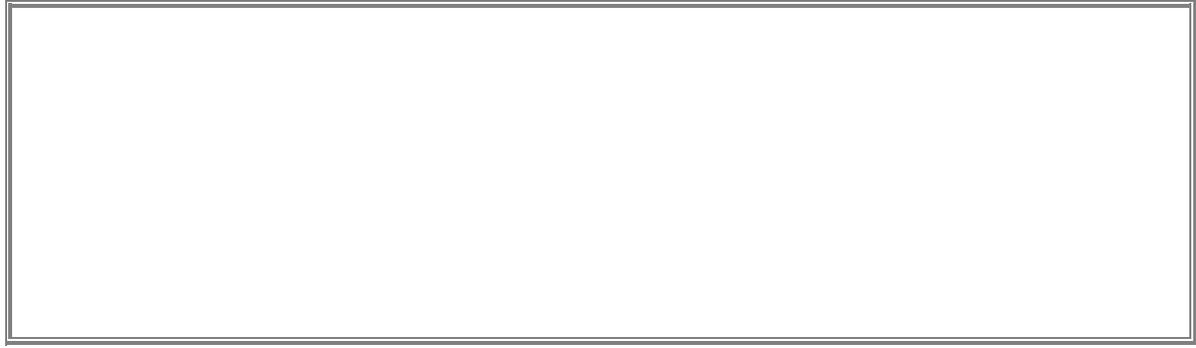
80% of all economic baseline activity was completed by 30th June 2004; baselines for coffee, floriculture, cotton, dairy, fish and maize/beans will be completed by 31st July 2004.

Benchmark 1.2: Three (3) business plans (BP) developed by 9/30/04

50% done. Business plan formulation is underway in floriculture, cotton, dairy, and maize/beans. The floriculture business plan is in its final stages; other are in preliminary stages.

Benchmark 1.3: One (1) cluster action plan by 9/30/04

The floriculture action plan will be taken to this stage by the end of September 2004.



KRA 2: Market-driven Clusters Supported

The strategy for supporting market-driven clusters hinges on providing services that support the ability of business leaders working through clusters and within their associations to drive institutional change, leverage required resources and achieve market results. A critical part of activity within this KRA is provision of support to subsector associations with identification of their sustainability strategies and plans for implementation of sustainable approaches to member support and business development activities. Also destined to play a key role in the activities of this KRA is the Private Sector Foundation Uganda, which will be assisted by SCOPE to provide support to subsector associations with development and implementation of cluster strategies and policy and advocacy positions in support of those strategies.

In the second quarter, SCOPE began work with the Uganda Flower Exporters Association (UFEA) on identification of the core programs that will be part of its Strategic Development Program and provide the basis for its sustainability strategy. SCOPE also began strategic planning activities with the Uganda Dairy Processors Association and continued its program identification efforts with the PSFU. The KRA 2 performance for the period is profiled below.

Benchmark 2.1: Cluster monitoring system developed by 6/30/04.

100% completed. Cluster monitoring system was developed by 30th June 2004. This system will be used to track progress made by the clusters towards achieving objectives.

Benchmark 2.2: Two (2) competitiveness advocacy initiatives supported through collaboration with PSFU by 9/30/04

To be identified and packaged in third quarter – working with UFEA and/or UGCEA or UGTL, all of which are PSFU members.

Benchmark 2.3: Three (3) association cluster support programs defined by 9/30/04.

60% done. Cluster support program in draft for Uganda Flower Exporters Association (UFEA); other two likely candidates for definition by the end of the third quarter are Uganda Dairy Processors Association (UDPA) and Uganda Ginners and Cotton Exporters Association.

Benchmark 2.4: Forty (40) business leaders actively leading cluster initiatives by 9/30/04.

130% achieved (30% above target) SCOPE works with 52 business leaders as follows (cotton-8, coffee- 6, grain – 6, flowers – 18, dairy – 10, fish – 2, tourism-2 and oil seeds-2), and these numbers will grow as work proceeds. Champions develop subsector business plans and present them to cluster members for discussion and adoption.

Performance Discussion for AIR1 and Strategies for July to September 2004

SCOPE activities within AIR1 are proceeding on schedule. Response and enthusiasm from the private sector, as evidenced by private sector participation and willingness to devote hours to business development activities, has been gratifying. As a general rule, private sector champions meet once every two weeks for two to three hours at a time, and have shown complete willingness to share data and insights – with SCOPE and with each other.

Completion of economic baselines has been constrained by lack of reliable and accurate data. For example, figures provided by the Uganda Export Promotion Board may conflict with those provided by other entities. The most reliable subsector data are provided by the UCDA. To standardize data reporting, SCOPE will use the International Trade Centre (ITC) trade-map information for the international data, even though it too has some inconsistencies.

Projected activities for the third quarter include:

- Complete Stage 1 activities for all SCOPE subsectors;
- Maintain momentum with business leaders to support development of initial business plan strategies in at least six subsectors
- Support ability of business leaders to expand and develop clusters by bringing in more private and public sector players (transporters, input suppliers, regulatory bodies, ministries, financial institutions)
- Conduct the following strategic business planning surveys as part of baselining activities and to provide basis for business plan formulation:
 - ◆ Coffee -- A production mapping and capacity survey focusing on farmers and farm association and a survey of leading coffee exporters.
 - ◆ Dairy – A strategic assessment of dairy processors in conjunction with the Uganda Dairy Processors Association (UDPA).
 - ◆ Fish – A strategic assessment of fish processors carried out in conjunction with the Uganda Fish Processors and Exporters Association (UFPEA)
 - ◆ Cotton – A survey of lead ginners to look at existing approaches to zone development and commodity expansion, as well as to gain insight as to strategic directions for future activity – commissioned by the Uganda Ginners and Cotton Exporters Association (UGCEA)

- ◆ Maize/Beans (Grain) – A strategic assessment of Uganda’s grain trading options and directions to be carried out through assessment of members of the Uganda Grain Traders and other trading associations
- Complete UFEA Strategic Development Program, including revenue generation and sustainability strategy
- Complete UDPA assessment and draft Strategic Development Program
- Hold major floriculture cluster expansion workshop in September
- Initiate tourism caucus and planning activities

C. AIR 2: Private/Public Partnerships for Competitiveness Increased

SCOPE supports the emergence of a strengthened national framework for competitiveness, a framework based on effective private – public partnerships. Through AIR 2, SCOPE supports development and strengthening of the institutional framework needed to provide promote and nurture such partnerships. Major focus in AIR2 is the provision of strategic design and implementation support to the Government of Uganda’s Medium Term Competitiveness Strategy (MTCS), the linkage of cluster initiatives to the MTCS and the provision of support to business organizations with design and implementation of effective advocacy activities. AIR2 has two KRAs.

KRA 3: Competitiveness Framework Strengthened

Through this KRA, SCOPE supports the MTCS to operate as a national competitiveness framework. SCOPE assists the MTCS secretariat to review and analyze Uganda’s position in world competitiveness standings. Major strides were made in the development of the SCOPE/MTCS relationship during the second quarter. An outline of the performance is given below.

Benchmark 3.1: Roles of MTCS Steering Committee and Secretariat reviewed and recommendations for the strengthening developed by at least 9/30/04

50% done. Approach on way forward for MTCS submitted and under discussion; roles for Steering Committee and the Secretariat to be fine-tuned during the process of reviewing and refining draft MTCS framework; Work to be carried out under direction of a technical committee, the composition of which is under discussion. Target date for completion of all revision activity – and for launching – is 1/05

Benchmark 3.2: Competitiveness indicators for Uganda within the Global Competitiveness Indicators (GCI) context provisionally developed by MTCS by 9/30/04

30% done. The revised MTCS framework to be benchmarked to Global Competitiveness Indicators. Competitiveness indicators to be discussed and refined as part of the revised MTCS framework under the monitoring and evaluation component.

Benchmark 3.3: MTCS/SCOPE agreement in place by 6/30/ 04

80% done. General agreement on the way forward regarding revision of MTCS framework 2005-2010 is in place; to be finalized July/August 2004

KRA 4: Trade, Policy and Regulatory Issues Addressed

SCOPE expands the capacity of business leaders and their support organizations to carry out effective trade, policy and regulatory advocacy in support of cluster initiatives. With SCOPE’s

support, business leaders identify and address trade, policy and regulatory issues. SCOPE support includes the provision of negotiation services and support for preparation of issue papers. Performance to date in this KRA is highlighted below.

Benchmark 4.1: Eight (8) trade, policy and regulatory issues identified and addressed by 9/30/04.

100%- identified, 20% addressed. Issues have been identified across the 8 subsectors and building capacity to develop advocacy platforms is underway. Some issues are related to taxation, i.e., import duty on some key inputs, VAT refunds, withholding tax and duty drawback. Mechanisms for resolving some of these soft issues are being established through enhanced informal Private – Public Partnerships. Policy and institutional issues, particularly those which require changes in the framework of support provided from the public sector require more formal advocacy and negotiation. SCOPE succeeded in facilitating release of VAT refunds for UFEA members (see AIR 2 success story below).

Benchmark 4.2: Two (2) issue papers developed in support of cluster action plan implementation by 9/30/04.

75% done. One specific issues paper on VAT refunds and import duty on inputs was prepared with and on behalf of UFEA members to guide discussions with URA. One general issues paper to guide discussions with MAAIF regarding a range of trade, policy and regulatory issues is in draft form.

Benchmark 4.3: One (1) association advocacy program developed in support of cluster operations by 9/30/04.

60% done. SCOPE is working with UFEA on preparation of its Strategic Development Program; the UFEA policy and advocacy program is a major core program within the overall strategic plan. UFEA's policy and advocacy program will outline specifics of its advocacy program, including parameters for working with the PSFU on advocacy activities.

Performance Discussion for AIR 2 and Strategies for July to September 2004

SCOPE has already scored success for the floriculture subsector in the area of soft issues caused by administrative bottlenecks. (See success story below.) Issues that require policy changes by the public sector will take more time and more formal private-public partnerships within the context of cluster strategies.

Achievement of benchmarks set with MTCS will depend upon the pace at which activities can be achieved working through steps agreed upon for preparation of the revised MTCS framework. MTCS and SCOPE intend to set and agree upon a fixed schedule.

Third quarter emphasis in this KRA will be placed upon the following:

- Continued work with MTCS to prepare, agree upon and begin implementation of the approach to preparation of a revised Uganda Competitiveness Framework;
- Work with the PSFU to redefine and position it vis-à-vis the revised competitiveness framework and the work of SCOPE clusters;
- Completion of issues papers and beginning of advocacy around these issues papers;
- Initial identification of issues for other subsectors.

Issues Success Story

SCOPE was requested to assist members of the floriculture cluster to address a number of tax-related issues identified during the 2nd cluster meeting held at the UFEA offices on March 1, 2004. The issues included: VAT charges being placed upon on-ground handling services at Entebbe airport and the delay in remitting VAT refunds on inputs and services. VAT refunds in arrears amounted to Ushs **772,393,570**, of which Ushs **516,172,150** had been outstanding for more than the statutory limit of three months -- some of it dating as far back as May 2001. SCOPE worked with the growers to document the issues and met with URA to introduce SCOPE, raise the above issues, and to look for a mechanism through which the URA and SCOPE could work in partnership to address such issues. Working closely with UFEA and with support from the office of the Deputy Commissioner General (Revenue), SCOPE assisted the relevant URA Commissioner to focus on the fact that the delays in refunding VAT payments were affecting the competitiveness of the sector by creating unwarranted cash flow problems. At URA request, flower growers worked with SCOPE to furnish evidence of outstanding arrears. As of March and June 2004, all but one had received their refunds. One firm reported receiving a total of Ushs 80,000,000 in the last three months alone.

D. AIR 3: Competitiveness Understood and Promoted

AIR3 centers on increasing awareness and understanding of competitiveness among a wide range of communities, including businesses, public sector, civil society, the general public and the media. SCOPE strives to make competitiveness a national challenge and works through two KRAs to make the challenge relevant to various audiences and to translate awareness into changes in Uganda's performance within the context of its trade relationships and in the marketplace performance of specific subsectors as they adopt and use more advanced marketplace positioning practices, such as quality standards and branding. AIR 3 has two KRAs;

KRA 5: Awareness of Uganda's Competitiveness Potential Increased

Building national awareness and support by making competitiveness relevant to all Ugandans and by developing and installing ongoing communications activities is a crucial part of SCOPE activity. SCOPE works with private sector associations, cluster participants, PSFU and the MTCS to design a competitiveness communications strategy that will address the needs of the various players. The box below gives a summary of the performance of the benchmarks under KRA5.

Benchmark 5.1: Competitiveness Communications (CC) strategy developed by the 9/30/04

80% complete. The CC draft strategy highlights the importance of establishing a media cluster as key to increasing awareness of competitiveness. Strategy to be finalized and in full implementation by 30th September.

Benchmark 5.2: Competitiveness data base designed by the 9/30/04

30% done. The data bank for daily media clippings on competitiveness and subsectors in which SCOPE operates is in place. Proposals from 2 Website Developers are under review. The competitiveness website will be developed by mid-August, and will be linked to various strategic sites for increased access. The competitiveness newsletter, media briefings and brochures will be embarked on during the third quarter.

Benchmark 5.3: Twenty five (25) cluster related communications carried out by 9/30/04

First quarter activity focused on getting specific subsector activities underway. With the development of the communications strategy in the second quarter and the formation of the media cluster to be formalized in the 3rd quarter under the direction of the Competitiveness Communications Specialist, the number of communications will increase greatly.

Benchmark 5.4: One (1) branding program identified by 9/30/04

Branding program requirements have been identified for the flower sub sector. Details of approach will be fleshed out in third quarter. Discussions also underway re national banding for Uganda – may be part of media cluster activity.

KRA 6: Uganda's Ability to take Advantage of Trade Positions Increased

It is imperative to clarify trade position potentials and develop mechanisms for maximizing that potential. Business leaders need to have knowledge of the nature of agreements to which Uganda is a signatory and of ways in which such agreements can be exploited. Uganda currently participates in AGOA, WTO, EAC and COMESA. These offer numerous opportunities for Uganda that need to be made known to the business community as well as the general public. Activities in this KRA will get underway in earnest in the third quarter as part of work with MTCS and PSFU. Benchmarks for KRA 6 are shown below.

Benchmark 6.1: One (1) trade agreement subsector opportunity profile prepared and distributed by 9/30/04

First focus will be on AGOA; to be carried out in third quarter.

Benchmark 6.2: Uganda trade agreement benchmarking report prepared and disseminated by 9/30/04

To be carried out in third quarter.

Performance Discussion for AIR 3 and Strategies for July to September 2004

The strength and impact of this AIR depend, to a great extent, upon work being carried out within AIRS1 and 2. Now that the component manager is in place, and because momentum has been built in the first two quarters, it will be possible to achieve KRA6 benchmarks for the third quarter, with maximum potential for impact.

AIR3 will focus on the following during the third quarter:

- Developing a competitiveness website;
- Developing and supporting a media cluster as a major mechanism for creating competitiveness awareness;
- Reviewing AGOA provisions and devising plan for working with the media cluster and SCOPE subsectors on increasing AGOA benefits for Uganda;
- Assessing communications capacities of PSFU and PSFU subsector association members working with SCOPE-supported clusters;
- Finalizing the communications strategy;
- Completing a subsector-specific trade analysis for at least one subsector;
- Undertake initial benchmarking analysis as part of MTCS support activities.

Program Management and Administration

SCOPE operates under three program management and administration Key Result Areas. This section profiles progress made in each during the quarter.

A. KRA 7: Resources in Support of Competitiveness Leveraged

A Competitiveness Incentives Fund (CIF) will be set up for the purpose of leveraging resources from other sources and/or jumpstarting initiatives that will in turn leverage additional participation and resources. The progress made on KRA 7 is given below:

Benchmark 7.1. CIF policies and procedures manual developed and submitted to USAID for review by 5/30/04

90% done. Document in draft form. To be submitted by 30th July 2004. The manual will establish the process under which the fund can be accessed, and provide guidelines for reporting and monitoring on activities financed by the fund.

Benchmark 7.2. First \$ 50,000 CIF committed by 5/30/04

Funds will be accessible as soon as the manual is submitted and approved.

B. KRA 8: Effective Monitoring and Evaluation System Developed and Maintained

The SCOPE M&E system provides the foundation for tracking the activity's delivery of expected outputs and quantitative impacts to measure progress. The M&E system also provides information to support USAID's M&E needs by providing input to the mission's SO7 and associated IR indicators. Progress against each of the KRA8 benchmarks is highlighted below.

Benchmark 8.1. Performance Monitoring Plan (PMP) submitted by 4/30/04

100% completed. Draft PMP was prepared by M&E Specialist from Chemonics Home Office together with the SCOPE team and submitted on 26th April 2004.

Benchmark 8.2. SCOPE Databases designed and established by 6/30/04

90% done. Data has been collected on a number of parameters and economic indicators relevant to SCOPE's work. Data collection sheets (templates) were prepared for the subsectors.

Benchmark 8.3. First Monitoring and Evaluation Report submitted no later than 10/31/04

Activities as defined in the SCOPE work plan are continuously tracked to facilitate quick report generation. SCOPE holds monthly M&E meetings to discuss progress towards desired results. The first monitoring and evaluation report will be submitted no later than 10/31/04.

C. KRA9. Effective Contract Administration Provided

Chemonics developed and assigned a Home Office (HO) Project Management Unit (PMU) to support SCOPE implementation. This office ensures that SCOPE achieves results on schedule, within budget and in compliance with all applicable rules and regulations. Administration has one KRA; Effective Contract Administration Provided.

This KRA covers the set up and smooth implementation of the SCOPE offices and systems. It also includes all financial and contract reporting. Chemonics Home Office (HO) Project Management Unit (PMU) also plays a key role in this KRA. The work plan defines the following benchmarks and the progress is shown below.

Benchmark 9.1. Office build out completed and TA team moved into permanent office by 4/15/04

The April 15th Deadline was met. SCOPE moved to their new and spacious office at Plot 17 Yusuf Lule Road. Space improvement was conducted, utilities system were established, furnishings and all office equipment procured and installed. Improvements and stabilizing of systems are a continuous process.

Benchmark 9.2. Policy and Procedures (P&P) manual completed by 4/30/04

Draft P&P manual was developed by Apr 30, 2004. It was reviewed and approved by the SCOPE MD and HO PMU. HO Human Resources Department is yet to approve. However, draft policies and procedures manual are currently being fully implemented

Benchmark 9.3. Financial reports and pipeline analyses provided to USAID quarterly by 3/15/04, 6/15/04, and 9/15/04

Finance Management System established. USD and UGX bank accounts opened with Barclays Bank. Monthly funds request system established. Check payment and petty cash payment system established. Monthly (Mar/Apr/May/June) field office financial reports submitted to HO PMU and the HO field accountant. Financial statements/invoices for Jan/Feb/Mar/Apr/May prepared by HO, reviewed by Project Office and submitted to USAID Controller. Floor review of SCOPE office financial and administrative systems conducted by Chemonics.

Benchmark 9.4. Quarterly progress report submitted to USAID by 4/30/04 and 7/30/04

Quarterly reports submitted on time.

Benchmark 9.5. Property report submitted to USAID by 9/30/04

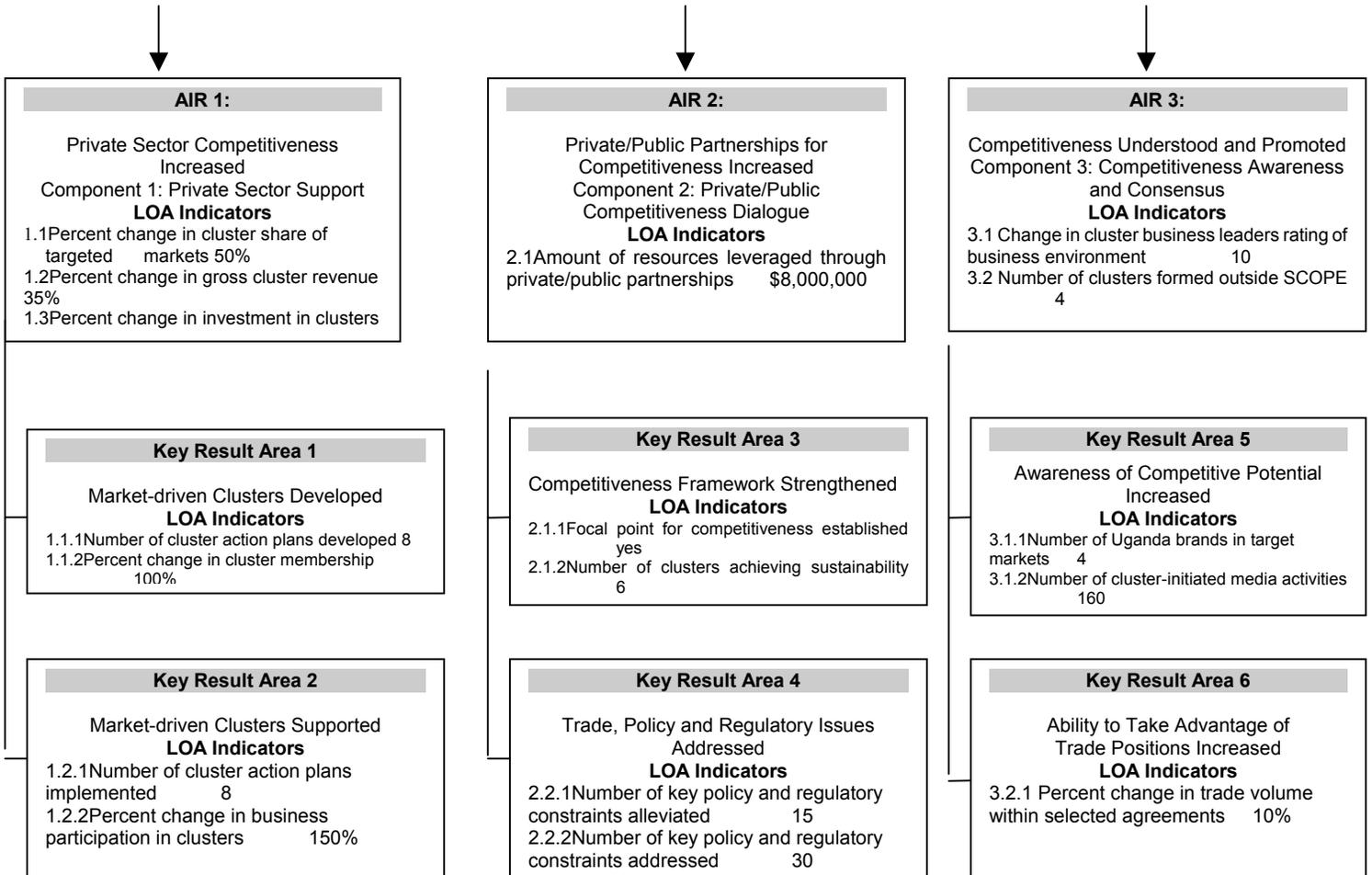
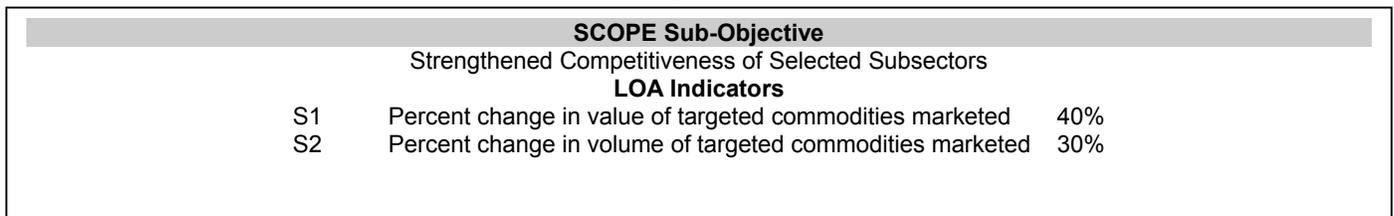
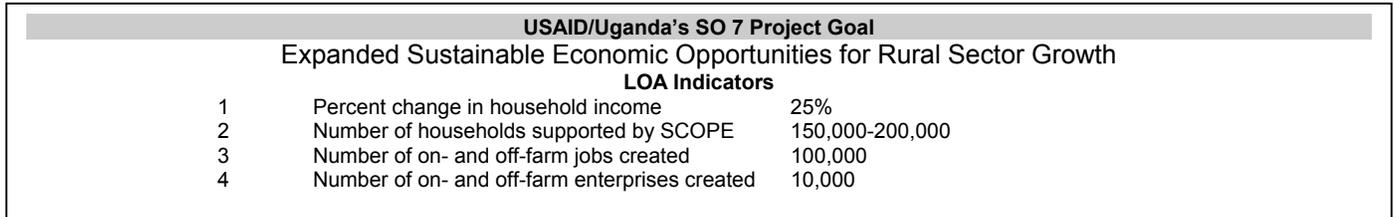
A comprehensive inventory tracker captures all SCOPE assets accumulated to-date. Various asset movement tracking forms; goods received notes, memos of receipt, borrowers cards, incident cards, use monitoring cards, stock control etc were introduced to track asset movement. Periodic reconciliations to be conducted. Inventory tracker will be basis of generating property report to USAID by the 30th of September.

Benchmark 9.6: Second annual workplan for 2005 submitted by 9/30/04

Work planning to be carried out during second week of September, 2004.

ANNEX A

Scope Results Framework



ANNEX B

Scope Staff List

	Name	Job Title	Reported on
1	John C. Engle	Managing Director	28 th January 2004
2	Laurel Druben	Subsector Growth Technical Advisor	28 th January 2004
3	Brian Buckley	Trade & Investment Technical Advisor	1 st March 2004
4	Taibu Nakueira	Marketing and Business Development Specialist (AIR 1 Manager)	1 st February 2004
5	Lydia Ochieng Obbo	Institutional and Policy Development Specialist (AIR2 Manager)	19 th Feb 2004
6	Lilliane Barenzi	Competitiveness Communications Specialist (AIR 3 Manager)	14 th June 2004
7	Cissy Kirambaire	Monitoring & Evaluation Specialist	3 rd May 2004
8	Robert Tomusange	Operations & Logistics Manager	29 th March 2004
9	Nicholas Ogola	Chief Accountant	1 st March 2004
10	Jane Mukunya	Program Support Officer	9 th Feb 2004
11	Pamela Busingye	Program Support Officer	1 st March 2004
12	Audrey Ankunda	Secretary/Receptionist	1 st April 2004
13	Ahmed Buyondo	Driver	17 th May 2004
14	Ben Mubiru	Driver	8 th March 2004
15	Ronald Katusabe	Care taker	12 th May 2004
16	Francis Oburu	Gardener	10 th May 2004
17	Sylvia Muliira	Care taker	Temporary

ANNEX C

Status of Cluster Work

Sector	No. of Meetings	Lead Facilitator	Remarks	Next steps
Coffee	-UCDA -8 -Ibero -3 -Ishak -4 -David Barry -1 -Jack -3 -Arthur -4 -NUCAFE -3 -Coffee Cluster -1 -Coffee Caucus -6 -UCTF -1 -CIRAD/CORI -1 -Farmers (Field trip) -1	Taibu Nakueira	-Inaugural Cluster meeting held -Caucus members identified -Caucus meetings ongoing -Process of developing business started -Marketing, Production, Policy & Regulatory teams formed -Team presentations made	-SCOPE , UCTF, and etc to meet Minister for Agriculture on policy issues -Business leaders to meet UCDA on regulatory issues -Conduct a coffee survey (sample survey) -Business plan formulation -Joseph Nkandu of NUCAFE to make a presentation to the coffee caucus on new developments in the coffee world market -Conduct Production Mapping and Capacity Survey -Survey of coffee exporters
Cotton	-CDO -2 -Dunvant -2 -North Bukedi -2 -COPCOT(E.A) -1 -COTTCO -1 -Nyakatonzi G.C.U. -1 -Bon Holding -1 -Novo Enterprises -1 -CN Cotton -1 -UGCEA -3 -Cotton Caucus -1	John Engle	-Follow up meeting with CDO held -Held meetings with all lead ginners individually -Meeting with Chairman UGEA held -Presentation on SCOPE and SCOPE activities made to UGCEA members -First caucus meeting held with lead ginners	-Survey of lead ginners
Cut Flowers	-UFEA -9	Brian	-VAT & DDB	-Finalize business plan

Sector	No. of Meetings	Lead Facilitator	Remarks	Next steps
	-Flower Caucus -7 -Flower Survey – 18 -Flower Cluster -0 -Flower consultant (Nick Shirra) -1 -FHL -2 -Enhas-4 -Oka Bonds (DAS Handling)-1 -CAA -2 -Icemark Africa Ltd. -1 -MOFPED -1	Buckley	position improved -Flower survey completed and results presented to flower caucus -Marketing, Incentive & Policy teams formed -Marketing and incentive teams met and discussions held re marketing strategies and incentive package -Met flower consultant in connection with establishment of UFEA marketing office at the auction in Holland	formulation -Formulate strategy for UFEA sustainability -Prepare UFEA strategic development program, including plan for sustainability
Maize/Beans	-UGTL -5 -Maize Caucus -6	Brian Buckley	-Private sector leaders identified -Caucus meetings ongoing - market targets set	-Survey of major traders, -Business plan formulation
Oil Seeds	-ACDI/VOCA -1 -UOSPA -1 -Mukwano -2	Taibu Nakueira	Mukwano working on proposal for a bigger agricultural project.	-To have third meeting with Mukwano to review their project proposal -To hold meetings with other private sector players
Fisheries	-UCFFEA -1(L) -AWG (UFFA)-5 -ATT (Caucus) -3	Brian Buckley	-Business leaders in aquaculture identified - Aquaculture think tank formed -ATT meetings held	-Expand caucus to include capture fish operators and fish processors -Review UFPEA strategic plan Strategic planning survey of fish processors.
Dairy	-LOL -2 -DDA -1	Laurel Druben	-Caucus formed -Caucus meetings	-To work through Uganda Dairy Processors

Sector	No. of Meetings	Lead Facilitator	Remarks	Next steps
	-UDFA -1 -Dairy Caucus -2		ongoing Survey of dairy processors underway	Association (UDPA) - Carry out strategic planning survey of processors - Draft strategic development program
Tourism	-UTOA -2 -Volcano -2 -MTTI -1 -Workshop (LO & TN) -UWA -1 -UAAO -1 -Board of Airlines -1 -CAA -1 -HCAU -1 -TUGATA -1 -UCOTA -1	Laurel Druben	Meetings with individual private sector held	-Hold tourism caucus meeting -Integrate cluster work with EU/MTTI activities.
General	-PSFU -8 -MTCS -11 -PMA -2 -Deregulatory BP -4 -UIA -1 -URA -1 -UEPB -2 -MISR -3 -UNCCI -2 -Barclays Bank -Standard Chatered Bank -Stanbic Bank -Allied Bank -BOU -2 -SDV Transami -1 -Competitiveness Round Table -1 -UNBS -1 -Northern Corridor -3	Laurel Druben Lydia Obbo Brian Buckley		-Finalize Revised MTCS Framework
Sister	SPPED -3	John Engle		

Sector	No. of Meetings	Lead Facilitator	Remarks	Next steps
Activities	APEP -5 PRIME/WEST -2			
Other Donors	EU -1, DfID -1	Brian Buckley		-Work towards holding further consultations

ANNEX D

Stages to Uganda's Competitiveness

Coffee Subsector Transformation

	Stages	Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	There is still potential for Ugandan coffee exports in the international market for 4.5 million bags. The bottleneck is only on the supply side.
2	SWOT analysis #1 carried out	Done as part of baseline but needs reviewing.
3	Comparative advantages determined	To be determined by the coffee subsector leaders.
4	Target markets and products identified	Done as part of the baseline. Markets are basically in the traditional markets (EU). Need to capture markets in Eastern Europe and the United States of America. Uganda's coffee exports mainly Fairly Average Quality (FAQ). No new products envisaged yet. Need to explore export of processed coffee (value addition).
5	Private and public sector actors reviewed	Public actors include UCDA and Ministry of Agriculture and Animal Industry (MAAIF) Private actors include the coffee farmers, traders, exporters, transporters, and input suppliers.
6	Value chain and linkages profiled	Not yet formalized, available in sketch form.
7	Pre-cluster activity defined	Pre cluster activity completed.
8	Preliminary APEP, PRIME, SPEED opportunities identified	2 meetings (1 with Mark Wood, 1 with Clive Drew) of APEP. I meeting was held with COP Prime West Opportunities defined but not formalized.
9	Economic baselines established	100% completed
Stage 2. Business Plans Developed		
10	Private sector caucuses held	6 caucus meetings held and 1 cluster meeting
11	Private sector champions identified	6 so far. (Ishak Lukenge, Jayson Green, Jack Bigirwa, Hannington Karuhanga, Arthur Busingye & David Barry)

	Stages	Details
12	Business surveys carried out	To be carried out in July 2004
13	Market expansion targets set	Market target set at 4.5 million up from the current 2.7 million
14	SWOT analysis #2 carried out	To be ratified by the caucus
15	Business expansion plan agreed upon	The coffee subsector is in the process of formulating a business plan.
16	Cluster participation defined	Initially defined.
17	Cluster formation meeting(s) held	<p>35 meetings held (UCDA-8, Ibero-3, Ishak-4, Barry-1, Jack-3, Arthur-4, NUCAFE-2, Coffee cluster 1, coffee caucus-6, UCTF -1, CIRAD/CORI-1, Field trip-1)</p> <p>Way forward</p> <p>SCOPE, UCTF to meet the Minister for Agriculture on policy issues. Business leaders to meet UCDA on regulatory issues</p> <p>To conduct a coffee survey (production mapping and capacity survey). Business plan formulation in preliminary stages.</p>

Cotton Subsector Transformation

	Stages	Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	600,000 bales in 3 years.
2	SWOT analysis #1 carried out	Done as part of baseline but needs reviewing.
3	Comparative advantages determined	To be provided by the sub sector leaders.
4	Target markets and products identified	Expand to 600,000 bales in three years. Also expand market for the by-products (e.g. oil, soap etc)
5	Private and public sector actors reviewed	Public actors include Ministry of Agriculture and Animal Industry (MAAIF) Private actors include the cotton farmers, ginnerers, exporters, transporters, and input suppliers.
6	Value chain and linkages profiled	Sketched as part of the baseline.
7	Pre-cluster activity defined	Moving towards cluster formation through work of lead ginnerers caucus.
8	Preliminary APEP, PRIME, SPEED opportunities identified	2 meetings (1 with Mark Wood, 1 with Clive Drew) of APEP. 1 meeting was held with COP Prime West. Opportunities defined but not yet formalised.
9	Economic baselines established	70% ready, the remaining 30% to be completed by July 30 th .
Stage 2. Business Plans Developed		
10	Private sector caucuses held	1 st caucus meeting held.
11	Private sector champions identified	8 Lead ginnerers identified (8) and met individually. More meetings will be held in the next quarter.
12	Business surveys carried out	Planned for the third quarter.
13	Market expansion targets set	600,000 bales of lint cotton. Expand existing markets and explore new ones.
14	SWOT analysis #2 carried out	To be done in the third quarter after the survey.

Stages		Details
15	Business expansion plan agreed upon	To be agreed upon during business plan formulation for the sub sector.
16	Cluster participation defined	Defined. Started with the lead ginnerers but will bring in more players as the activities advance.
17	Cluster formation meeting(s) held	16 meetings held. (CDO -2, -Dunvant -2, -North Bukedi -2, COPCOT(E.A) -1, -COTTCO -1, -Nyakatonzi G.C.U. -1, -Bon Holding -1, -Novo Enterprises -1, -CN Cotton -1, -UGCEA -3, -Cotton Caucus -1)

Cut flowers Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	Plans underway to increase exports to current markets and explore new ones in the United States.
2	SWOT analysis #1 carried out	Done as part of the baseline.
3	Comparative advantages determined	Determined by the subsector leaders. Comparative advantage in Sweetheart roses.
4	Target markets and products identified	Done as part of the baseline. Markets are basically in the traditional markets (EU). Need to capture markets in Eastern Europe and the United States of America.
5	Private and public sector actors reviewed	Public actors include Program for Modernization of Agriculture (PMA), MAAIF, MOFPED, MTTI, National Agricultural Advisory Services (NAADS), Private actors include the flower growers and exporters, input suppliers and transporters.
6	Value chain and linkages profiled	Done and included in the strategy document.
7	Pre-cluster activity defined	On going activity
8	Preliminary APEP, PRIME, SPEED opportunities identified	2 meetings (1 with Mark Wood, 1 with Clive Drew) of APEP. I meeting was held with COP Prime West, opportunities defined but not formalized.
9	Economic baselines established	100% completed.
Stage 2. Business Plans Developed		
10	Private sector caucuses held	9 caucus meetings held with UFEA.
11	Private sector champions identified	18 champions identified (The 18 major cut flower exporters)
12	Business surveys carried out	Survey was completed.
13	Market expansion targets set	Market targets were set to increase from 120 tonnes per week to 250 tonnes per week.

	Stages	Details
14	SWOT analysis #2 carried out	Done by UFEA
15	Business expansion plan agreed upon	Business plan is in final stages.
16	Cluster participation defined	Defined to include the members of UFEA, input suppliers, transporters, cold storage facilities and the relevant public bodies.
17	Cluster formation meeting(s) held	46 meetings held. (UFEA -9, Flower Caucus -7, Flower Survey -18, Flower Flower consultant (Nick Shirra) -1, FHL -2, Enhas-4, Oka Bonds (DAS Handling) -1, CAA -2, Icemark Africa Ltd. -1, MOFPED -1)

Dairy Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	Mainly domestic market-oriented. Little exportation to the East African region and Nigeria
2	SWOT analysis #1 carried out	To be done as part of the baseline.
3	Comparative advantages determined	To be determined in the third quarter.
4	Target markets and products identified	Products for export: Cheese, Ghee, Yoghurt and UHT Market areas so far: Kenya, Eritrea, Tanzania and Burundi. Nigeria is a potential market due to its large population.
5	Private and public sector actors reviewed	In process.
6	Value chain and linkages profiled	Not yet profiled. To be done in the third quarter.
7	Pre-cluster activity defined	Initial meetings held. Move to caucus in the third quarter.
8	Preliminary APEP, PRIME, SPEED opportunities identified	2 meetings (1 with Mark Wood, 1 with Clive Drew) of APEP. I meeting was held with COP Prime West but opportunities not yet defined.
9	Economic baselines established	30% completed. To be completed by July 30 th .
Stage 2. Business Plans Developed		
10	Private sector caucuses held	Caucus to be held after completion of survey.
11	Private sector champions identified	UDPA members
12	Business surveys carried out	Survey of the 23 dairy processors players to be carried out in July 2004.
13	Market expansion targets set	Not yet set. Will be done after the survey
14	SWOT analysis #2 carried out	Not yet done

	Stages	Details
15	Business expansion plan agreed upon	To be agreed upon during business planning.
16	Cluster participation defined	Defined to include DDA, UDPA, UDFA,
17	Cluster formation meeting(s) held	7 meetings held (LOL -2, -DDA -1, UDFA -1, -Dairy Caucus -2, To work through the associations first e.g. UDPA.

Fisheries Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	Not yet defined. Core team is to be re-organized. The first team that SCOPE worked with was non committal.
2	SWOT analysis #1 carried out	Done as part of baseline but needs reviewing.
3	Comparative advantages determined	Not yet determined. Pending reorganization of the core team
4	Target markets and products identified	Currently frozen fish are being exported to the EU. Market needs to be expanded and new markets explored.
5	Private and public sector actors reviewed	Some work done. Expected to be completed by 30 th July
6	Value chain and linkages profiled	Sketched. Will be part of the baseline.
7	Pre-cluster activity defined	Done
8	Preliminary APEP, PRIME, SPEED opportunities identified	1 meeting with Rick Gregory -APEP. Initial meeting with PRIME West, opportunities to be defined.
9	Economic baselines established	To be completed by the end of July.
Stage 2. Business Plans Developed		
10	Private sector caucuses held	Caucus to be developed after completion of strategic planning survey.
11	Private sector champions identified	Redefined based on survey.
12	Business surveys carried out	To be carried out in the third quarter.
13	Market expansion targets set	Not yet set.

	Stages	Details
14	SWOT analysis #2 carried out	Not yet done
15	Business expansion plan agreed upon	To be concretised during business planning process
16	Cluster participation defined	Not yet fully defined. But envisaged to involve aquaculture and capture fish
17	Cluster formation meeting(s) held	9 meetings held (Uganda Commercial Fish Farmers and Exporters Association(UCFFEA) -1, Aquaculture Working Group (AWG) Uganda Fish Farmers Association (UFFA)-5, Aquaculture Think Tank (ATT) -(Caucus) -3)

Grain Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	Domestic and relief market. Exports to the region, mostly informally.
2	SWOT analysis #1 carried out	Done as part of the baseline.
3	Comparative advantages determined	Determined. Maize grain (not maize meal) to the region.
4	Target markets and products identified	All market segments explored. Maize grain is the sole product to the region.
5	Private and public sector actors reviewed	Expected to be completed 30 th July
6	Value chain and linkages profiled	To be done as a part of the baseline
7	Pre-cluster activity defined	Done
8	Preliminary APEP, PRIME, SPEED opportunities identified	Prime West would offer some opportunities
9	Economic baselines established	To be completed by the end of July
Stage 2. Business Plans Developed		
10	Private sector caucuses held	Caucus has so far had 6 meetings. Meets weekly on Tuesdays
11	Private sector champions identified	These include traders, processors, middlemen, farmers, transporters
12	Business surveys carried out	To be carried out in October 2004
13	Market expansion targets set	Set to 200,000 mt exported per year to the region

	Stages	Details
14	SWOT analysis # 2 carried out	Not yet carried out
15	Business expansion plan agreed upon	To be concretized during the business planning process.
16	Cluster participation defined	Defined to include: millers, farmers, middlemen, informal traders, exporters
17	Cluster formation meeting(s) held	11 meetings held (UGTL -5, Maize Caucus -6)

Tourism Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	Defined within Ministry of Trade, Tourism and Industry (MTTI), EU strategy as a starting point.
2	SWOT analysis #1 carried out	To be done as part of baseline activity.
3	Comparative advantages determined	To be determined based on market feedback.
4	Target markets and products identified	Products include: White water rafting on the River Nile, Rwenzori mountains, Kibaale Forest National Park, Bwindi Impenetrable Forest, Source of Nile, Sese Islands. Bulago Islands etc. Need to market more externally and encourage domestic consumption.
5	Private and public sector actors reviewed	Review in progress. Expected to be completed 30 th July
6	Value chain and linkages profiled	To be done as part of the baseline.
7	Pre-cluster activity defined	Done
8	Preliminary APEP, PRIME, SPEED opportunities identified	Prime West would offer some opportunities
9	Economic baselines established	To be completed by the end of July.
Stage 2. Business Plans Developed		
10	Private sector caucuses held	To be held in third quarter
11	Private sector champions identified	Process of identification underway
12	Business surveys carried out	Requirements to be defined
13	Market expansion targets set	Defined in MTTI strategy but to be revisited and reviewed by

	Stages	Details
		SCOPE.
14	SWOT analysis #2 carried out	Not yet done
15	Business expansion plan agreed upon	To be agreed upon during business planning process.
16	Cluster participation defined	To be defined in third quarter
17	Cluster formation meeting(s) held	13 meetings held. (Uganda Tourist Operators Association (UTOA) -2, -Volcano -2, -Ministry of Tourism, Trade and Industry (MTTI) -1, -Workshop, -UWA -1, -UAAO -1, -Board of Airlines -1, Civil Aviation Authority -1, Hotel and catering Association of Uganda (HCAU)-1, The Uganda Association of Travel Agents (TUGATA) -1, Uganda Community Tourism Association (UCOTA) -1)

Oil seeds Subsector Transformation

Stages		Details
Stage 1. Sub Sector Positions Defined		
1	Market requirements defined	To be defined
2	SWOT analysis #1 carried out	To be done as part of the baseline
3	Comparative advantages determined	Not yet determined
4	Target markets and products identified	Not yet identified. To be done during the third quarter.
5	Private and public sector actors reviewed	Not yet reviewed
6	Value chain and linkages profiled	In process
7	Pre-cluster activity defined	In process
8	Preliminary APEP, PRIME, SPEED opportunities identified	
9	Economic baselines established	To be completed by the end of July.
Stage 2. Business Plans Developed		
10	Private sector caucuses held	Not yet held.
11	Private sector champions identified	Not yet fully identified. Possibly to include Mukwano Industries, BIDCO etc.
12	Business surveys carried out	Not yet carried out
13	Market expansion targets set	Not yet set

	Stages	Details
14	SWOT analysis #2 carried out	Not yet done
15	Business expansion plan agreed upon	To be agreed upon during business planning process
16	Cluster participation defined	Not yet defined
17	Cluster formation meeting(s) held	4 meetings held (ACDI/VOCA -1, Uganda Oil Seed Processors Association (UOSPA) -1, Mukwano -2)

N. Senegal Analysis of PPP Potential TO#829

Start Date: April 29, 2004

End Date: August 13, 2004

Amount of Delivery Order: \$89,000

ACTIVITY PURPOSE: This study is intended to assess the potential for using public-private partnerships (PPP) mechanisms in Senegal and to determine the kinds of implementation structures actions needed to facilitate successful PPP and to recommend any specific actions that are needed to facilitate this type of investment. The purpose of this exercise is not to design specific interventions or programs, but to help inform decision makers in the GOS and USG as to the general feasibility and desirability of PPP mechanisms in the Senegalese context.

PLANNED ACTIVITIES FOR THE REPORTING PERIOD

The team will assess the current state of planning for several large infrastructure and public services projects in Senegal and determine which have potential for execution using PPP mechanisms. They will analyze the type of obstacles and risks (legal, fiduciary, administrative, etc.) relevant to new PPP investments, outline one or more approaches to manage identified risks in the Senegalese context, and recommend any specific actions required to overcome major obstacles. The end product will be a report documenting the findings, conclusions and recommendations of the team.

The team will complete the following tasks:

- Interview principal GOS and donor officials currently involved in planning PPP projects in Senegal
- Provide a brief description of those projects which are deemed most likely to benefit from a PPP approach

- Review and assess the recently passed BOT law for purposes of supporting PPP mechanisms
- Assess the capacity of Senegalese financial and regulatory institutions to support PPP mechanisms such as bond issuance, guarantee funds and dispute arbitration
- Identify and assess the potential market for PPP instruments such as special bond issues that are feasible in the Senegal context
- Outline the main fiduciary risk concerns for PPP type projects in Senegal
- Identify obstacles or constraints to PPP investments
- Develop and propose approaches for structuring management oversight mechanisms to address fiduciary risk
- Develop recommendations for strengthening the capacity of GOS institutions to successfully design, broker and manage PPP projects in various sectors

ACCOMPLISHMENTS DURING REPORTING PERIOD

The team completed the planned activities in May and drafted the report which was submitted to USAID/Senegal for comments. The French translation was sent to APIX, the investment promotion group appointed by the President of Senegal which leads the government initiatives related to PPPs. At the close of the reporting period the team was still waiting for comments on the draft report.

II. Proposal Activity

A. Proposals Won

1. Senegal Analysis of PPP Potential

B. Proposals Lost

C. Proposals Not Submitted

1. Remittances to Armenia: An Assessment of their Economic and Social Impact and Potential as a Source of Capital for Development
2. Economic Growth Training Services

D. Proposals Pending

1. South Africa: Assistance Support for Economic Growth and Analysis and Mandela Economics Scholars Program
2. American Technical and Training Support to ASEAN Program
3. Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities (Chemonics has received a pre-award letter from the Mission for a portion of the project).

III. Contract Quarterly Financial Report

This information is included in Annex A of the report.

IV. Technical Reports and Deliverables

A. Support to President's Council- Egypt, TO #804

- Trade and Investment Dashboard
- Report of Economic and Trade Policy Developments
- C. Irving Trip Report
- Roadmap Background
- US-Egypt Business Council Annual Report

B. Improving the Business and Investment Climate of Nicaragua, TO#827

- Trade and Investment Barriers
- Recommended Short Term Economic Reforms
- Meetings
- D. Ireland- Lessons Learned

C. Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814

- Second Draft Customer Service Procedures
- Second Draft Purchasing Procedures

- Second Draft Personnel
- Business Planning for AWC

*General Business, Trade & Investment IQC
Quarterly Financial Report*

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #804 Egypt Presidents' Council	\$1,352,436.00	\$1,200,588.48	\$151,848.00	12/31/2004	N/A	247.62
TO #811 Ukraine Land Systems Initiative	\$14,370,000.00	\$11,580,000.73	\$2,789,999.27	9/20/2005	N/A	21,302
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	\$4,147,805.50	\$3,327,295.83	\$820,509.67	12/31/2004	N/A	708
TO #820 Bolivia Trade and Competitiveness Hub	\$6,357,491.00	\$4,413,803.97	\$1,943,687.03	12/31/2004	N/A	-2,578.30
TO #821 Bosnia FILE	\$7,900,000.00	\$2,247,732.49	\$5,652,267.51	8/12/2006	N/A	8201

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #822 Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy	\$2,060,000	\$722,931.00	\$1,337,069.00	8/13/2006	N/A	4,409.13
TO #823 Kosovo KEK	\$1,049,992	\$755,782.00	\$294,210.00	7/31/2004	N/A	719.00
TO #824 Columbia Forestry	\$14,700,000.00	\$2,504,662.28	\$12,195,337.72	8/10/2006	N/A	6,668.39
TO #825 Paraguay Poverty Reduction	\$965,000.00	\$707,944.00	\$562,952.66	8/1/2006	N/A	4075
TO #826 Morroco: Assistance for Regional Investment Centers and Investment Promotion	\$2,195,463.00	\$599,761.67	\$1,595,701.33	12/31/2005	N/A	1,356.93
TO#827 Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua	\$268,000.00	\$270,977.00	\$-2,977	10/29/2004	N/A	101.85
TO#828 Uganda SCOPE	\$2,036,600.00	\$943,793.00	\$1,092,807.00	12/31/2006	N/A	6,146.98

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #829 Senegal Analysis of PPP Potential	\$97,796.00	\$68,609.00	\$29,187.00	8/13/04	N/A	3
TO #14 Increasing the Development Impact of Economic Growth Paradigms	\$383,099.00	\$158,056.85	\$225,042.15	9/30/2004	N/A	67.58
TO #1 Office of Emerging Markets	\$50,000.00	\$0.00	\$50,000.00		9/30/1999	N/A
TO #2 Global Technology Network	\$1,996,114.02	\$1,939,435.97	\$56,678.05		9/4/2001	N/A
TO #3 Macedonian Business Resource Center	\$1,905,944.00	\$1,898,784.84	\$7,159.16		5/31/2003	N/A
TO #4 Competitiveness Study	\$40,000.00	\$36,654.10	\$3,345.90		12/14/2001	N/A
TO #800 Guinea Ag Loan Guarantee	\$49,684.00	\$49,705.50	-\$21.50		7/30/1999	N/A
TO #801 Guinea Ag II	\$77,336.87	\$74,427.12	\$2,909.75		9/17/1999	N/A
TO #802 Ukraine Business Incubator	\$75,628.00	\$72,543.37	\$3,084.63		11/17/1999	N/A
TO #803 Angola Evaluation of mission's 7-	\$35,700.00	\$35,700.00	\$0.00		11/3/2000	N/A

Year Strategic Plan						
TO #805 Nigeria Macroeconomic Policy	\$1,995,020.00	\$1,945,870.95	\$49,149.05		11/9/2001	N/A
Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 9/30/2003	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #806 Ukraine Alternative Fuels	\$65,290.00	\$62,054.78	\$3,235.22		4/30/2000	N/A
TO #809 Activity Management Services in Agadir	\$1,656,868.00	\$1,491,941.00	\$164,927.00		7/14/2002	N/A
TO #810 Guinea Revalidation of Mission's 7 year Strategic Plan	\$189,553.00	\$188,116.55	\$1,436.45		10/31/2001	N/A
TO #812 Malawi Garment & Textile	\$63,246.00	\$59,739.62	\$3,506.38		9/30/2001	N/A
TO #815 Moldova Financial Management Training and Advisory Activity (FMTAA)	\$2,212,579.00	\$2,212,579.00	\$0.00		3/31/2004	N/A
TO #817 Bangladesh Competitiveness Study	\$218,205.00	\$186,280.37	\$31,924.63		12/27/2001	N/A

TO #818 Eritrea Economic Growth and Food Security Sector Assessment	\$200,748.90	\$200,748.90	\$0.00		10/15/2002	N/A
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Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 9/30/2003	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #819 East and Central Africa Global Competitiveness Hub	\$1,499,933.00	\$1,489,566.10	\$10,366.90		9/15/2003	N/A
TO #813 Tanzania Tax and Mining Policy	\$1,629,987.00	\$1,436,826.00	\$193,161.00		12/30/2003	123.00
TO #816 Romania Environmental Management and Pollution Prevention Project	\$1,030,522.00	\$1,030,522.00	\$0.00		1/31/2004	-150.00