

Quarterly Report Number 10 (July - September 2003)

Contract Number 527-C-00-01-00091-00
Colombia Alternative Development Project

Strategic Objective: Promote Economic and Social Alternatives to Illicit Crop
Production



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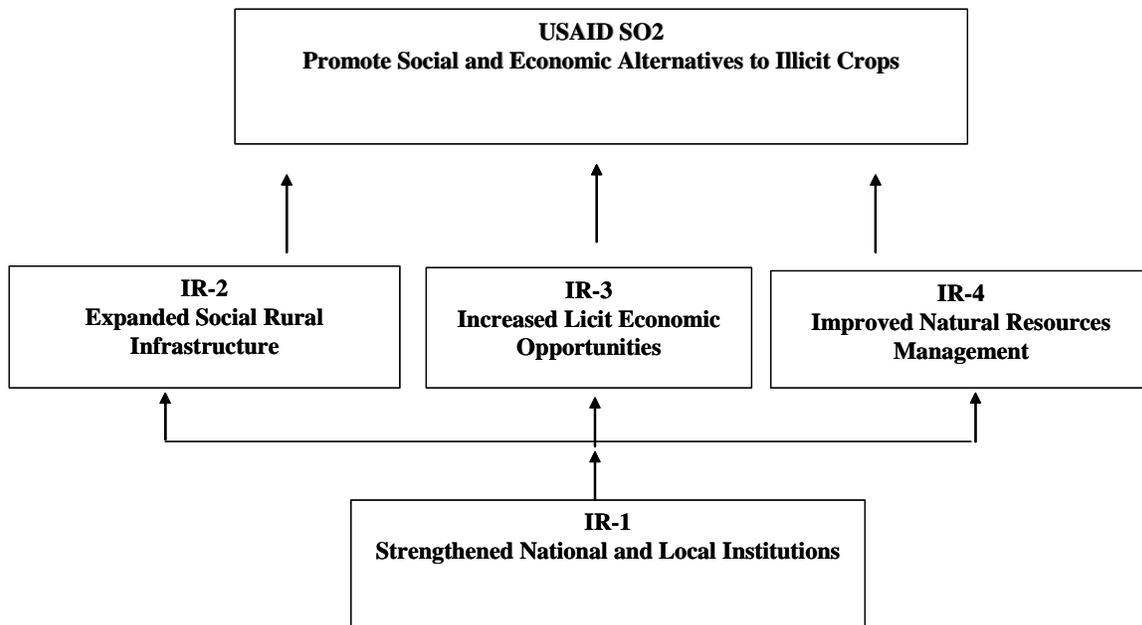
SECTION I. Background

The purpose of the Colombia Alternative Development Project (CAD) is to assist the United States Agency for International Development (USAID) and the Government of Colombia (GOC) to mount a vigorous campaign to significantly contribute to the reduction of the production of illicit crops by small-scale (three hectares or less of coca or one hectare or less of poppies) farmers in the departments of Putumayo, Caquetá, Sur de Bolivar and Norte de Santander, and poppy in the departments of Cauca, Nariño, Huila and Tolima. This is to be achieved through the development and provision of alternative licit economic opportunities to small farmers and, when interdiction and aerial spraying are coordinated, will result over time in the abandonment of illicit crop cultivation and refusal by small farmers to plant new areas in coca and poppy. Under the terms of the contract, Chemonics provides grants and subcontracts to NGOs, community and agricultural associations, municipalities and private enterprises to support the development of licit economic alternatives.

The contract was signed on March 30, 2001 and the Chemonics core team arrived in country on May 15 of the same year. On September 29, 2001, the RAISE Task Order and the Colombia Alternative Development Project were merged, forming one unified project addressing coca and poppy production

Project support is divided into four intermediate results in support of USAID's **Strategic Objective (SO) 2** as shown in exhibit A.

Exhibit A - Results Framework



SECTION II. Significant Accomplishments During the Quarter

Consistent with the Updated Annual Plan, the principal accomplishments during the quarter include:

Putumayo New Economic Initiatives: The transition to sustainable economic business development in Putumayo was significantly advanced with the signing of two Grant Agreements. The first, for the implementation of two grain and tuber drying plants (Orito and Villagarzón) and one feed concentrate plant (Orito). The second, for the purpose of establishing a drying and processing plant for black pepper (Villagarzón). These plants will be established at the respective agroindustrial centers in both municipalities and the initial land and site preparation work was started at the end of quarter. The plants are expected to be fully operational by February 2004.

Additionally, major progress was made in the negotiation of the following New Economic Initiatives: development of vanilla; tropical flowers and foliage; and medicinal, spices and oils plants. The agreements for these new initiatives are expected to be signed by the middle of next quarter. These initiatives, backed by private sector operators and investment, will, over time, become major elements of the post-coca economic structure of Putumayo.

Intermediate Results Indicators: Overall, the growth rate of the results indicators has flattened as the major projects, such as PILDAET and *Raíz por Raíz*, approach their termination dates. This was anticipated: few new families can now be incorporated; little new eradication takes place; and the crop planting activities are concluding. With the development and implementation of the SIMONE M&E system, a complete review of all the data and information provided by the implementing organizations was undertaken, identifying some inconsistencies in the data and resulting in corrections to the project's achievement indicators. As a result of this analysis, for example, the number of families benefited was reduced by 219 and the area of licit crops supported was reduced by 303 because of a few instances of double counting and incorrect application of system definitions.

Patía Development: For the Patía Development project, based upon irrigation and relatively high value short-cycle crops, the contract was signed and work was initiated for the Environmental Analysis. The proposals for project implementation were evaluated during the quarter and an agreement is expected to be signed early in the upcoming quarter.

Bosques y Maderas Products Program: With the approval of the Forest Management Plan, the equipment for the Forest Service Centers (FSC) in Cauca and Putumayo were purchased by CONIF and are expected to be delivered to site by late November 2003. The FSC in Putumayo will be located in the agroindustrial center of Villagarzón. The Cauca FSC will be located in an indigenous community. In addition, under the program, the construction of four community nurseries was completed.

Environmental Compliance: USAID requested the preparation of a Pesticide Evaluation Report and Safer Use Plan (PERSUAP) as a pre-condition to the approval of the

Environmental Analysis of seven projects. The PERSUAP was prepared and presented to USAID/Colombia as well as the Regional Environmental Office and the Washington Environmental Office. The approval of the seven EAs and the PERSUAP is expected early in the next quarter.

Monitoring and Evaluation: The web-based version of the SIMONE M&E reporting system became fully operational during the quarter. With this system, grantees can update and input data and information directly into initial data bases for validation and users can access reports on all the basic M&E variables. The system allows CAD to do wide ranging consistency checks on all data and was used to make the corrections indicated above.

PDA-USAID Convocatoria Projects: USAID requested that CAD review and assist in the development of 9 project proposals under the joint PDA-USAID Convocatoria. The review was carried out and CAD recommended five of the projects to USAID. The five projects recommended are in the Department of Norte de Santander and are focussed on cacao and African palm.

Audits: Annual external audits for the nine Grant Agreements under PILDAET and *Raíz por Raíz* were signed and work was initiated.

Rural Infrastructure: Following the signing of the second phase of the rural infrastructure project, which added US \$2.5 million to the activity, 49 infrastructure subprojects from PILDAET and *Raíz por Raíz* communities were evaluated. Of these, 16 subprojects were prioritized and nine Work Orders were issued. The sub-projects include: rural school rehabilitation; farm to market roads; bridges; and, electrification.

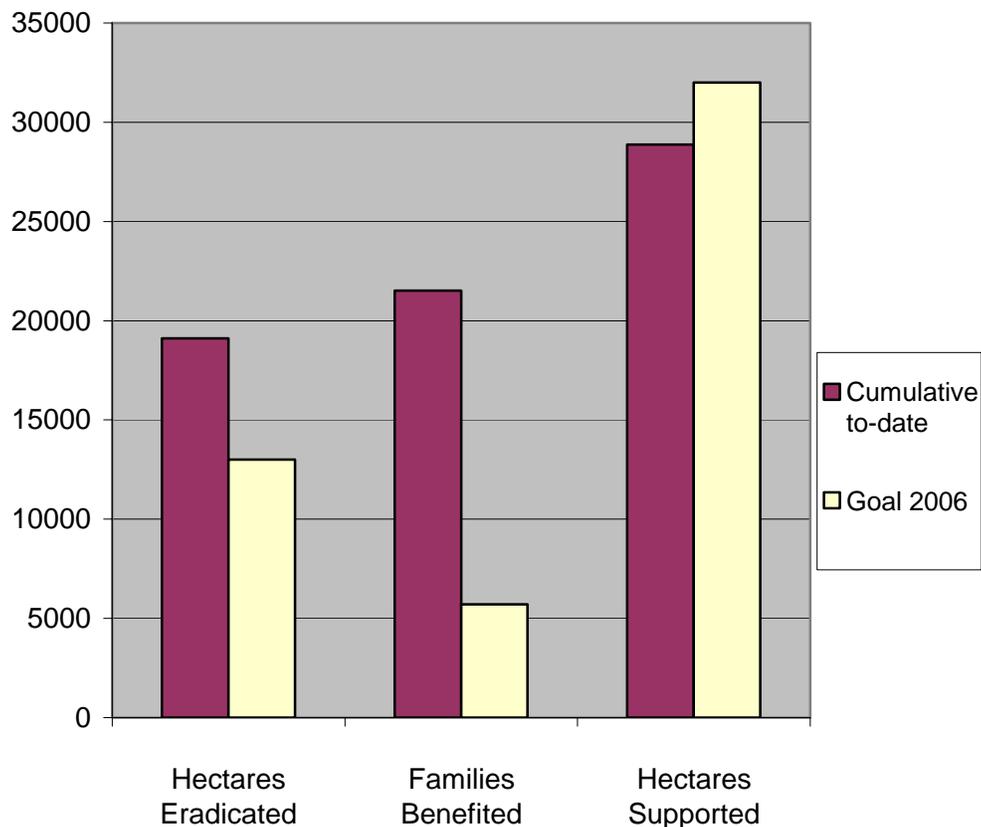
Expenditures: Total expenditures during the quarter were US\$5.8 million, slightly below projections. The slowing of disbursements is a consequence of near-term termination of PILDAET and *Raíz por Raíz* and the relatively slow progress of the large commodity projects (cacao, African palm, palm hearts). As the new initiatives come on-stream during the next quarter, disbursements are expected to improve.

SECTION III. Progress on CAD Indicators

- The number of hectares eradicated this quarter (760) increased this indicator over the contract goal by 47 percent to a total of 19,112 hectares.
- Although the number of families benefited during this quarter increased by 594, it was necessary to adjust the total number of families benefited, resulting in a net decrease of 219 families, reducing the cumulative total to 21,519. This exceeds by 277 percent the contract goal of 5,700.
- The number of additional hectares (956 hectares) of licit crops supported this quarter raises the cumulative total area (28,878 hectares) of licit crops to almost 90 percent of the contract goal at approximately half the time frame.

EXHIBIT III-A

**TWO OF THREE LOP GOALS EXCEEDED
 (Life of Project) Indicators - SO-2**



It is significant that the number of hectares supported continues to exceed the number of hectares eradicated; this demonstrates that alternative development is not simply one-for-one crop substitution program. Because of the relatively high returns to illicit crops, alternative crops, with lower returns, must significantly increase the area under licit crop production in order to be attractive.

Eradication this quarter totaled **760 hectares**, more than twice the amount of the previous reporting period, to a total of **19,112 hectares** to date

- 730 hectares correspond to poppy eradication under the Anamichú (Tolima) project, and the remaining 30 hectares correspond to coca eradication in the Rubber (Caquetá), Cacao (Norte de Santander), PILDAET - *Programa de Iniciativas Locales de Desarrollo Alternativo para la Erradicación Temprana* - (Putumayo) and African Palm (Norte de Santander) projects.

The number of families benefiting directly from CAD project activities decreased by 219 during the quarter to a total of **21,519**

- Although the number of families benefiting from the project during the reporting period totaled 594, an adjustment of the total number of families benefited was made pursuant to a follow-up exercise carried out by the project's Monitoring and Evaluation (M&E) team using the SIMONE system. This adjustment resulted in a net decrease of 219 families, reducing the cumulative total to 21,519. This exceeds by 277 percent the contract goal of 5,700.

The projects listed below resulted in an **increment** of **594** families benefited, as follows:

- Rubber (Caquetá), 31 families
- Cacao (Norte de Santander), 93 families
- *Bosques y Maderas*, 166 families
- PILDAET, 225 families
- *Raíz por Raíz*, 79 families

The projects listed below resulted in a **decrease** of **813** families benefited, as follows:

- Rubber (Putumayo), 17 families
- *Raíz por Raíz* (CECOIN), 11 families
- *Raíz por Raíz* (Life and Future), 785 families

Licit Area supported by the project increased by **956 hectares** to a total of **28,878 hectares** to date

Although the number of hectares supported by the project during the reporting period totaled **3,170**, an adjustment of the total number of hectares supported was made pursuant to the follow-up exercise carried out by the M&E team using the SIMONE system. This

adjustment resulted in a net decrease of 2,214 hectares in the *Raíz por Raíz* (CECOIN) project, resulting in a net increase of **956** hectares, and a cumulative total of 28,878 licit hectares supported to date.

The projects listed below resulted in an **increment** of **3,170** licit hectares supported, as follows:

- Rubber (Caquetá), 182 hectares
- Cacao (Norte de Santander), 69 hectares
- Rubber (Putumayo), 4 hectares
- *Raíz por Raíz* (Fundaeempresa and Life and Future), 266 hectares
- PILDAET, 629 hectares
- African Oil Palm, 85 hectares
- *Bosques y Maderas*, 491 hectares
- Palma Africana (Norte de Santander), 186 hectares
- Anamichú (Tolima) 1,258 hectares

A. PROGRESS TOWARD SO-2 GOALS ¹

The following tables show the details of the SO-2 described in the previous sections of this report.

EXHIBIT III-B

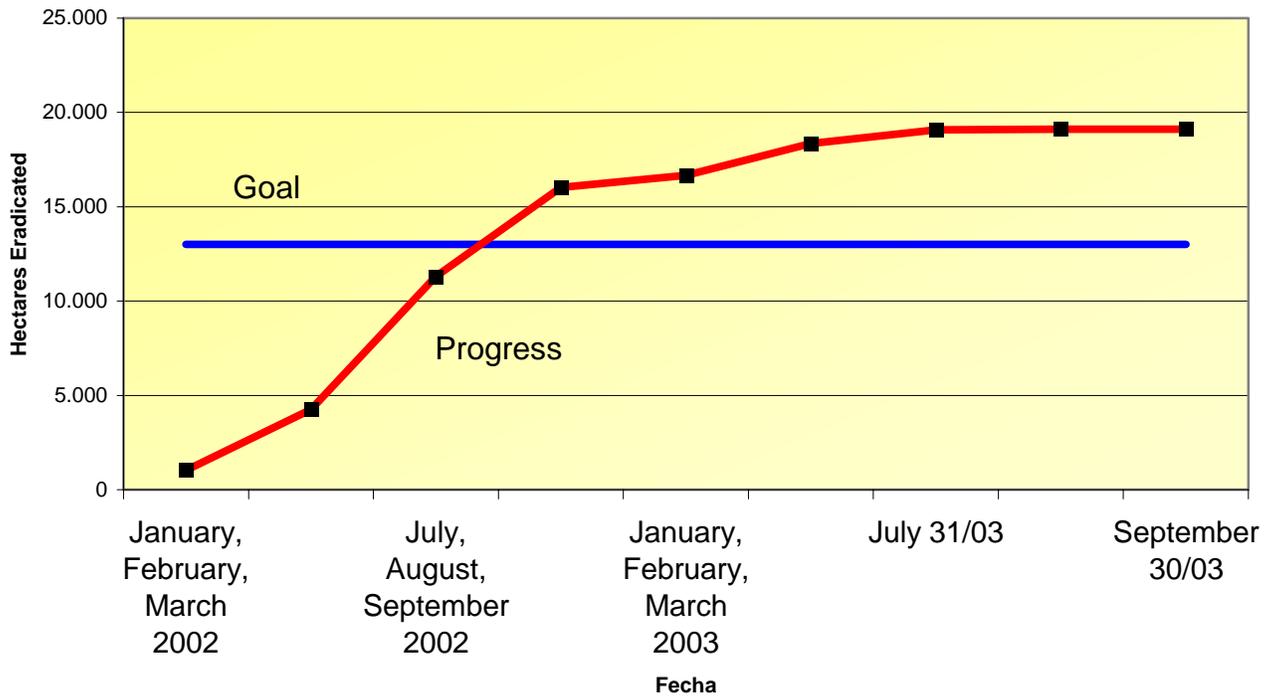
SO2 Indicator		Quarter July-Sep 2003	Cumulative 30 Sep 2003	Contractual Goals
Families Benefited	Poppy	0	2,732	5,700
	Coca	-219	18,787	
	Total	-219	21,519	
Hectares Eradicated	Poppy	730	1,208	13,000
	Coca	30	17,904	
	Total	760	19,112	
Hectares Licit Crops Supported	Poppy	1,258	3,206	32,000
	Coca	-302	25,672	
	Total	956	28,878	

¹ As per p. 8, Section B of the USAID Contract with Chemonics

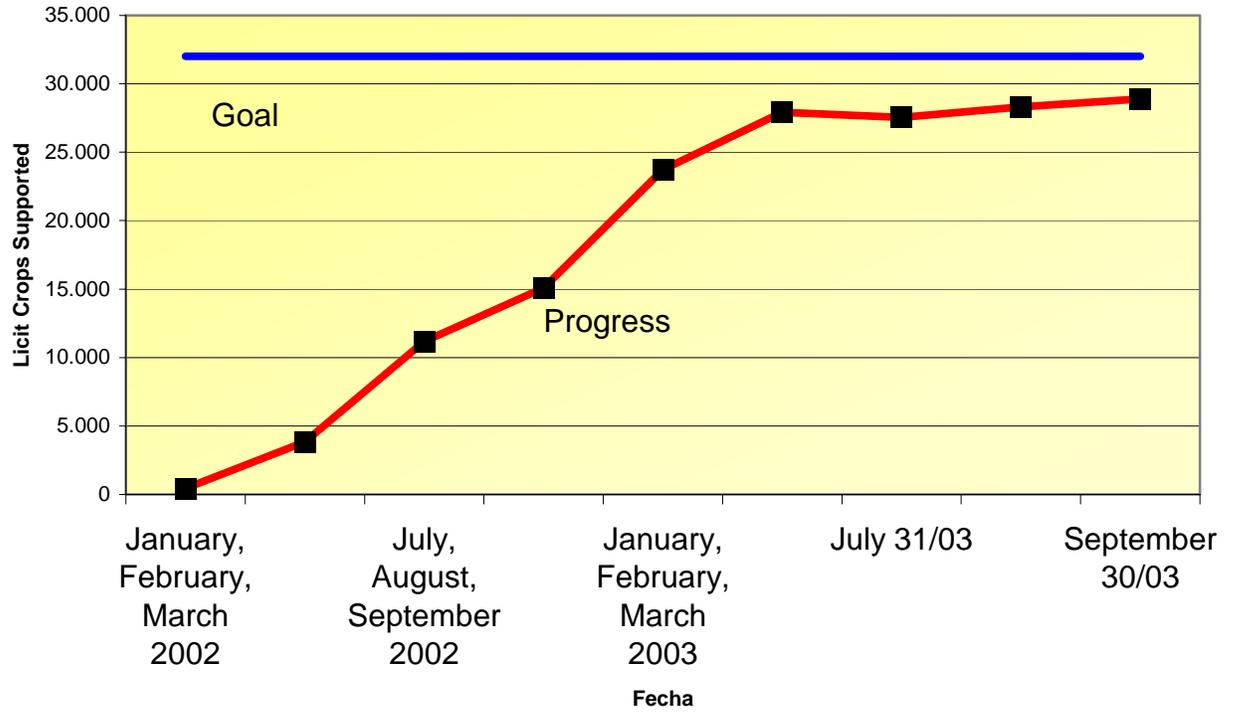
Families Benefited



Hectares Eradicated



Licit Crops Supported



SECTION IV. ACCOMPLISHMENTS BY INTERMEDIATE RESULTS

A. Strengthened National and Local Institutions

A1. Activities/significant accomplishments during the quarter:

Grantee Training/Institutional Strengthening Program

Planes y Proyectos, the organization contracted to provide institutional strengthening and organizational development activities to the Non-governmental Organizations (NGO) grantees, completed the remaining activities under the contract in Putumayo and Norte de Santander closing the strengthening program cycle initiated in October 2002.

The objective of the contract is to strengthen individual operators by creating Training Needs Assessment, working with the operators on satisfying these needs, working with the NGOs in creating institutional analyses and developing comprehensive Action Plans for each operator. The institutional strengthening provided by *Planes y Proyectos* will ensure that operators continue to function as strong and efficient NGO operators in support of alternative development and their communities long after CAD funding has ended.

Representatives of the 10 NGO operators held the seminars listed below in Putumayo and Norte de Santander during the reporting quarter.

- Identification of Strategies for External Communications and Systems and Action Models.
- Business, Contracting and Project Management
- Ten workshops on *Human Resources Management and Internal Communications* with the participation of each of the 10 NGOs

Workshops on *Follow-up, Evaluation and Projection of Institutional Development* were also held in Putumayo and Norte de Santander by each NGO to complete contract activities. These activities allowed for integration of office and field teams and presented project activities in the municipalities of Mocoa, Puerto Asís, Villagarzón, Orito, La Hormiga and San Miguel in Putumayo.

Support to the Maracuyá Project - Huila

During the reporting quarter, the *Incubadora de Empresas de Base Tecnológica de Antioquia* continued its work to strengthen the Maracuyá Project in Huila through support provided to 16 organizations of fruit growers, in order to strengthen its sustainability and allow them to carry on activities as viable enterprises long after CAD funding has ended.

Community "Rendición de Cuentas"

In an effort to show transparency to the communities where CAD projects are working, operating NGOs have been conducting "Rendiciones de Cuentas". These meetings, attended by members of the beneficiary communities, regional and local authorities, community oversight committees and community leaders give attendees the opportunity to hear from the operators on the status of CAD projects. The NGOs also provide detailed accounts of where project funds have been invested, allowing the community to see and discuss project expenditures and giving the communities assurance that project funds are being well spent.

Institutional Support to PDA

Payment to four PDA contractors continued as part of institutional strengthening efforts provided by the project to PDA. These contractors include a rubber specialist, a forestry-engineering specialist and two systems and statistics specialists.

A2. Obstacles encountered and overcome:

None to report this quarter

A3. Activities planned for the next reporting period:

- The *Planes y Proyectos* contract will be finalized during the next quarter, upon submission and approval of deliverables and the final report
- Institutional strengthening provided to PDA through payments to contract staff will continue during the next quarter

B. Expanded Rural Social Infrastructure

B1. Activities/significant accomplishments during the quarter

Gerpromayo infrastructure contract

Phase II of the Gerpromayo contract valued at US\$2.5 was started, focusing on infrastructure projects in the municipalities of Orito, Puerto Asís, Puerto Caicedo, Villagarzón and Mocoa in Putumayo, including the following activities:

- Road improvement, including drainage and construction of bridges and secondary roads and pedestrian pathways
- Rural electrification
- Construction and improvement of rural schools
- Construction of aqueducts
- Support of infrastructure for two Agroindustrial Centers in Orito and Villagarzón.

Gerpromayo and participating communities and municipalities in the PILDAET and *Raiz por Raiz* projects carried out a joint technical and economic formulation of 49 projects in the municipalities mentioned above. Of these projects, 16 were found viable; the remaining projects were either discarded or postponed due to technical and economic issues.

Manual labor generated during the reporting period amounted to 725 day laborers, corresponding to a cumulative total of 39,675 daily wages to date.

9 Work Orders were signed during the quarter for the following subprojects:

- OT 80** Improvement of 8 schools in: the Cartagena, La Paz, La Primavera and Montañita settlements located in the municipality of Puerto Asís. The Sardinias settlement in the municipality of Puerto Caicedo and the Simón Bolívar, Las Minas and Alemania settlements in the municipality of Villagarzón.
- OT 81** Improvement of a seven kilometer-long rural pathway in the Sardinias settlement in the municipality of Puerto Caicedo, including construction of a 25 meter-long pedestrian bridge over the Sardinias creek, and 732 meters of elevated pathways.
- OT 82** Improvement of a rural pathway in the Las Palmas settlement in the municipality of Puerto Caicedo, including construction of a 15 meter-long hanging bridge and two elevated pathways, 30 and 40 meters-long.
- OT 83** Improvement of a one kilometer-long secondary road in the El Porvenir settlement, located in the municipality of Villagarzón.
- OT 84** Improvement of a six kilometer-long road in the Unión Cocayá settlement located in the municipality of PuertoAsís, including drainage works.
- OT 85** Improvement of a 1,000 meter-long access road in the Las Minas settlement in the municipality of Villagarzón, including drainage works.
- OT 86** Construction of a 30 meter-long hanging pedestrian bridge in the Canangucho settlement in the municipality of Villagarzón.
- OT 87** Construction of stone retaining walls for protection of the vehicular bridge in the La Cafelina settlement in the municipality of Villagarzón.
- OT 88** Construction of a 27 meter-long vehicular bridge in the San Jose del Guineo settlement, including a 6.5 meter-high supporting concrete structure.

The following table shows civil engineering works contracted, and completed under the Gerpromayo contract:

DESCRIPTION	PROJECTS		UNIT OF MEASUREMENT	QUANTITY	COMPLETED DURING QUARTER	
	Completed	Under construction			PREVIOUS QUARTER	THIS QUARTER
Road Improvement	13	3	Km.	119		
Construction of sewers D =0.90 cm.	165	11			11	1
Construction of Box Culverts	7	2				
Construction of bridges	32	5			3	
Construction of retaining walls	1	3			1	
Concrete paving	3	1	M3	558		
Construction of concrete drainage ditches	2		M2	6,390		
Construction of filters and drainage	7		M	4,520		
Construction of concrete sidewalks	6		M3	658		
Improvement and construction of schools	1		M3	550		
Rural electrification projects	29	8				
Improvement of health posts	2					
Construction of pedestrian pathways	1	1	M	6,302		1
Indigenous constructions		3				
TOTAL	270	37			15	2

PILDAET infrastructure projects

During the reporting quarter, the PILDAET and *Raiz por Raiz* NGO operators completed 77 infrastructure projects in Putumayo, as shown in the Table below.

TYPE OF WORK	PROJECTS COMPLETED TOTAL	PROJECTS COMPLETED THIS QUARTER	UNIT OF MEASUREMENT	QUANTITY
Cabildo Headquarters	53	23	M2	4,530
Aqueducts	1		Families	15
Schools	27	10	M2	1,762
Road improvement	8	1	Km	16.6
Pedestrian bridges	1		M	52
Vehicular bridges	3	2	M	29.25
Elevated pathways	5	5	M	914
Sport fields and stadiums	7	4	M2	1,140
Aquaculture (Fish) ponds	5		M2	27,088
Pig production units	29	11	M2	5
Cane sugar artisan mills (Trapiches)	5	2	M2	1
Rice mills	3	1	M2	512
Cattle corrals	2		M2	540
Community stores	3		M2	186
Health posts	2		M2	487
Sanitary units	3		M2	144
Productive infrastructure	24	18		
Community Indian home (Maloca) improvement	1		M2	208
TOTAL (CUMULATIVE)	182	77		

B2. Obstacles encountered and overcome

- Technical formulation of projects for improvement and construction of Agroindustrial Centers in Orito and Villagarzón have been a complex undertaking, requiring more time and exceeding previous estimates. Work orders will be signed during the first days of the next quarter. This will allow for contracting improvement works of project sites in Orito in which the food processing plant and the cassava dehydration plant will be built. The Forestry Service Center in Villagarzón, a cassava dehydration plant, a pepper plant and other projects are yet to be defined. Environmental Review "fichas" have been approved by USAID.
- The Gerpromayo project's start-up was delayed due to completion of Phase I of the contract and initiation of Phase II. This late start may cause delays in meeting construction deadlines that could hinder completion of subprojects scheduled in the next quarter, and may warrant the extension of the Gerpromayo contract.

B3. Activities planned for the next reporting period

- Continue construction of works as set out in work orders signed.
- Signing of work orders for the following projects:

- Improvement and construction of the Agroindustrial Centers in Orito and Villagarzón
- Improvement of the Toroyaco road in the municipality of Villagarzón
- Construction of drainage works in the Puerto Asís – El Muelle road
- Improvement of the Mayor’s offices in Orito
- Construction of 200 basic sanitary single-family units
- Construction and improvement of three indigenous headquarters in Puerto Asís.

C. Expanded licit Economic Opportunities

C1. Activities/significant accomplishments during the quarter

PILDAET and Raíz por Raíz Programs in Putumayo

PILDAET and *Raíz por Raíz* Programs in Putumayo registered important accomplishments during the reporting period in its three indicators, especially in regards to the number of licit hectares supported by the project. The number of hectares supported under the PILDAET program during this quarter amounted to 629, to a total 7,440 hectares to date (cumulative). The following Table shows progress indicators in regards to licit hectares supported by selected projects.

LICIT CROPS SUPPORTED THIS QUARTER

Licit Crops Supported by project	PILDAET	RAÍZ POR RAÍZ	BOSQUES Y MADERAS	LARGE COMMODITIES	OTHER	TOTAL
Goal	8,400	2,900	10,055	8,101	2,183	31,639
Total, previous quarter	6,811	9,854	4,860	4,962	1,436	27,923
Progress, this quarter	629	-1,948	491	526	1,257	955
Total, Cumulative	7,740	7.906*	5,351	5,488	2,693	28,878

* 1,948 hectares decreased from the cumulative total due to the follow-up exercise carried out by the M&E team using the SIMONE system (CECOIN, a *Raíz por Raíz* operator, registered a decrease of 2,214 hectares in this indicator because of erroneous double-counting of hectares)

Licit hectares supported by PILDAET to date are shown below:

- 2,974 hectares, improved pastures
- 325 hectares, protein bank
- 371 hectares, corn farming
- 471 hectares, “chiro” plantain and banana plantations
- 335 hectares, cassava farming
- 315, sugar cane fields
- 292.5 hectares, multiple crops
- 210 hectares, heart of palm plantations
- 193 hectares, leguminous species farming
- 1,581 hectares, new pastures
- 141 hectares, rice fields
- 20 hectares, pineapple plantations
- 121 hectares, other crops

The following are *Raíz por Raíz* program accomplishment to date:

- 4,125 hectares, improved pastures
- 37 hectares, protein bank
- 350 hectares, corn fields
- 705 hectares, “chiro” plantain and banana plantations
- 101 hectares, yucca farming
- 115 hectares, sugar cane fields
- 2,230 hectares, multiple crops
- 194 hectares, rice fields
- 3 hectares, pineapple plantations
- 46 hectares, other crops

Agroindustrial Projects

Two project construction and management agreements were analyzed and awarded in support of sustainable production chains systems installed in Putumayo, attending local, regional and national markets. These projects include construction and management of Agroindustrial Centers in Orito and Villagarzón. Contract awards were subject to public bidding.

Commercial banks, service enterprises and other private enterprises (food and administrative structures) will collaborate with the Agroindustrial Centers. These enterprises will complement the activities of the Centers and strengthen the infrastructure and processing plants to be installed. Local governments, with the approval of governing bodies, contributed with land for project sites. The value of this counterpart investment is the equivalent of up to five percent of the total project cost.

Infrastructure works including land clearing, and architectural, hydraulic, sanitary and electric project plans were prepared during the reporting period, as well as determination of power and water supply needed for the Centers.

Large commodity projects

During the reporting period, large commodity projects including rubber, cacao, heart of palm and African oil palm concentrated on planting activities due to the onset of the rainy season in the project zones. Although these projects have already met the illicit crop eradication goals set out in the agreements, 34 additional hectares were eradicated: 13 in Caquetá (Rubber) and 21 in Putumayo (Heart of Palm).

During the reporting period, 971 new hectares were planted and supported under the large commodities projects, accounting for 63 percent of programmed goals.

Project	Departament	Goal Quarter	Progress Quarter	Goal Contractual	Progress Cumulative
Rubber	Caquetá	200	186	1,500	687
Rubber, pepper, woods	Putumayo	80	24	500	337
Heart of Palm*	Putumayo	100	85	850	630
Cacao, plantain and wood association projects**	Northern Santander	406	128 (68) (80)	1000	348 (996) (815)
African oil palm	Norte de Santander	185	186	1,000	698
Total		971	609	4,850	2,700

* Includes 100 hectares (estimated) in previous years for maintenance activities.

** Includes 996 hectares planted with plantain.

Other significant accomplishments under the large commodities projects include:

Palmito project – Putumayo: 85 new hectares of palmito were established during this reporting period, principally in the municipalities of Valle del Guamúez and Orito, for a 2003 total of 530 hectares. Of the 750 hectares programmed, 71 percent has been accomplished, and in relation to the 600 hectares programmed for 2003 in the Annual Operating Plan, 88 percent has been accomplished. The palmito goals established for 2003 will be met during the next quarter with the expected planting of 70 hectares. Seedlings are already available in project beneficiaries' farms, ready for planting.

The project's technical team coordinated the harvesting of 51,520 *chontaduro* shoots during the reporting period, increasing production to a total of 153,637 processed shoots during 2003. 662 technical assistance visits were provided to small-farmers throughout the project zone, increasing the number of visits to 1,924 during 2003. This figure corresponds to 68.7

percent of the programmed goal. To date, 310 families have benefited from the project. The project technical and social teams have provided training and community strengthening support to palmito municipal and growers associations; four workshops were organized to assist youth and women on motivation and community organization.

Significant project accomplishment at the Puerto Asís heart of palm factory include:

- Processing of 220,574 palmito shoots increasing this indicator to 676,016 shoots during 2003, or 88 percent of the annual programmed goal (768,000 shoots)
- Production of 3,528 palmito boxes increasing this indicator to 12,416 boxes during 2003, or 67 percent of the annual programmed goal (18,000 boxes)
- The sale of 1,421 boxes in the amount of COLP \$85.7 million, bringing up cumulative sales to COLP\$249.7 million in 2003.

A business plan was prepared during the reporting period, including a strategic sales and marketing plan, as well as specific action and follow-up tasks. This plan will be implemented during the next quarter.

Rubber project – Caquetá: During the reporting period, 182 new rubber hectares were established, increasing this indicator to 673.4 hectares, or 90 percent of the programmed goal (750 hectares of agro-forestry and rubber). Illicit crops (18.5 hectares) were eradicated increasing this indicator to 858 hectares eradicated, and with a total of 465 families benefiting from the project to date.

Construction of a metal hangar roof structure for the rubber pilot plant was initiated. This plant is the only plant in Colombia that manufactures granulated rubber, competing in the international rubber markets. ASOHECA's project manager visited processing plants and rubber plantations in Guatemala.

Other accomplishments during the quarter include:

- Establishment of the first three Agrarian Transformation Societies (SATs) in charge of marketing of products obtained under the project. 15 SATs will be established.
- Purchase of 42 tons of dry rubber, increasing this indicator to 155 tons during the year, or 74 percent of the programmed goal.
- Sale of 46 tons of dry rubber, increasing this indicator to 161 tons during the year, or 76.6 percent of the programmed goal.
- Realization of 366 technical assistance visits to farms and plantations, increasing this indicator to 1,001 visits during 2003, or 84 percent of the programmed goal.
- Conducting a seminar for 23 sons and daughters of beneficiary families, receiving training in technical assistance in agro-forestry and rubber. A workshop-seminar was also conducted on establishment and management of rubber cultivation.
- Delivery of 112 scythes to attend to clean-up and weed control activities in lieu of herbicides.

Rubber project – Putumayo: 24 hectares of caucho were established during the reporting period, bringing this indicator to 337.5 hectares, or 68 percent of the programmed project goal. 231 families have been benefited by the project to date. The Veracruz nursery located in Villagarzón provides rubber seedlings for project beneficiaries, which are used to replace old trees and plant new ones. Graft material is being prepared to improve 632 hectares of rubber during 2003 and the first semester of 2004.

Other important project accomplishments during the reporting period include:

- 640 technical assistance visits to project beneficiaries
- Identification of 34 lots for new plantations
- 20 demonstrations of agronomic rubber and pepper management methods and plant disease control carried out in 20 farms.

Cacao project – Norte de Santander: 68 hectares of plantain, 128 hectares of Cacao and 80 hectares of lumber were planted in the reporting period. Progress to date includes a total of 996.5 hectares of plantain, or 99.6 percent of programmed goals; 347 hectares of Cacao, or 35 percent of programmed goals; and 815 hectares of lumber, or 81.5 percent of programmed goals. The total programmed goal of rubber trees to be planted in association with plantain and lumber is 1,000 hectares. The Cacao nursery has 40,000 seedlings to be delivered to farmers, 147,204 Cacao grafts and 532,796 *patrones*. It is anticipated that part of this material will be used in planting 180 additional Cacao hectares during the first half of the next quarter. Families benefited by the project to date total 428 families.

Other important project accomplishments during the reporting period include:

- Implementation of 13 workshops on cacao pruning techniques and agronomic management of plantain, attended by 282 participant farmers
- Realization of 903 technical assistance visits to farmers in support of soil preparation, planting, fertilization and management of Cacao and plantain farming activities
- Marketing of 104.5 tons of plantain (*fhia*) and banana, costing COLP\$23.5 million, increasing this indicator to 120.4 tons, costing COLP\$28 million, approximately.
- Carrying out a women's project integration program to train 15 farmers as social promoters, of which 12 were selected to integrate social processes teams and to act as communicators between ASOCATI and their communities.

Oil Palm project – Norte de Santander: 186 new hectares were planted during the reporting period, increasing the indicator to 698 hectares, or 70 percent of the 1,000 hectares programmed goal. It is anticipated that the remaining 30 percent will be completed by the end of the next quarter. The El Zulia nursery is providing 48,950 palm oil seedlings, 11-12 months old, in excellent phytosanitary conditions. The number of seedlings planted in project farms is 99,894, corresponding to 698 hectares. 867 hectares are available, and 658 hectares are ready for planting.

Other important project accomplishments during the reporting period include:

- Realization of 296 technical assistance visits to farmers, pushing this indicator to 1,776 visits to date
- Implementation of five training workshops on recuperation of the environment, attended by 110 persons, and one workshop on oil palm cultivation attended by 95 participants
- Carrying out of seven workshops for women for incorporation in Family Production Units, attended by 130 women
- Start-up of drainage and sewer construction in Villa Nueva, a flood prone zone
- Implementation of 15 demonstration meetings on phytosanitary control methods and supervision of machinery maintenance and operation, attended by 90 project beneficiaries

Projects in the Macizo Colombiano

RAISE Projects: Consolidation and culmination of project activities took place during the reporting period in Cauca, Huila, Tolima and Nariño, under the RAISE contract. In total, 18 projects were finalized, currently in the process of close-out, which have benefited 2,808 families; 1,041 hectares of poppy were voluntarily eradicated, and 2,029 hectares of licit crops were planted. Even though most of the 18 projects included food security, significant surplus crops are being sold in local and regional markets, thus strengthening family incomes of project beneficiaries.

Following is a list of the RAISE projects, including details on indicator progress for each project.

Project	Description	No. of Families Benefited			No. of Hectares Eradicated			No. of Hectares of Licit Crops Supported by Project		
EN – 35	Consolidation of environmental management, municipality of Colombia, Huila	158	160	101.27%	NA	NA	NA	NA	NA	NA
EN – 26	Food Security and Environmental Management- Cauca yá River	86	86	100.00%	40	0	0.00%	20	0	0.00%
	Subtotal Environmental	244	246		40	0		20	0	
IS – 48	School for Strengthening of campesino community Organizations	120	120	100.00%	NA	NA	NA	NA	NA	NA
IS – 31	School for Artistic Formation in the Indian Resguardo of Guachavez	240	240	100.00%	NA	NA	NA	NA	NA	NA
IS – 7	ANIMA Creative Workshops	150	150	100.00%	NA	NA	NA	NA	NA	NA

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IS – 45	School for Strengthening of Campesino Communities	180	180	100.00%	NA	NA	NA	NA	NA	NA
IS – 8	SAT – TOLIMA	200	226	113.00%	NA	NA	NA	NA	NA	NA
	Subtotal Institutional Strengthening	890	916							
PA – 20	Environmental Management Indian Communities in Cauca	670	760	113.43%	65	14	21.54%	95	87	91.58%
PA – 18	Promotion of Guinea Pig farming. Indian Resguardo of Pancitara, Cauca	130	130	100.00%	30	32	106.67%	323	323	100.00%
PA – 15	Coffee farming Improvement Tablón de Gómez, Nariño	252	252	100.00%	102	0	0.00%	150	100	66.67%
PA – 54	Potato Farming Tablón de Gómez, Nariño	60	60	100.00%	35	35	100.00%	60	60	100.00%
PA – 13	Food Security for Coffee farmers Patía, Nariño	360	360	100.00%	90	0	0.00%	90	0	0.00%
PA – 24	Panela Development Las Delicias. Puerto Asís, Putumayo	26	30	100.00%	40	10	25.00%	15	0	0.00%
PA – 23	Food Security Indian Cabildo Embera, La Italia, Putumayo	30	30	100.00%	5	10	200.00%	NA	3	
PA – 27	Food Security and Cultural Strengthening Indian Inga Cabildo Inga El Palmar. Puerto Asís, Putumayo	26	26	100.00%	12	0	0.00%	26	5	19.23%
PA – 52	Agricultural-cattle Systems Cañon de Anamichú, Rioblanco, Tolima	120	120	100.00%	120	940	783.33%	300	1,451	483.67%
	Subtotal Productive Projects	1.674	1.768	105.62%	499	1.041	208.62%	1.059	2.029	191.60%
	TOTAL	2.808	2.930	104.34%	539	1.041	193.14%	1.079	2.029	188.04%

Other important RAISE project accomplishments during the reporting period include:

Guinea Pig farming in the Pancitará Indian Resguardo: This project in Cauca represents a good example in community development activities. Given the excellent quality of guinea pig meats, important marketing contacts have been established for export through marketing agents. Guinea pig meat is being canned to attend Asian and European market demand. The University of Cauca will soon initiate technical studies on use of guinea pig meat for ham and sausage manufacturing and other food products.

Installation of agriculture-forestry-grazing systems in the Anamichu River Canyon: Project beneficiaries opted for voluntary eradication of approximately 949 hectares of poppy, turning to licit crops. Farmers substituted poppy for organic crops including beans, organic coffee and walnut.

Farmers planted three varieties of native tree species featuring special physical and chemical characteristics that assist in restoring ecosystems altered by land cleared for poppy crops, causing massive deforestation. These species known locally as coffee walnut, romeron pine, and pink cedar, are an excellent source of wood for furniture making, carvings, interior and exterior veneers. Due to the high market demand for these woods, these species constitute an important source of income for families in the project zone.

Part of the project's sustainability lies in coffee crops. The so-called *Variedad Colombia Coffee*, a locally grown coffee variety, is guaranteed by Cenicafe -the regional coffee marketing authority-, as a high grade, organic product. Cenicafe is investigating market potential for this coffee in Boston. Production of *Variedad Colombia Coffee* will start in 2004. Bean production is marketed in Tolima and Valle, and there is a good market demand in Palmira, a city in Southern Valle.

C2. Obstacles encountered and overcome

Palmito Project – Putumayo: Unsold surplus of processed palmito remains stockpiled at the Agroamazonia warehouse. The project operator is concentrating sales at Carrefour, a large buyer. A business plan to search actively for other buyers throughout Colombia will be implemented during the next quarter, with emphasis on marketing canned palmito.

Rubber Project – Caquetá: The principal obstacle affecting this project is the poor condition of the Valparaiso-Solita road that precludes transportation of supplies and vegetable material to farmers. Project activities are being shifted to areas offering better transportation facilities and less guerrilla risks.

Rubber Project – Putumayo: The combined rubber/pepper, rubber/lumber, and rubber/plantain projects farming activities are delayed, due to heavy rains and guerrilla activity in the zone. The NGO operator must develop a marketing plan to improve production with CAD assistance.

Cocoa Project – Norte de Santander: Ferrying produce across the Nuevo Presidente river affects product quality, specially banana and plantain, and also affects produce market prices at the Cucuta Produce Wholesale Market. Although the Santander departmental government announced that it would start construction of a new bridge to replace the old river ferry, the project is experiencing delays. Delivery of cocoa clones by GGT is also delayed. Production of grafts at the Tibú nursery must be increased to overcome this problem.

Oil Palm Project -Norte de Santander: The principal obstacle affecting planting, site clearing and leveling activity progress is heavy rainfall. September precipitation registered 320 mm, establishing record highs in the region. Farming activity remains at a standstill awaiting for a break in the weather in order to renew planting activities.

RAISE Projects: the main difficulties affecting the RAISE projects is the poor condition of access roads to the project sites and violent acts generated by guerrilla activity. These conditions preclude access to local and regional markets. Operating weakness by project operators affect management and other project activities. The operators are experiencing logistics related problems as their working platforms are weak, and also caused delays in project implementation. Important processes addressing social and production issues were initiated during the reporting period; however, there is a feeling of widespread uncertainty within the community related to implementation of future activities beyond project closings. Obtaining new funds and fresh working capital appears to affect new project start-ups and real project sustainability beyond marketing of surplus products in the future.

C3. Activities planned for the next reporting period

Agroindustrial Centers

Activities to be implemented during the next quarter include:

- Improvement and construction of physical infrastructure required for installation of equipment for processing plants
- Purchase, construction and partial installation of equipment and machinery
- Obtaining permits and operating licenses
- Setting up and conducting legal requirements and juridical empowerment for new enterprises
- Integration of enterprises to PROAGRO (National Agrarian Policy)
- Operation of enterprises as business integrators upon legal constitution in order to start agricultural and cattle operations in the department
- Promotion of round table business discussions with the private sector to promote investment in the department

Palmito project – Putumayo (Agroamazonia): During the quarter, 70 hectares of palmito were established to meet the Annual Operating Plan goals. A promotional and palmito sales plan was developed to increase sales in Cali, Medellín and Bogotá and to decrease surplus production stocks at the Puerto Asís and Bogotá warehouses.

Rubber Project – Caquetá (ASOHECA): Planting 77 hectares to meet 750 hectares per program goals. Increase activities at the nursery regarding preparation of grafts, and consideration of rubber as the sole crop during 2004. Implementing the marketing plan. Finalizing turn-key contract arrangements with Heaveatec, Guatemala, for installation, assembly and start-up on the rubber processing plant.

Rubber Project– Putumayo (Futuro Ambiental): The project operator will implement a marketing plan, emphasizing plantain harvesting and post-harvesting activities. Increase nursery activities in regards to preparation of grafts. Establishing at least 80 hectares of rubber arrangements. The project operator will finalize a strategic plan defining activities programmed for 2004.

Cocoa Project - Norte de Santander (Fundescat): Establishing 180 hectares of Cacao, planting of *patronaje* in farms for future grafting. Implementing a marketing plan to attend to plantain, banana and *phia* harvests. Complete planting of 1,000 hectares of Cacao to meet program goals at the beginning of 2004.

Oil Palm Project – Norte de Santander (Asogpados): Vegetable material is available at the nursery for planting 302 hectares, weather permitting. The delivery of 133 scythes will take place for weed control in oil palm plantations. Utilization of these scythes will assist the environment, replacing agrochemicals.

RAISE Projects: Completion and closing of sustainable production projects in the macizo colombiano region under RAISE. Implementing marketing and other commercial arrangements of the potatoes in Tablón de Gómez, food security in the Anamichú Canyon and maracuyá (passion fruit) in Huila.

D. Natural Resources and Environment

D1. Activities/significant accomplishments during the quarter

- Contracting and delivery of the Environmental Review for the small-scale irrigation project in the Patía Valley, department of Cauca
- Submission to USAID (Bogotá and Washington) of Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects
- Initiation of construction of foundations for the Forestry Service Centers to be built in Villagarzón and Cauca.
- Completion of plans for industrial development and FRA for factories
- Purchase of equipment and machinery for the Forestry Service Centers in Villagarzón, Putumayo and in the department of Cauca
- Completion of construction of four community nurseries
- Finalizing purchase/sale contracts for community nurseries, costing over COLP\$200 million

Forest and Lumber Project (B&M), CONIF (National Research and Forestry Development Corporation)

Accomplishments during the reporting period are as follows:

Natural Forest management and Forest Management Plans: Completion of the first census of the Annual Cutting Unit at the Villagarzón Forestry Development Core of 200 hectares. CORPOAMAZONÍA approved the request for use of the Annual Harvesting Unit.

Forestry Service Centers (CSF): Machinery required to operate the CSFs was identified, bid, selected and purchased for two Forestry Service Centers in Putumayo and Cauca. Areas for construction and distribution of plant machinery and equipment were defined to allow for operation of the Villagarzón Agroindustrial Park and the Forestry Service Center in Cauca. CONIF continued working in planning the Cauca Forestry Service Center for utilization of existing pine plantations belonging to indigenous communities. To date, 95 percent of the Forestry Management Plan and field lumber inventory for the Cauca pine plantations has been accomplished, with technical assistance provided by CONIF in 950 hectares out of 1,000 hectares required to allow for constant lumber supply to the Forestry Service Center.

Plantation Strengthening: 155 new hectares were planted during the reporting period for forest management, increasing this indicator to 807 hectares.

Potential housing for displaced families: Discussions and negotiations continued during the reporting period with the Puerto Asís municipal government and the Putumayo departmental government on a timber-built housing program to assist 160 displaced families in Puerto Asís. There is, however, much to be done to reach definitions and agreements on this project. For instance, the lot for the project site has not been secured as yet, financial contribution by the municipal and departmental governments has not been agreed upon, the relationship between cost of housing and affordability has not been determined, and provisions of basic public services is still in the dark. EcoNat was contracted by CONIF to prepare a comprehensive report to identify financial sources for the project and explore viable housing projects in the municipality of Puerto Asís that may be sponsored by several entities, one of such projects is the *Urbanización Esperanza* located in the old IDEMA site (two hectares) on land belonging to the municipality of Puerto Asís. This project has been identified as the most feasible project to date.

CONIF made a presentation of the timber housing project in Puerto Asís showing four timber-built prototypes, including a health center, a neighborhood store, a rural house and a two-classroom school. CONIF delivered in Silvia, Cauca, an educational center built entirely with local woods.

Environmental Evaluations and Reviews: The Environmental Impact Assessment Study for the rubber project had to be contracted again with a different consultant, and it is estimated that the final version will be delivered during the first weeks of the next quarter for submission to USAID.

Contracts were entered with a national consulting firm (Unión Temporal Riego Patía) and an international firm (Greystone Inc.), to gather base-line information and prepare the necessary environmental analysis to complete the Environmental Review of the small-scale irrigation project in the Patía Valley, Cauca.

Pesticide Evaluation Reports and Safer Use Action Plans (PERSUAP) for all CAD projects were contracted, developed and submitted to USAID. The consultant and the CAD Environmental Resources Manager submitted the relevant documentation to Chemonics International (Washington) and to USAID (Bogotá and Washington, D.C.).

Community Nurseries: four community nurseries were constructed and four demonstration lots were presented in Putumayo to motivate local residents to participate in licit wood economic ventures. CONIF signed a purchase/sale contract with the El Porvenir nursery in Villagarzón, the Nuevo Horizonte nursery in San Miguel and the Brisas del Guineo nursery in Puerto Caicedo to produce and sell timber seedlings required under the plantations component of the Phase II *Bosques y Maderas* program. Work orders for 600,000 tree seedlings costing COLP\$210,000,000 were placed by CONIF. This will assist the economy of the region.

Other accomplishments under the technical program component include:

- Institutional strengthening of Corpoamazonia, assigning financing to contract two technicians to strengthen the implementing capacity of Corpoamazonia to respond quickly and effectively to applications for permits, authorizations and other forestry-related development documentation.
- Completion of technical assistance to the Management Plan for the indigenous communities in Tiarradentro, Cauca. Preparation of architectural design plans for construction of the Forestry Service Center in Silvia to be built on a site contributed by the Paez indigenous community.
- Initiation of a test program to select the best tools to harvest and transform *totumo* a variety of gourd native to the Patía region. *Totumo* gourds can be used to package a local milk-based candy called *manjarblanco*, a tasty delicacy, well-known throughout Colombia. The Afrocolombian women in Patía have expressed interest in offering a lot for construction of a *totumo* Service Center.

D2. Obstacles encountered and overcome

Potential housing for displaced families: The provision of the lot for the construction of the housing development for 160 displaced families in Puerto Asís continued to be a problem during the reporting period, with local authorities unable to provide an adequate lot for the construction. CONIF hired EcoNat, who conducted the feasibility analysis for five possible solutions. These alternatives will be analyzed by CAD to address project issues.

D3. Activities planned for the next reporting period

Activities during the next reporting period include:

- Submittal to USAID of the Cauca Forestry management Plan for pine plantations belonging to the Paez and Guambía Indian communities
- Submittal to USAID of the Environmental Impact Assessment Study for the natural rubber project
- Installation of the equipment and machinery needed for the Forestry Service Centers in Villagarzón and in Cauca
- Securing a lot for the construction of the 160 houses for displaced persons, as well as make advances on all of the other issues concerning this project, including financing, counterpart and other pending issues
- Finalizing the technological guide for the 37 Putumayo wood species currently being analyzed by the Universidad Nacional de Medellín
- Follow-up and provision of technical assistance to four community nurseries
- Pre-selection and qualification of sites and beneficiaries that will participate in the plantations component of the B&M 120-hectare project
- Preparation of the Environmental Review File for the Alto Mecaya forestry project
- Preparation of the final version of the Environmental Review File for the Forestry Service Center in Villagarzón, Putumayo and Silvia, Cauca
- Environmental Review File for the Agroindustrial Center in Villagarzón

E. Monitoring and Evaluation

E1. Activities/significant accomplishments during the quarter

SIMONE Information System on the Web: SIMONE began to operate on the Web on a continuous and permanent basis during the reporting period, and 19 NGOs responsible for CAD project portfolios are now connected on-line with SIMONE. The system provides information corresponding to two years of NGO operations, including indicator status and information on current CAD sub-project and project financial deliveries to participant families. Project related activities developed include:

- Standardization of indicators and activities applicable to all CAD projects resulted in a document showing listings of activities for each project indicator. This was done in close coordination with NGO project operators
- Support to NGO managers and administrative staff in charge of information to improve the quality of the information delivered
- Introduction of new entrepreneurial performance indicators in SIMONE, to respond to new CAD program strategies.

Development of the ACCES application for USAID: Chemonics supported the development of the “Application for gathering of information on a quarterly basis” for USAID. Chemonics assisted in designing the database, screens and the file generating modules for consolidation of information. Chemonics delivered to USAID digitalized information on project quarterly progress with indicators requested in the ACCES system application.

Evaluation of effects and impact on projects: M&E is currently analyzing an evaluation system of results produced by the CAD program. The following approaches to concepts and methodologies have been developed to date:

- Preparation of the conceptual base to carry out program effects and impact evaluations of projects and programs developed by CAD
- Preparation of Terms of Reference for case studies of the PILDAET y *Raíz por Raíz* projects.

Monthly Report.: CAD continued delivering the “Monthly Report” to USAID, PDA and project operators. This report includes information of project performance indicator progress, CAD financial information and analysis of the status of each project, with emphasis on value of sales, private sector participation and use of credit by the projects.

Support to PDA strengthening: During the reporting period, Chemonics contracted three firms to develop the following three products, as requested by the Government of Colombia, agreed to and approved by USAID. Product progress is highly positive; PDA is satisfied with the speed at which Chemonics responded in developing and delivering the products requested.

Status of progress of contracted products	Progress %
▪ Information system for families of “Guardabosques” information system	80 %
▪ Improvement of the Computer Center and Logistics Network	100 %
▪ Purchase of a Data Base Server	100 %

E2. Obstacles encountered and overcome

- SIMONE system: Low quality of feed back information reported by some project operators to the SIMONE system. This includes incomplete information, failure in feeding data on indicators and activities, mistakes in digitalizing information, etc. This problem is being solved by carrying out one-on-one personal evaluations with NGO managers and adjusting information, as necessary.

E3. Activities planned for the next reporting period

- Case studies will be carried out to learn the effect and impact caused by the projects on the beneficiaries and the region in general.

SECTION V. Program Management and Support Activities

A. Key constraints and concerns

A1. Funding and Level of Effort (LOE) Constraints

The project continued to experience LOE restrictions. CAD submitted to the Mission a comprehensive financial and LOE proposal to increase its LOE, maintaining the contract's original ceiling price.

A2. Security Situation

The security situation remains the same as reported previously, the departments where CAD works continue to be areas of high danger. While CAD still considers that the NGOs and operators that work with the program, as organizations, are not considered "military objectives" at this time, the project maintains a high level of alert and closely monitors the security situations in project areas.

In general and with precautions, the staff of the NGOs and Chemonics continues to be able to visit sub-project field sites, but the unstable security situation requires the highest level of vigilance. The situation in Putumayo has allowed work to proceed "normally," but there are concerns as the apparent equilibrium of forces (GOC, AUC and FARC) changes and the balance shifts towards greater GOC military presence with the *Soldados Campesinos*, the AUC appears on the defensive and the FARC becomes more aggressive. The situation in Northern Santander continues to deteriorate in the past months, a situation that will continue to be closely monitored by CAD.

Because of the growing security concerns in urban areas, and particularly with the increase of guerrilla activity in Bogotá, CAD management hired a part-time security expert to work with staff, conducting a series of security seminars aimed at making the CAD workplace safer. Specific topics have included security training for the project's office receptionists (identifying possibly dangerous mail, identification and ways to respond to threatening phone calls, monitoring of guest coming in and out of the office, etc), personal safety for employees, and bomb and fire drills in conjunction with our building's security supervisor. During the next quarter, specific seminars will continue focusing on security for CAD personnel while in the field, particularly in Putumayo and in Norte de Santander, as well as a seminar dealing with ways to avoid kidnappings and rules to follow if any staff are kidnapped. These seminars will continue on an as-needed basis.

B. New CAD personnel this Quarter

Due to the heavy workload in the Department of Natural Resources and the Environment, in particular because of the time that must be allowed to comply with USAID's environmental regulations (Environmental reviews, PERSUAP studies, etc.), CAD contracted a new Support Assistant assigned to the Department of Natural Resources during the reporting period. With the help of this additional staff, the Department of Natural

Resources and the Environment increased its capacity to better respond to Colombian and USAID environmental requirements, and to meet work loads inherent to a large program such as CAD's.

C. Contract modifications, amendments and reporting

During this reporting period, USAID signed modification No. 13 to the contract, allocating the last fund obligation in the amount of US\$18,861,854.00. To date, this Modification brings the total project's obligated funds to US\$87,346,606 and COL\$2,027.405.025.

SECTION VI. Grants Management

A. Grants

A1. Activities/significant accomplishments during the quarter

1. Requests for Proposals

During the reporting period, request for proposals were distributed to carry out annual external audits to the Rubber Project in Putumayo (Futuro Ambiental) and the Rubber Project in Caquetá (Ashoeca). Requests for proposals were also distributed for project liquidation audits in regards to projects assigned originally to the Colombian International Cooperation Agency (ACCI), including 17 infrastructure projects in the departments of Cauca, Huila, Tolima and Nariño. In addition, Chemonics distributed requests for proposals to carry out the Environmental Study of the new project initiative in the Patía region in the department of Cauca.

2. PDA-USAID/Colombia joint "convocatoria"

Chemonics received nine projects from USAID, listed below, in order to make a determination and suggestion to USAID on which projects had the technical merit to be considered for funding.

Project	Operator	Project Location
Cocoa	Fundescat	Zulia, Norte de Santander
Cocoa	Fundescat	Sardinata, Norte de Santander
Cocoa	Fedecacao	El Tarra, Norte de Santander
Cocoa	Aldea	Zulia, Norte de Santander
African Oil Palm	Asogpados	Tibú, Norte de Santander
African Oil Palm	Estam	Tibú, Norte de Santander
African Oil Palm	Coopar	Zulia and Sardinata, N. Santander
Cocoa	Fedecacao	Several municipalities in Tolima
Forestry	CAM/CONIF	Several municipalities in Huila

Chemonics provided technical help to all nine bidders, helping them to fortify their technical and financial proposals. Proposals were reviewed and evaluated by an award committee comprised of CAD staff, and Chemonics recommended the following to USAID:

Consider the following five projects for funding:

Project	Operator	Project Location
Cocoa	Fundescat	Zulia, Norte de Santander
Cocoa	Fundescat	Sardinata, Norte de Santander
Cocoa	Aldea	Zulia, Norte de Santander
African Oil Palm	Asogpados	Tibú, Norte de Santander
African Oil Palm	Estam	Tibú, Norte de Santander

Consider the following project for funding, with the caveat that the proposal requires further work:

Project	Operator	Project Location
Forestry	CAM/CONIF	Several municipalities in Huila

Consider the following projects for funding, but identifying them as High Risk projects:

Project	Operator	Project Location
Cocoa	Fedecacao	El Tarra, Norte de Santander
Cocoa	Fedecacao	Several municipalities in Tolima

An official communication from USAID is expected in regards to which projects should be funded and managed by CAD. A contract amendment stipulating this change and adding additional funds will have to be made to the Chemonics International/USAID contract.

3. Grant awards during the reporting period:

The following projects/grant agreements were awarded during the reporting period, following selection of projects and negotiations carried out under New Initiatives in Putumayo and Cauca:

- Grant Agreement No. CAD-055-03-1, Project “Establishment of an Enterprise for Root and Grain Dehydration and Preparation of Animal Feed Concentrates in the municipalities of Orito y Villagarzón, Putumayo”, awarded to Fundaempresa.
- Grant Agreement No CAD-057-03-1, Project “Establishment of an Enterprise for Cleaning, Drying, Packaging and Marketing of Pepper and Plantain Chips in Villagarzón, Putumayo” awarded to Fundaempresa.

During the reporting period selection, negotiation and award of a contract of external audit was carried out for the *Raiz por Raiz* and PILDAET projects in Putumayo, as follows:

- Contract No. CAD-CT-053-03-1 with the BDO auditing firm to carry out auditing of PILDAET projects.

- Contract No. CAD-CT-054-03-1 with the BDO auditing firm to carry out auditing of *Raíz por Raíz* projects.
- Contract No. CAD-CT-056-04-1 was awarded to the consulting firm “Unión Temporal Estudios Ambientales Proyecto de Riego del Patía”, to carry out the Environmental Study of the new productive initiative in the Patía region of the departament of Cauca.

A2. Obstacles encountered and overcome

None to report this quarter

A3. Activities planned for the next reporting period

Award of the New Initiative projects in Putumayo is scheduled to take place during the next quarter, including sustainable productive chains in vanilla, flowers and foliage, natural foods, medicinal plants and essential oils. The “Establishment of Hot Climate and Short-Cycle Vegetable with Irrigation Systems Sustainable Production Chains in the Patía Valley”, located in the department of Cauca, is also scheduled for the next quarter.

Distribution of generic Terms of Reference to allow for consideration of proposals that meet CAD program project objectives, geographical areas and industrial nuclei, will be carried out during the next quarter. These projects, for example, may include packing bags, ice producing plants and food processing service centers. The purpose of this exercise is to finance a limited number of additional grants based of economic feasibility of the projects, period of incorporation and employment and income generation potential.

A4. Training during the quarter, and explanation of activities

The Grants Management and the Financial Management departments carried out a training workshop on “Process of Closing and Liquidation of Sub-grants and Grant Agreement Contracts”, addressed to operators of the *Raíz por Raíz* and PILDAET grant agreements in the department of Putumayo. The purpose of this seminar was to provide the organizations with information and training on USAID policies applicable to closing and liquidation sub-agreements and contracts, and 28 representatives of the operators of the *Raíz por Raíz* and PILDAET agreements attended the seminar. Of the participants, 15 women and 13 men assisted the seminar, in representation of the following organizations:

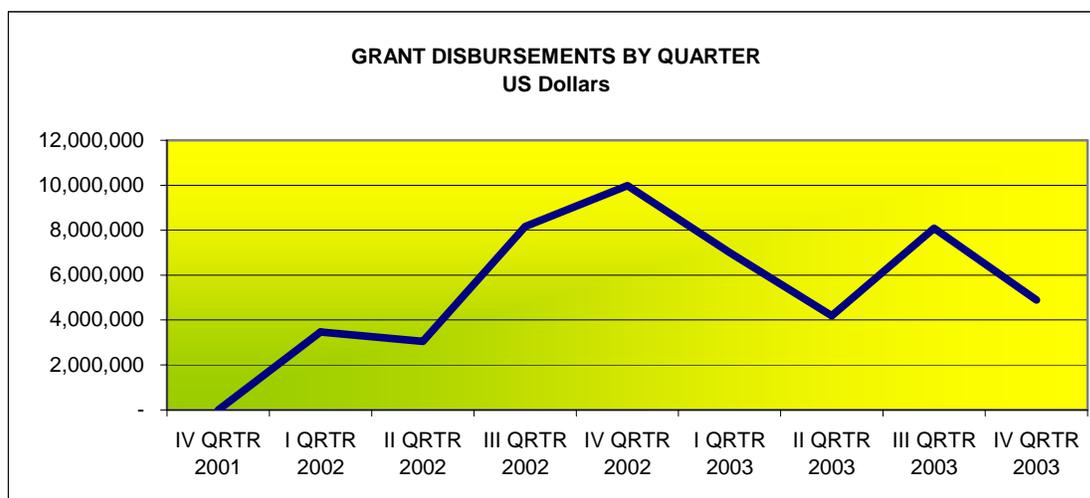
- The Caja de Compensación Familiar of Putumayo – COMFAMILIAR
- The Maloca Corporation
- FUNDAEMPRESA, *Raíz por Raíz*
- FUNDAEMPRESA, PILDAET
- The Vida y Futuro Foundation, *Raíz por Raíz*
- The Vida y Futuro Foundation, PILDAET
- The Huairasachac Foundation
- The Restrepo Barco Foundation

- The Centro de Cooperación al Indígena Foundation – CECOIN/CORFAS

B. Grant Disbursements

B1. Grant Disbursements by Quarter

The rate of disbursements during this quarter decreased, as productive projects have disbursed a large portion of sub-project funding.



CAD disbursements to grantees and contractors for field implementation activities during the quarter were \$4.888 million. Total Grant disbursements, for grantees and contractors only, at the end of the ninth quarter are \$48.820 million.

B2. Disbursements (Dollars)

The major contributor to this continued advance was in Intermediate Result 3 (IR-3). It is expected that this intermediate result will continue to be the major investment line considering that the project has now surpassed the manual eradication and family goals, and will honor the commitment to alternative crops and economic activities. As most of the new initiatives in Putumayo and Patía will be signed at the beginning of next reporting period, a slight disbursement increase under IR3 Productive activities will show.

DISBURSEMENTS	Quarter Jul – Sep 2003	Cumulative to 30-Sep-03
IR1 Institutional Strengthening	\$94,845	\$1,658,344
IR2 Infrastructure	\$926,836	\$5,258,675
IR3 Productive	\$3,734,896	\$37,374,854
IR4 Natural Resources Management	\$131,416	\$4,528,475
Total	\$4,887,993	\$48,820,349

SECTION VII. Financial Information

A. Contract Expenditures by CLIN

Contract Expenditures to Date	Contract Total	Total Expenditures through June 2003	Total Expenditures July-September 2003	Balance Remaining
Invoiced to USAID				
CLIN 01	\$431.298,00	\$153.664,81	\$4.238,58	\$273.394,61
CLIN 02	\$443.195,00	\$262.903,82	\$39.022,09	\$141.269,09
CLIN 03	\$3.957.964,00	\$3.050.433,59	\$156.180,32	\$751.350,09
CLIN 04	\$478.343,00	\$536.888,16	\$98.931,74	-\$157.476,90
CLIN 05	\$13.489.400,00	\$5.869.467,00	\$698.913,39	\$6.921.019,61
SubTotal	\$18.800.200,00	\$9.873.357,38	\$997.286,12	\$7.929.556,50
Drawn down from FLOC				
CLIN 01	\$4.703.878,00	\$1.563.498,52	\$94.845,08	\$3.045.534,40
CLIN 02	\$5.371.309,00	\$4.331.839,18	\$928.275,02	\$111.194,80
CLIN 03	\$53.074.624,00	\$33.685.842,82	\$3.689.717,31	\$15.699.063,87
CLIN 04	\$5.396.595,00	\$4.397.059,35	\$138.445,39	\$861.090,26
CLIN 05	\$0,00	\$0,00	\$0,00	\$0,00
SubTotal	\$68.546.406,00	\$43.978.239,87	\$4.851.282,80	\$19.716.883,33
GRAND TOTAL	\$87.346.606,00	\$53.851.597,25	\$5.848.568,92	\$27.646.439,83

B. Differences between disbursements and FLOC draw-downs

Advances received through the Federal Letter of Credit must be logged in and accounted for within Chemonics' accounting system at the time the money is received. These advances are reported against the CLINs on a monthly basis and a summary of spending to date is sent to USAID Bogotá along with the monthly invoice. Each month the advances received from the FLOC are allocated across the four CLINs based on disbursements made during the month. However, since not all grant disbursements are completed in the month the money is requested from USAID (for example money is requested and received at the end of the month and therefore some might remain on the 31st) there may be differences between the official financial reports generated by the Chemonics home office (which report the advances when they are received) and the disbursement report. The portion of the advance received that has not been disbursed by the end of the month is allocated to CLIN 3 and is reallocated at the end of the following month based on that month's disbursements.

The purpose the table below is to show where the differences are between the disbursements reported in this quarterly report, as well as to HHS, and the advances (draw downs) Chemonics receives and reports in the quarterly financial report above. As you will note from the chart, there was a \$45,884.26 difference between what had been drawn down from the FLOC and what had been disbursed to the grantees. This has been allocated to the appropriate lines; this quarter \$705.56 is pending for allocation during the next quarter and has been booked to CLIN 3

C. Allocation of FLOC drawn downs by CLIN

July-September 2003

	Disbursements	FLOC draw down
CLIN 1	\$94.845,08	\$94.845,08
CLIN 2	\$928.275,02	\$928.275,02
CLIN 3	\$3.734.896,01	\$3.689.717,31
CLIN 4	\$138.445,39	\$138.445,39
Pending allocation (booked to CLIN 3)	\$705,56	\$0,00
Amount pending allocation in last report (Was booked to CLIN 3 and has now been allocated above)	-\$45.884,26	\$0,00
Total	\$4.851.282,80	\$4.851.282,80