



CHEMONICS INTERNATIONAL INC.

GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)
INDEFINITE QUANTITY CONTRACT

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

Quarterly Performance Report
July 1st-September 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.

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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

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 and Industry 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, July through September 2004, the Council met jointly for the first time since January 2003. Originally planned to coincide with a TIFA meeting in Washington, DC, Council members were disappointed to discover that changes in the Egyptian government precluded the possibility for a joint-government discussion on trade and investment issues. Nevertheless, the joint Council met successfully in Washington, DC during the week of July 12-16, 2004.

In preparation for the joint meeting, the Council developed 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 Council's annual report. Irving Williamson and all members of the Secretariat worked closely with the Council members on this project; conducting research, coordinating members' input, and ensuring each issue was addressed in an accurate, balanced manner. The final report, entitled "Annual Report 2004: Progress and Recommendations" is included as Annex E in the

second quarter report. This report was distributed at all meetings attended by Council members in July with U.S. government officials, and drew high acclaim from Assistant U.S. Trade Representative Cathy Novelli and Secretary of Commerce Donald Evans.

During the third quarter, a US-Egypt free trade agreement continued to be 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. While a US-Egypt FTA continues to figure prominently on the Council's agenda, July's joint Council meeting altered the organization's focus to include the qualified industrial zones (QIZ) initiative. Referred to as a 'back door FTA' by some, a QIZ initiative would provide duty free access to the U.S. market from specially designated zones in Egypt. The QIZ agreement requires manufacturers located in the zones to include a minimum percentage of inputs purchased from Israel in their products, in order for them to qualify for duty free status.

Although members had originally planned to establish working groups at the joint Council meeting to focus on shared concerns like Customs Reform, IT Services and Intellectual Property Rights, low member turnout, combined with a strong inter-Council lobbying effort for the establishment of QIZs in Egypt, changed the focus of the week's efforts.

In addition to the joint Council meeting held on Tuesday, July 13, members participated in 15 external meetings with NGOs and US government officials throughout the week. The main objective of those meetings was to update the US government and private sector on the Council's activities, promote awareness of the positive changes taking place within the Egyptian government, and advocate for the adoption of a QIZ agreement satisfactory to all parties involved. Council co-chair, Galal El Zorba, who has been working with all three governments for some time on obtaining an Egypt QIZ agreement, enthusiastically led the Council in this effort.

Meetings held between the Council and U.S. government officials suggested the U.S. administration is still open to establishing QIZs in Egypt, though the number of zones that may be designated, up front, is still under contention. U.S. officials were also pleased to hear the Council's endorsement of the new Egyptian cabinet appointed by President Mubarak that week. The previous Minister of Foreign Trade, Youssef Boutros Ghali, was designated Minister of Finance. Taking his place at the head of the ministry that governs the Business Council in Egypt was former President's Council member Rachid Mohamed Rachid. Excited that one of their own will be heading the Ministry of Foreign Trade and Industry, the Council expressed sincere optimism that the new cabinet will be reform-minded, action-oriented, and more receptive to the Council's views and recommendations.

The challenge of the Secretariat at this time is to help align the Council's activities with the reforms announced by the new government, and help members focus their efforts on advocating those 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*, publishing meeting minutes for those Council members who could not attend the joint Council meeting, and researching customs reform issues in Egypt. The Secretariat also coordinated communications and logistics between members in planning and carrying out the joint Council meeting.

Section B below provides a detailed description of the tasks completed during the third quarter of 2004. Section C presents the Secretariat's work plan for the remaining three months of the project, by task area, and Section D provides a short list of the deliverables scheduled for completion for the period of July – December 2004. As the Secretariat's contract officially ends in December 2004, the changes in sections C and D are minimal when compared to the second quarter report. 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 September 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 website at www.us-egypt.org.

B2. Produced Reports and Policy Recommendations Requested by the Council

The Secretariat continued to respond to members' requests for research and technical advice in specific policy areas during the third quarter. Most importantly, the Secretariat, along with Irving Williamson, finalized the Council's annual report and provided the printed version to Council members for distribution during their meetings with U.S. government officials. The report was hailed by both Cathy Novelli at the U.S. Trade Representative's Office, and Secretary of Commerce Donald Evans, as a useful reflection of the Council's achievements and recommendations for the future.

During the joint Council meeting in July, the Secretariat accompanied Council members to all meetings with U.S. government officials. Cairo-based communications specialist, Randa Mustafa joined Tanna Price and Bethany Pinegar in Washington, DC to help coordinate the week's events and help take meeting minutes. Following the July meetings, the Secretariat coordinated with Egyptian Council executive assistant Jackie Ibrahim to publish notes from all the DC meetings, along with biographies of the people with whom the Council met, and distributed the report to all Council members. The final meeting minutes can be found in Annex D of this report.

Following the joint Council meeting, Bethany Pinegar prepared a press release about the

event and distributed it to U.S. and Egyptian publications.

In mid-June, the Egyptian government had announced an impending cabinet reshuffle. The change in government was of particular interest to the Business Council, as the Ministry of Foreign Trade and Industry is the governing ministry for the U.S.-Egypt Business Council. For this reason, Minister Youssef Boutros Ghali did not join the Council for its July meeting with the U.S. Department of Commerce. During the first day of meetings, the Egyptian government published the names of the new ministers. Youssef Boutros Ghali was moved to the position of Minister of Finance, and the Ministry of Foreign Trade was merged with the Ministry of Industry and taken over by former Unilever Egypt chairman Rachid Mohamed Rachid. Minister Rachid was a member of the U.S.-Egypt President's Council in the mid to late 1990s, and as such, is intimately aware of the Council's mandate. He has so far shown a strong commitment to economic reform and is coordinating closely with the Ministers of Finance and Investment. We expect close coordination between the ministry and the Business Council in the coming year.

Following the change in Egypt's government, and consequently the new focus on customs modernization and other areas of economic reform in Egypt, Randa Mustafa and Tanna Price conducted research on behalf of the Council in anticipation of developing and updating the issues tackled in the Council's annual report. The Secretariat distributed some of its preliminary findings to Council members. A brief 'update' document will be produced by the Secretariat in the fourth quarter of 2004 to be distributed with copies of the annual report.

During the third quarter of 2004, the most recent version of the Council's FTA Roadmap was distributed to U.S. government officials within the Council's Annual Report. A comprehensive and updated background section of the Roadmap was also distributed to Council members at that time.

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 September 2004, Trade and Investment Specialist Irving Williamson prepared a report for the Council highlighting major economic and trade policy developments in Egypt from July - September 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 website, and when particularly relevant, forwarded copies to members. Ms.

Pinegar also attended events in the Washington area that had relevance to members of the Business Council. In particular, she attended and took notes on the National Council on U.S.-Arab Relations conference on September 12-13 entitled *Restoring Arab-U.S. Mutual Trust and Confidence: What is Necessary? What is Feasible?*

B5. Maintained the Council's Website

The Council's website (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 5,335 unique visitors during the third quarter; total hits equaled 87,990.

This quarter, the Secretariat continued to update the website on a monthly basis. At the joint Council meeting in July, Jackie Ibrahim unveiled a new layout and format for the site developed by Egyptian Council member Medhat Khalil's company, Raya Holdings. Randa Mustafa coordinated with Jackie Ibrahim and the Council's IT Committee to develop this new layout. Council members reviewed the new format and were very receptive to the proposed design changes. As a result, the IT Committee has undertaken responsibility for copying the content from the old website over to the new one. Until this transfer is complete, the old site will remain operational. The Secretariat will continue to host and manage the website until the end of its contract, at which time the IT committee will take over responsibility for managing, hosting, and updating the site.

B6. Provided Logistical and Administrative Support to Council

At the beginning of the third quarter 2004, after a number of postponements by different parties, the Secretariat worked closely with members of the Council, government counterparts, and other relevant stakeholders in coordinating and finalizing the schedule for the joint-Council meeting in Washington, DC in July. The Secretariat's duties at this time covered all aspects of logistical and administrative coordination to ensure that the joint meeting, all external meetings and other related activities ran smoothly, and that Council members were where they needed to be at the expected time.

Throughout the third quarter, Tanna Price and Bethany Pinegar 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. Ms. Price also met with the U.S. Chamber of Commerce in Washington, DC to follow up on a discussion held in July between visiting Council members and Chamber representatives. At that time, members were interested in finding out more about how to spin off a dues-paying "Caucus" from the Council, housed permanently in Washington, DC, with dedicated resources and staff to perform lobbying functions. Ms. Price met

with U.S. Chamber representatives to determine whether a US-Egypt Business Council could be formed under the auspices of the Chamber, and if this might possibly be an avenue of transition for the Council. She determined, however, that it was not feasible, as the U.S. Chamber only allows U.S. members to join their business councils.

Cairo-based Communications Specialist, Randa Mustafa, regularly kept in contact with the Egyptian members of the Council, answering their queries and soliciting their feedback. Ms. Mustafa also met with new Minister of Foreign Trade and Industry Rachid to brief him about the Business Council activities, and obtain an understanding of the Ministry's priorities for the coming year. That information was relayed to the Council.

B7. Submitted Report on USAID Activities in Egypt

To keep the Council informed of the policy work of USAID and its contractors in Egypt, the Secretariat prepared an updated report describing USAID projects that are working to promote economic growth-related reforms and development in Egypt. This report was distributed to the Council, and a copy can be found in Annex C.

C. Work Plan for October 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 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.
- C1d. *Quarterly Report on Relevant Major Economic Developments* – Irving Williamson will prepare a quarterly report in 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 Website* – The Secretariat will update and maintain the Council's website to ensure that it presents a current and accurate picture of Egypt's economy and investment environment. The website will include information on Council events, investment opportunities, resources on doing business in Egypt, useful contacts, and links to other relevant websites.

Website Transition - The Secretariat met with Jackie Ibrahim on the Egyptian side of the Council in Washington, DC during the joint Council meetings to discuss a plan for transition. The Secretariat plans to work with the Council's IT Committee to transition the website during the remainder of this year to full Council control over content and updating. As discussed previously in this report, the IT Committee has created a new layout for the website, but management of the site will remain in the Secretariat's hands until the end of our contract. At that time, the IT Committee is expected to take over full responsibility managing and updating the site.

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 October 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.

A visit by Minister Rachid to Washington, DC is expected in mid-November. The Secretariat will coordinate with the Egyptian embassy on the Minister's visit and facilitate the participation of Council members, and maximize the impact of this visit.

- 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. A brief one-page summary will be produced by the Secretariat to update and accompany the Council's Annual Report.

- 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. Communications Specialist Bethany Pinegar will assist Ms. Price in these activities and act in her place when she is out of the office. Randa Mustafa, the Cairo-based Communications Specialist will provide additional support in facilitating communications with the Egyptian members of the Council, and coordinating with the US liaisons.

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 was provided to the U.S. Council members during the joint Council meeting in July for their discussion. They expressed no interest in discussing transition to a member-supported organization at that time. Egyptian members in the joint Council meeting also expressed no interest in modifying the nature of the Council or the Secretariat, but did propose spinning off a second body, or "Caucus," by drawing upon the resources of Council members to establish a permanent office in DC for the purpose of lobbying. Two US members of the Council, Steve Farris and Donald Stewart, agreed to dedicate some of their own money and time to such an entity, and all members agreed to explore the idea further.

The Secretariat will follow up with Council members in the fourth quarter to ascertain whether they want to develop a plan for transition, and determine what form that transition will take. In light of the closing of the project's contract scheduled for December 31, 2004, the Secretariat will offer ideas, logistical help, coordination, and technical assistance to the Council in developing a plan for transition.

C4. Task IV – Reporting

- C4a. *Final Report to USAID* – Under the direction of the Public Relations/Communications Specialist Tanna Price, Chemonics will prepare a final 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.
- C4b. *Final Report to the General Business Trade and Investment (GBTI) Umbrella Contract* – Under the direction of the Public Relations/Communications

Specialist, Chemonics will prepare a final report detailing this task order's activities.

D. Deliverables for Period: October – December 2004

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

E. Deliverables Submitted for Period July - September 2004

1. Annex A: Trade and Investment Dashboard – September 2004
2. Annex B: Report on Economic and Trade Policy Developments – September 2004
3. Annex C: USAID Activity Report – September 2004
4. Annex D: Joint Council Meeting Minutes – August 2004

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

By August 2004 (the statistics for September is not available yet) NALT Team had assisted in conducting 13,182 land sales (including 1,487 secondary sales); as a direct result 13,847 State Acts have been issued, which constitutes 103% of the overall NALT work plan. This is a major accomplishment that fulfills and exceeds the overall Task Order goal for issuance of State Acts for the NALT team for the entire ULTI project. The value of land parcels, for which State Acts were issued with the Project's assistance, is now UAH 392 million. The NALT enterprise land sale component of ULTI is now scheduled to complete work in December 2004 following final payments for SAs issued through the end of November 2004 when the existing NALT coordinator subcontracts are scheduled to expire.

All 12 legal aid centers are now officially opened and operating in fulfillment of 2004's work plan. To date, over 34,000 citizens have been served by the legal aid center program and the number of people served continues to grow at a very high rate.

To date, ULTI has prepared and verified issuance of 852,000 State Acts for agricultural land. This month, 27,000 more SAs were prepared and issued and 50,000 more agriculture SAs are prepared and waiting for DKZ to complete issuance in 90 village radas. Survey works and parcel arrangement plans for 203,000 more land shares are also now complete in 327 more village radas and waiting for raion and village rada governments to complete allocation to land share holders in general meetings so SAs may be prepared and issued. Field work continues in process for a further 143,000 land shares in 270 more village radas. Finally, new subcontracting, in close coordination with legal aid centers, is now in progress for up to 250,000 more SAs pursuant to ULTI's extension. New subcontracts were signed and field work began in Odessa and Chernivtsi oblasts for about 30,000 more land shares this month.

In September, ULTI fully implemented partial payment on delivery of all printed SAs to raion DKZ evidenced by dated receipts (Nakladnayas). This measure divides the final ULTI stage 3 payment into two parts, 25% at delivery of the printed SAs to raion level DKZ and 30% after verification of SA issuance. This replaces one lump sum of 55% paid previously after verification of issuance. In addition to providing a major incentive to subcontractors to accelerate printing of

SAs, this method also enables precise counting and reporting of delays caused by DKZ not issuing SAs after the date of receipt.

ULTI continued delivery of detailed monthly progress reports to heads of oblast and raion state administration with copies to heads of oblast DKZ departments. Monthly progress reports are also supplied to Ministers and Executive Directors for each GOU member in the ULTI working group. Beginning this September, these ULTI progress reports also measure and report the number of SAs waiting for DKZ issuance as well as the waiting time for DKZ to complete issuance of SAs in each oblast, raion and village rada where ULTI works. This information is for heads of national, oblast and raion state administration to monitor and accelerate performance of DKZ departments responsible for SA issuance.

ULTI progress reports also continue to distribute copies of DKZ order #155 dated May 26 2004 which requires free of charge issuance of ULTI supported SAs to help sustain oblast enforcement of timely, free of charge issuance of SAs by DKZ. To date, it remains unclear whether or not DKZ will consistently enforce order# 155. However, the trend continues to improve and indicates that, at least during the election period, DKZ has largely stopped systematic attempts to collect registration fees for SAs prepared with ULTI support.

Last months information campaigns in Chernivtsi and Lviv oblasts were followed up in September by legal aid seminars and/or visits by ULTI senior project management negotiating teams to resolve SA issuance delays. Additionally this month, the 11th and 12th legal aid centers were formally opened by ULTI management teams in Poltava and Sumy and joint legal aid center - ALT teams finalized villages for additional land titling support in Odessa and Chernivtsi oblasts. These efforts succeeded in accelerating free of charge title issuance in Chernivtsi and Lviv oblasts as well as signing of a strict new multi party agreement and additional land titling subcontracts in Odessa, Chernivtsi and Poltava oblasts. Senior management negotiating teams will be dispatched to Ivano Frankivsk, Kiev, Transcarpathia, Lviv, Xmelnitski and Poltava oblasts next month to meet with senior oblast officials in order to open new legal aid centers and to subcontract additional agricultural land titling on the basis of the strict new multiparty agreements. In two other oblasts where registration fees or

related SA issuance delays had persisted (Volyn and Sumy), ULTI launched additional public information campaigns this month informing citizens and local governments of order #155 for free of charge registration through direct information agent visits in each village rada where ULTI titling work is in progress. In all other oblasts where ULTI is working, SAs proceed normally or better than last month.

In parallel with improving agricultural land title production, there may now be an opening to engage in constructive institutional development and legal and regulatory improvement regarding DershKomZem in coming months. In light of the uncertain outcome of the presidential election and the uncertain position of several senior officials in DKZ (Danylenko formally aligned himself and DKZ with Lytvyn and the agrarians; two key senior deputies are now at pension age), it is foreseeable that senior management of DKZ may change following the presidential election. Accordingly, ULTI has enacted a policy of cautiously increasing engagement with Kiev based DKZ professional and departmental officials as well as cooperative oblast level land resource departments using step by step joint action on agreed, concrete tasks as a means to help improve policy making and institutional management capability within DKZ. However, the overarching purpose of this engagement is effectively to position ULTI to assist a new and, hopefully, more positive government to implement international standard land market reforms in parallel with ongoing land titling, legal aid and public information tasks in the event that such a government emerges from the fall elections.

On September 15, the inter-ministerial working group on ULTI project implementation met again at ULTI offices and adopted the following 2 resolutions:

1. HEARD: the report by ULTI Technical Director Brennan Close " On basic directions and achievements of the ULTI."

RESOLVED: 1. To approve the report and take it for consideration.
2. To approve the proposal on signing a trilateral agreement between the Government of Ukraine, the U.S. Government and the International Bank for Reconstruction and Development regarding coordination of execution of the World Bank project "Rural Land Titling and Cadastre Development" and the Ukraine Land Titling Initiative regarding ensuring the issuance in hands of State

Acts for the right to private ownership of land parcels to owners and state registration of these rights. To ask ULTI experts to prepare the draft of such trilateral agreement and to present it for the working group consideration.

2. HEARD: The report by ULTI Legal Advisor Pavlo Kulynych "On deepening cooperation between the Project and the State Land Committee of Ukraine and other executive bodies in the field of privatization of land parcels by villagers and registration of their land rights. " (Summary of the report is attached).

RESOLVED: 1. To recommend the leadership of the State Land Committee of Ukraine to create a working group with participation of ULTI experts in order to develop drafts of legal acts regarding state registration of rights to immovable property, including:

a) the draft law of Ukraine on introduction of amendments to the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Restrictions" regarding the definition of the legal status of State Acts for the right to private ownership of land parcels and regarding more comprehensive and detailed regulation of the transfer from the old to new system of registration of rights to immovable property;

б) the draft law of Ukraine "On Guaranteed Fund of State Registration of Rights to Immovable Property";

в) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for state registration of rights to immovable property;

г) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for payment of state duty for state registration of rights to immovable property;

д) the draft provision on the local body for state registration of rights to immovable property.

2. To recommend the ULTI leadership to summarize unresolved legal problems faced by rural residents while enforcing their land rights, to prepare proposals on resolution of the mentioned problems at the national level and to send them to members of the Working group according to the given procedure.

Pursuant to the second resolution, On September 29 the ULTI technical and legal teams prepared and delivered a detailed written summary of SA preparation and issuance processes for use by the short term WB consultant, Blom, for recommendations on a draft CoM implementing regulation on registration procedures. A copy was sent separately to USAID.

In August, ULTI received a second extension and expansion from USAID to provide legal aid and public education services in all 25 oblasts and to add up to 250,000 agricultural SAs in fulfillment of the

1.8 million overall goal. The work plan for the next 18 months of the ULTI project, revised to reflect the additional tasks in ULTI's extension and expansion, were finalized, submitted to USAID and implementation of this new work began in September.

See sections on each major work area for more detailed work plan information. Generally, progress in the five areas of the project's work for the month is described below.

1. Agricultural Land Titling

Preparation of State Acts

To date, ULTI has prepared and verified issuance of 852,000 State Acts for agricultural land. This month 27,000 more agriculture SAs were prepared and issued, slightly above average for the last six months. Additionally, 50,000 agriculture SAs are also now prepared and waiting for DKZ to complete issuance in 90 village radas. Survey works and parcel arrangement plans for 203,000 more land shares are also now complete in 327 more village radas and waiting for raion and village rada governments to complete allocation to land share holders in general meetings so SAs may be prepared and issued. Field work continues in process for a further 143,000 land shares in 270 more village radas. Finally, new subcontracting, in close coordination with legal aid centers, is in negotiation for up to 250,000 more SAs pursuant to ULTI's August extension. New subcontracts were signed and field work began in Odessa and Chernivtsi oblasts for just under 30,000 more land shares this month.

In response to policy proposals advocated by ULTI, Dannylenko and his deputies continue stating publicly that registration fees will be paid by use of state budget funds through the WB cadastral loan in lieu of collection of registration fees on SAs. Vice Prime Minister Kirilenko also issued a confirming press release stating that Prime Minister Yanukovich adopted a decision to "issue free of charge 1.5 million SAs by the end of this year" and "he reminded that Ukraine has received a WB loan and approved the decision that a considerable part of these funds shall be channeled to issue SAs." ULTI is now massively distributing this press release where ULTI supported SA work is in progress. If fully implemented, this general policy of state supported free of charge registration and issuance of SAs will be a welcome development and one measure of improved collaboration among GOU, DKZ, WB and ULTI. So, with growing subcontractor production backed by direct ULTI reporting of DKZ delays to heads of oblast and raion state administration during the heightened scrutiny in election season, we continue to anticipate that the volume of issuance of SAs will continue at above average levels throughout the fall.

Contracting for Land Titling Work

As of this month ULTI has completed 50 contracts and completed land titling in 1143 village radas for 662,000 land shares. Land surveys and preparation of State Acts continue under 99 more contracts covering approximately 423,000 land shares in 733 village radas. Based on past experience, approximately 1.25 State Acts are expected to be issued per land share.

With USAID approval of additional funding for up to 250,000 additional SAs in August, ULTI has begun negotiation and preparation of the first round of additional subcontracts in two oblasts where legal aid centers were recently opened, Odessa and Poltava, as well as in seven additional oblasts where the next group of legal aid centers is planned to open, Kiev, Zakarpathia, Volyn, Xemilnitski, Mykolayev, Ivano Frankivsk and Lugansk. Additionally ULTI is negotiating a limited number of new land titling subcontracts in oblasts with existing legal aid centers where oblast governments sign and abide by ULTI's strict new multiparty agreement defining governmental obligations in the land titling process. In September 2004, the project signed new subcontracts for the preparation of just under 30,000 State Acts in Odessa and Chernivsti oblasts.

Additional subcontracts are in negotiation in keeping with the following ALT pipeline chart.

ALT Contracting Pipeline Chart Fall 2004

Package	Category	Funds	LSCs	Status	Finalize Work Area List	LAC Analysis	Sign Contract	Cumulative Funds	Remaining	BUDGET	
										Immediate contracts	Pilot contracts
										\$	240
										\$	985
Odessa	New LSCs		15 087	Contracted				(from previous budget)			
Chernivtsi Pkg 1	New LSCs		14 029	Contracted							
Rivne	New LSCs	\$90 000	15 000	OK to begin negotiations 10/15	10.22	10.29	11.5	\$ 90 000	\$	895	
Ternopil	New LSCs	\$90 000	15 000	OK to begin negotiations 10/15	10.22	10.29	11.5	\$ 180 000	\$	805	
Chernivtsi Pkg 2	New LSCs	\$30 000	5 271	OK to begin negotiations 10/15	10.29	11.5	11.12	\$ 210 000	\$	775	
Vinnitsa Partial LSCs	Partial LSCs	\$50 000		OK to begin negotiations 10/15	10.29	11.5	11.19	\$ 260 000	\$	725	
Poltava DZK	New LSCs	\$30 000	7 000	Awaiting WA list	10.22	11.5	11.12	\$ 290 000	\$	695	
Poltava LSI New Work	New LSCs	\$70 000	13 000	Awaiting WA list	10.22	11.5	11.12	\$ 360 000	\$	625	
Poltava LSI Partial LSCs	Partial LSCs			Awaiting WA list	10.22	11.5	11.12	\$ 360 000	\$	625	
Poltava Ist-Reg. Pilot	Pilot	\$75 000	10 000	Awaiting WA list	10.22	11.5	11.12	\$ 435 000	\$	550	

Lviv	New LSCs	\$60 000	10 000	Awaiting WA list	10.22	11.5	11.12	\$ 495 000	\$	490
Zhitomir 1st-Reg. Pilot	Pilot	\$75 000	10 000	Awaiting WA list	10.22	10.29	11.5	\$ 570 000	\$	415
Ivano-Frankivsk	New LSCs	\$120000	20 000	Awaiting WA list	10.29	Awaiting LAC startup		\$ 690 000	\$	295
Transcarpathia	Pilot	\$75 000	10 000	Awaiting WA list	11.5	Awaiting LAC startup		\$ 765 000	\$	220
Kiev	New LSCs	\$90 000	15000	Awaiting WA list	11.5	Awaiting LAC startup		\$ 855 000	\$	130
Kherson 1st-Reg. Pilot	Pilot			Explore						
Chernigiv	New LSCs			Hold						
			159 387					\$ 855 000	\$	130
Kharkiv	Reserve	\$60 000	10 000			Awaiting input from LAC				\$
Lugansk	Reserve	\$60 000	10 000			Awaiting LAC startup				\$1
Mikolaiv	Reserve	\$60 000	10 000			Awaiting LAC startup				\$1
Khmelnitsky	Reserve	\$60 000	10 000			Awaiting LAC startup				\$2
			40 000						\$	240

Note: Funds and land share counts are approximate, conservative estimates.

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 continues to be too slow and too 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 extension of ALT work, this unproductive cooperation should be improved by fixed time, quantity and quality delivery obligations and/or replaced by direct subcontract under ULTI management to ensure timely delivery of data to surveyors for quality control.

World Bank Agricultural Land Titling Project

In June, the VR also finally passed the registration law required to accompany and

underpin the WB cadastral loan. This law was signed by the president in July but it remains unclear if the current version of the new registration law complies with all WB funding conditions for implementing the cadastral project. Further, the law requires new C.of M. resolutions on procedures, fees and on a guarantee fund for implementation.

A WB Mission visited Ukraine in September to develop implementing regulations for fees, registration and a guarantee fund as required by the new registration law as well as to review 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 after the elections.

So far, one tender for agricultural SA preparation and for cadastral mapping in Odessa and Vinnitsa oblasts has been put out to bid. Danish and Swedish potential bidders have met and requested extensive information from ULTI in order to evaluate and possibly prepare bids in response to this tender. Bids are due October 19 with bid evaluations reportedly scheduled in November after the elections.

This month, ULTI obtained a copy of the WB cadastral project tender documents from DershKomZem in order to evaluate the terms of reference. Previously, the WB consulting team who had developed these terms of reference did not provide them to ULTI for review and comment. Three major problems stick out from the 216 page terms of reference in the bidding documents (copy attached for reference):

1. The WB did finally adopt USAID performance payment methodology from Moldova, Ukraine land titling projects etc at least in part. However in doing so they increased the relative portion of progress payments for early stages of survey work up to 50% and decreased the final stage progress payment for issuance and delivery of State Acts to citizens down to 15%. Part of this is because the WB still agrees to marking of all corners of all parcels including those parcels that will be plowed in common anyway (see page 102 of bidding documents).

For cross referencing progress payments to stages of work, see page 70 for the payment percentages and then the stages of work in pages 88-105 of bidding documents.

The relative payment percentages between survey tasks, both necessary and unnecessary, and the SA issuance and verification tasks are backwards evaluated in terms of the respective legal and economic importance of the tasks and should be changed in future tenders.

2. The terms of reference describe the deliverable of proof of issuance and delivery of State Acts to citizens as " a statement issued by the PIU (Dershkomzem) to the effect that all State Acts have been issued to the landowners". This is a meaningless proof of issuance and delivery to citizens and should be changed to add written certification by an on site and independent verification team using the same criteria as now used in ULTI.

3. The terms of reference mention but fail to introduce a meaningful solution to the double payment issue on page 84 of the bidding documents. In fact, the method the TOR sets up for avoiding double payments really only eliminates use of WB funds to finish many hundreds of thousands of incomplete SAs which were contracted to be issued and paid by villagers over the last 6 years through large farming enterprises and / or village radas through withholding of lease payments by farming enterprises. The TOR now says that "Should the project cover any work area(s) where a substantial progress has already been made, the work would be completed by the previous contractor." In fact the previous contractor will almost always be either the state survey institute or raion cadastral center both of which are now parts of Dershkomzem. This means the affected villagers are abandoned in limbo with no State Acts but with outstanding debts for still unfinished work to issue SAs. It also means that there will not be very many State Acts prepared and issued under the WB funding because there are very few village radas left in Ukraine where there is not "substantial progress" under some kind of existing contract so far.

In the meantime the main thrust of the WB funded tenders actually is for aerial photography and associated mapping preparatory to establishing a future land registration system over a three year period of time. In short issuance of SAs is a secondary issue, not the main focus as it should be.

These points should be discussed with the new WB country manager and USAID representatives in Ukraine and in DC who may now believe that these WB funds will actually be used to complete all land titling for all land share holders in Ukraine. However, unless the TOR is changed to solve the above mentioned defects, it is unlikely that the issuance of SAs can be completed with the WB funds.

During the coming months, ULTI will be using some of the additional land titling funding to finish some incomplete land titling contracts and to develop a methodology for a regulation to govern exactly how to do so which would include requirements to terminate the old, unfinished state survey institute contracts and the associated land leases that withhold rent payments from villagers. This will require direct legal aid center intervention in each village rada to do this completely and correctly but it is the only way we now see to solve the problem once and for all. This method may then be employed via ULTI and as a new TOR for future and hopefully better designed WB funded land titling tenders. So ULTI has been successful in getting the Poltava oblast administration and head of land resources administration to adopt and implement this new methodology in cooperation with ULTI. Poltava has now agreed and requested ULTI to help do this for 20,000 out of some 80,000 incomplete SAs under unfinished land titling contracts in that oblast.

This Poltava data indicate about 25% of oblast land shares will remain stuck with unfinished land titling contracts unless this problem is addressed and solved either through more villager payments or ULTI or the WB funded programs. If the Poltava ratio holds nationwide then we may estimate that about 1.75 million land share holders may be caught in this same never never land of unfinished SA contracts partly paid by villagers

to subordinated units of Dershkomzem. Avoiding duplicate payments should not be smokescreen to hide failure to issue SAs to 25% of Ukraine's landshare holders, especially those people who have proven themselves willing to pay their own money to get SAs. In the event that a more positive GOU emerges in the forthcoming elections, this would be an issue worth revisiting in Nov-Dec in order to devise and implement a real and timely solution to these problems either through ULTI or the WB cadastral project or a more effective combination of both.

The ULTI working group with Dershkomzem re-convened at ULTI on September 15 as mentioned above. At this meeting, ULTI outlined the proposed three party cooperation agreement among GOU, WB cadastral Project and USAID ULTI project for coordination of support to property and mortgage market development. As previously mentioned, the ULTI working group resolved to proceed with the three party cooperation agreement. Previously, WB subcontracted Blom, a Danish cadaster organization to act as on the ground consultants to DKZ until October 15 for working out solutions to legal, regulatory and implementing conditions for the cadastral project loan approved June 30. The Danish deployed a team in September. Two meetings with consultants Ron Logan and Kathrine Kelm took place in September. On September 29 the ULTI technical and legal teams prepared and delivered a detailed written summary of SA preparation and issuance processes for use by the short term WB consultant, Blom, for recommendations on a draft CoM implementing regulation on registration procedures. The next steps in this evolving cooperation in the coming are to review the initial draft of the Blom recommendations and to proceed with drafting and discussion of the proposed three party agreement supported by the ULTI working group.

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 Dershkomzem 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 was undertaken by the ULTI ALT and legal teams. This August, the ALT team completed preparation and presentation of a description

and flow chart for monitoring legal and technical quality control to ensure that its survey and titling work is of high quality. The quality control program is implemented through multiple state, legal, ALT team and verification controls over work in progress at each stage of production, including direct supply of satellite imagery to surveyors for checking ground survey accuracy 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.

2. Non-agricultural Land Titling

Issuance of State Acts

The objective of the NALT Team is the issuance of 13.5 thousand State Acts.

By August 2004 (the statistics for September is not available yet) NALT Team assisted in conducting 13,182 land sales (including 1,487 secondary sales); 13,847 State Acts have been issued, which constitutes 103% of the plan. 2,267 State Acts were issued on the sales, completed before August 1, 2001 and 11,580 State Acts – on the sales, completed after August 1, 2001. 12,225 State Acts were issued on initial (privatization) sales, and 1,622 State

Acts on secondary sales. The total value of land parcels, for which State Acts were issued with the Project’s assistance, is UAH 392 million. The NALT component of ULTI is scheduled

to complete work in December 2004 following final payments for SAs issued through November 2004 when the existing NALT coordinator subcontracts expire.

The table shown below gives complete data on the number of sales, the number of State Acts issued, and the revenues generated with assistance of the Project team since it began working in this area in July 2001.

Table 1.

Number of land sales, completed from 08/01/01 to 08/31/04		Number of State Acts issued with Project assistance	Revenue generated from sales (in UAH), on which the State Acts were issued from 07/01/01 to 08/31/04	Number of State Acts yet to be issued on all land sales, completed from 01/01/98 to 08/31/04
Total	including agreements with payment by installment			
13,182	2,455	13,847	391,528,833	2,013

In August 2004 regional coordinators assisted in the issuance of 367 State Acts, which constitutes 74% of the monthly target. Of these 367 State Acts, 13 were issued for land parcels purchased before August 1, 2001, and 354 for land parcels purchased after August 1,

2001. 315 State Acts were issued on initial (privatization) sales, and 52 State Acts on secondary sales. The total value of land parcels, for which State Acts were issued in August, is UAH 17 million. Please see Annex 2 for details on the performance of regional coordinators by oblasts. The information on the issuance of State Acts for secondary sales is given in Annex 3.

This month twelve regional coordinators reached 100% and more of their monthly targets (Cherkasy, Chernivtsy, Ivano-Frankivsk, Khmelnytsky, Lviv, Odesa, Rivne, Sumy, Volyn, Zaporizhzhya oblasts, Poltava and Kremenchuk cities) and nine regional coordinators failed to reach even 50% of their monthly target for issued State Acts (Crimea, Dnipropetrovsk, Kharkiv, Kirovograd, Kyiv, Mykolayiv, Poltava, Ternopil, Zhitomyr).

A. Pipeline analyses

The procedure for non-agricultural land parcels privatization includes several stages, such as appraisal of a land parcel, rada's / state administration's decision on sale, conclusion of land purchase-sale agreement and issuance of State Act. Thus, the titles are end products and much work goes into developing the pipeline that produces these titles. In addition to 367 titles issued during the reported period the team is managing the processing of additional 2,013 titles. This is a consistent average of untitled sales. Maintaining this pipeline by accomplishing the sales and advancing the titling process represents substantial work of the regional coordinators network.

Updated data on State Acts in the pipeline is given in Table 2.

Table 2.

Number of land sales, completed before August 1, 2001	Number of State Acts on land sales, completed before August 1, 2001		Number of land sales, completed after August 1, 2001	Number of State Acts, issued after August 1, 2001 on land sales, completed after August 1, 2001	Number of State Acts yet to be issued		
	Issued before August 1, 2001	Issued after August 1, 2001			on land sales, completed before August 1, 2001	on land sales, completed after August 1, 2001	Total
3,869	1,320	2,138	13,182	11,580	411	1,602	2,013

Managing the network of regional coordinators

The Project held its monthly meeting of regional coordinators on September 23, 2004. During the meeting regional coordinators discussed the current status of non-agricultural land privatization and problems they are encountering due to the implementation of the registration system. The agenda also included the following issues:

- *Status and perspectives of NALT activity;*
- *Results of NALT activity as of August 2004;*
- *Promotional activities in oblasts and raions;*
- *Development of legislation on land privatization;*
- *Organization of land auctions in the regions.*

Simplifying procedures and accelerating the privatization

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 almost all oblasts of Ukraine.

The team's activity to promote land auctions continues successfully.

The team continues to provide assistance on organization of land auctions to local radas in ten oblasts (Cherkasy, Dnipropetrovsk, Ivano-Frankivsk, Kharkiv, Lviv, Poltava, Rivne, Ternopil, Volyn, Zaporizhzhya, Zhitomyr).

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 he was not involved in the falsification of documents, but rather was deceived by his own subcontractors.

3. Legal and Regulatory Work

Draft Legislation, Comments, and Position Papers

During September Leonard Rolfes of RDI completed a short term assignment with ULTI's legal and regulatory team. During this assignment the legal team together with the project COP completed its legislative and regulatory work plan for the next 18 months as an integrated component in the overall ULTI project work plan.

The project's legal and regulatory team will carry out five broad initiatives over the upcoming 18 months. The extent to which the project will successfully carry out these initiatives is dependent in large part upon the election of a pro-reform President in the upcoming elections, followed up by the appointment of pro-reform administrators to key positions in the government.

First, the team will work to develop and/or improve Ukraine's laws and regulations that have a direct impact on land titling and the issuance of State Acts. This effort most likely will focus on making sure that Ukraine's fledgling immovable property registration system is one that effectively recognizes and protects private property rights, is properly managed, minimizes opportunities for corrupt practices, and is user friendly. This will require: ensuring protection and continuing legal recognition of existing State Acts during the transition from the old registration system to the new system set forth in the recently adopted registration law; amending several provisions in the Land Code and the registration law to improve their consistency with each other; drafting Cabinet of Ministers resolutions on registration procedures and fees; and developing institutional charter documents for the newly created State Land Cadastre Center (the central registration authority) and its local branches that will regulate and implement the day-to-day functions of registration.

Second, Ukraine's agricultural land titling effort currently faces challenges stemming from problems of both a legal and practical nature. For example, conversion of land shares numbering in at least the hundreds of thousands has been stalled mid-process due to lack of money, contract problems, corrupt practices, etc. Another challenge is the inadequate attention paid to titling private farm and subsidiary plot land that was taken out of the collective agricultural enterprises before mass titling began in 2000. The legal and regulatory team will respond by developing methodologies for completing land titling in these special situations.

Third, the team will work to improve the legal and regulatory basis for the private land market in order to enhance the conditions for market operations and provide appropriate protections to landowners. For example, amendments in 2003 to the law "On Lease of Land" created a lease regime providing excessive benefits to lessees (former collective farms) at the expense of lessors (new landowners who received State Acts through the project). This imbalance must be redressed. Other expected efforts over the upcoming year include work on the proposed law "On the Land Market," amendments to the Land Code, and amendments to the law "On Appraisal of Land."

Fourth, the team will monitor the legal and regulatory development process generally with an eye to thwarting initiatives adverse to the project's titling goals or to land market operations. The effort to forestall bad legal initiatives often does not receive appropriate recognition as a crucial activity, but is an essential component of the overall effort to create a legal and regulatory climate supportive of land titling, private land ownership, and land marketability. An example of the type of harmful initiative that the legal and regulatory team will monitor and stop is Derzhkomzem's current effort to prohibit the in-kind allocation of a substantial amount of land-share land through amendments to the law "On Land Survey."

Fifth, the legal and regulatory team will work closely with the project's rapidly expanding network of legal aid centers (LAC's). The team will provide the LAC's with regular updates on important legal and regulatory developments, serve as a resource to individual LAC's for resolving questions and problems, and prepare commentaries on land-related laws for the LAC's to distribute to judges, government officials, land owners, and land users. In addition, the team will collaborate with the LAC's on the project's overall effort to integrate titling, legal-and-regulatory, and LAC activities to improve the land titling process, its pace, and the results achieved.

Following is a summary of the laws and regulations that the legal team expects to work on over the coming year:

- Amendments to the Land Code;
- Amendments to the law "On Lease of Land;"
- Amendments to the law "On State Registration of Rights to Immovable Property and Restrictions on These Rights;"
- Amendments to the law "On Appraisal of Land;"
- Development of the draft law "On the Land Market;"
- Development of the draft law "On Protection of Constitutional Rights of Citizens to Land"
- Development of the draft law "On the State Land Cadastre;"
- Development of a draft Cabinet of Ministers resolution on registration procedures;
- Development of a draft Cabinet of Ministers resolution on registration fees;
- Development of draft model charter documents for the State Land Cadastre Center (the central registration authority) and its local branches that will carry out day-to-day registration activities;
- Development of a draft law on the state guarantee fund; and
- Development of a draft law on taking of private land for public purposes.

In September, Verhovna Rada reconvened for the fall session. During this session, the presidential election campaign is expected to limit the scope of consideration and enactment of new or amended legislation.

Legal Opinions, Position Papers, Letters and Policy Meetings

The team prepared for, participated in and presented 34 major GOU policy meetings, position papers, seminars, broadcasts and other public information presentations and events throughout Ukraine as follows:

1. Kulinich checked and corrected Text of 3 Presentations to be Record by Lviv Legal Aid Centers” Lawyers at Lviv Oblast Radio.
2. Kulinich organized the Meeting of the Interministerial Working Group on Promotion of ULTI Activity which took place on September 15, 2004 at the ULTI Kiev office. Namely, he: 1) moderated the Meeting; 2) prepared the Minute (Protokol) of the Meeting; 3) prepared Letters from ULTI to M.Azarov (Vice-Prime-Ministers of Ukraine, Minister of Finance), I. Kirilenko (Vice-Prime-Ministers of Ukraine in Charge of Ararian Policy), O.Lavrinovich (Minister of Justice), V.Dercach (Minister of Economy), V.Slauta (Minister of Agrarian Policy), S.Polyakov (Minister of Environmental Protection), A.Danilenko (Head of Derzhkomzem), V.Demyanchuk (Secretariat of the Commission on Agrarian Policy under Cabinet of Ministers of Ukraine) and O.Kaliberda and Paul Bermingham (World Bank) with Information about Recommendation of the Interministerial Working Group on Promotion of ULTI Activity. The Letters were sent out to Addressees.
3. Kulinich on the Invitation of the Academy of Judges under Ministry of Justice of Ukraine delivered two Lectures for Judges of Local Courts on the topics: 1) Implementation of Ukrainian Legislation on Privatization of Lands; 2) Legal Basis for Allocation of Land shares in Kind and Issuance of State Acts.
4. Kulinich was on Business Trip to Chernivtsi to: 1) take part in the Meeting in the Oblast State Administration, devoted to Creation of new System of State Registration of Real Property in Ukraine; 2) participate in the Press Club of Market Reforms and Make Presentation for Local Journalists about Legal Protection of Villagers” Rights to Land in the Process of Allocation of Land Shares in Kind and Issuance of State Acts.
5. Kulinich analyzed about 60 Letters from Villagers, which listened to the Agrinews Daily Radio Program as well as recorded 3 hours Qs and As Radio Session devoted Legal Issues of Withdrawal of Land Shares in Kind and Receiving of State Acts by Eligible Villagers as well as to new Law On Private Family Farm. The Session is to be broadcasted by Agrinews 2-minutes daily Radio Program addressed to Villagers-Land Share Certificates Holders.
6. Kulinich recorded Interview to Kolos Program of National Radio on the Topic: Legal Aspects of Development of Ag Lands Market in Ukraine. The Interview was broadcasted through National Radio.
7. Kulinich prepared Draft ULTI Letter about S.Shoroshin”s Article “State acts – to Villagers, Lands – to Americans” (Temnik Article against ULTI Activity).
8. Kulinich gave Interview to Business Weekly about advantages and Shortcomings of the Law on State Registration of Real Property. The Interview is published.
9. Kulinich participated in Direct Air of Era FM Radio Program (45 min.) devoted to

- Development of Land Market in Ukraine and answered Questions of Radio Listeners.
10. Kulinich was on Business Trip to Village Bistrick of Zhitomir Oblast to participate in Land Titling Ceremony (with participation of Ananyev).
 11. Kulinich together with Mike was on Business Trip to Vilnius (Lithuania) to participate in the international Conference about Experience of Creation of new System of State Registration in Lithuania, Russia, Slovenia and some others European Countries.
 12. Kulinich gave Legal Advises to Kharkiv Legal Aid Center's Lawyers regarding Legal Status of Subsidiary Farms' Members.
 13. Kulinich consulted Olena Kochubinska on Legal Issues of Allocation of Land Shares in Kind to be discussed in the TV Agroforum with Participation of P.I.Gaydutskiy (Deputy Head of Presidential Administration).
 14. Kulinich checked and corrected Draft Letters of Lviv Legal Aid Center to Brody Raion Land Resources Department regarding of Sharing of Limited Liability Company's Land between Villagers.
 15. Kulinich consulted Head of Land and other Natural Resources Department of VR Legal Expert Department M.Erofeev regarding Preparation Legal Expert Conclusion to Draft Law on Introduction Changes to the Law of Ukraine on Land Survey.
 16. Kulinich checked and corrected three ULTI Leaflets on Different Issues of Allocation of Land Shares in Kind. The Leaflets are to be spread between Villagers around Ukraine.
 17. Kulinich checked and corrected Scenario of Kharkiv TV Agroforum which will be devoted to Creation of new System of State Registration of Land and other Real Property.
 18. Kulinich checked and corrected the Leaflet about Sumy Legal Aid Center's Activity (Success Story) to be spread among Sumy Oblast Villagers.
 19. Kulinich together with Allan, Brannon and Mike met with Albina Shuyska (Denmark) and Katharine Kelm, World Bank legal consultant for cadastral project, to discuss Issues related to Procedure of Allocation of Land Shares in Kind, implemented by ULTI in Accordance with Ukrainian Legislation.
 20. Kulinich consulted Leonard Rolfes on Different Legal Issues related to Creation of new System of State Registration of Real Property, Preparation of Draft Law on Guarantee Fund of State Registration of Real Property.
 21. Nosik prepared analysis of the Law of Ukraine "On Introducing changes to some Laws of Ukraine to ensure that environmental requirements are taken into consideration in the process of privatization", on the basis of which recommendations on the procedure for application of this law were prepared for regional representatives.
 22. Nosik Conducted a meeting with regional representatives of the Project in Poltava and Sumy oblasts during which legal problems relating to purchase and sale of land parcels by legal entities the founders of which in the process of privatization was the state.
 23. Nosik conducted analysis of August reports submitted by ULTI regional representatives, on the basis of which prepared explanations on specific issues relating to non-agricultural land privatization.

24. For the regional representative of the Project in Rivne oblast Nosik prepared explanations regarding the procedure for recognizing void the purchase and sale agreement for a land parcel (for building a flour mill) concluded by an entrepreneur with village rada.
25. Nosik prepared for the Lugansk regional representative an explanation on the possibility to buy out a land parcel designated for fishing
26. Nosik gave legal advice to the Lugansk regional representative of the Project regarding the buy out of a land parcel for building a church.
27. At the request of Donetsk regional representative Nosik prepared explanations regarding the procedure for approving\agreeing with the Cabinet of Ministers the issue of selling land parcels.
28. For the regional representative of ULTI Project in Kiev oblast Nosik prepared explanations regarding the procedure for acquiring the ownership of land parcels allocated for permanent use to the garden association.
29. Nosik participated in the meeting with Head of Department of Association of cities of Ukraine during which organizational and legal issues were discussed relating to organizing jointly with ULTI Project a working meeting with representatives of cities of Ukraine devoted to issues of exercising by local governments their authority in the sphere of regulating land relations.
30. Nosik prepared for the Association of cities of Ukraine a questionnaire to be conducted among leaders of local self-government bodies with the purpose to prepare proposals to be discussed at the extended meeting devoted to issues of regulating land relations within the boundaries of territorial community.
31. Nosik took part in the meeting of the ULTI regional representatives during which made a presentation on urgent issues of privatization of non-agricultural land, land market development in Ukrainian settlements. Additionally, answered questions of the meeting participants.
32. Nosik gave advice to the Kharkiv representative regarding the procedure for acquiring the ownership of a land parcel on which non-residential jointly owned building is located.
33. Nosik provided legal advice to Chernitsy regional representative regarding VAT payment on secondary market transactions with land parcels.
34. At the request of Kharkiv regional representative Nosik prepared explanations regarding a list of documents required for submission when buying out non-agricultural.

USAID – GOU Working Group to Address Land Titling Issues

A July 19 meeting with WB Mission resulted in oral agreement to work jointly on legal and regulatory implementing provisions required by recently passed Registration Law. On September 15, the next working group meeting was held at ULTI's main office to discuss ULTI progress to date and ULTI's proposal for a three party cooperation agreement among GOU, WB and USAID. Minutes and resolutions taken by the working group in this meeting are as follows:

MINUTES
Of the meeting of the Working group on implementation of the Ukraine Land
Titling Initiative of September 15, 2004

Present : 1) M.M. Panochko (State Land Committee),
2) N.V. Avrashko (State Land Committee),
3) A.S. Kutsenko (State Land Committee),
4) O.Y. Brodsky (Economics Ministry),
5) O.V. Kucherenko (Economics Ministry),
6) G.E. Belokos (Economics Ministry),
7) E.O. Zhydynko (Economics Ministry),
8) M.A. Kovalenko (Justice Ministry),
9) V.T. Matviyko (Agrarian Policy Ministry),
10) Brennan Close (ULTI),
11) M.D. Cheremshynsky (ULTI),
12) P.F. Kulynych (ULTI),
13) L. Rolfes (ULTI)

AGENDA

1. On basic directions and achievements of the ULTI. (Reported by Brennan Close)
2. On deepening cooperation between the Project and the State Land Committee of Ukraine and other executive bodies in the field of privatization of land parcels by villagers and registration of their land rights. (Reported by Pavlo Kulynych).

HEARD: the report by ULTI Technical Director Brennan Close " On basic directions and achievements of the ULTI."

RESOLVED: 1. To approve the report and take it for consideration.
2. To approve the proposal on signing a trilateral agreement between the Government of Ukraine, the U.S. Government and the International Bank for Reconstruction and Development regarding coordination of execution of the World Bank project "Rural Land Titling and Cadastre Development" and the Ukraine Land Titling Initiative regarding ensuring the issuance in hands of State Acts for the right to private ownership of land parcels to owners and state registration of these rights. To ask ULTI experts to prepare the draft of such trilateral agreement and to present it for the working group consideration.

HEARD: The report by ULTI Legal Advisor Pavlo Kulynych "On deepening cooperation between the Project and the State Land Committee of Ukraine and other executive bodies in the field of privatization of land parcels by villagers and registration of their land rights. " (Summary of the report is attached).

RESOLVED: 1. To recommend the leadership of the State Land Committee of Ukraine to create a working group with participation of ULTI experts in order to develop drafts of legal acts regarding state registration of rights to immovable property, including:

a) the draft law of Ukraine on introduction of amendments to the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Restrictions" regarding the definition of the legal status of State Acts for the right to private ownership of land parcels and regarding more comprehensive and detailed regulation of the transfer from the old to new system of registration of rights to immovable property;

б) the draft law of Ukraine "On Guaranteed Fund of State Registration of Rights to Immovable Property”;

в) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for state registration of rights to immovable property;

г) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for payment of state duty for state registration of rights to immovable property;

д) the draft provision on the local body for state registration of rights to immovable property.

2. To recommend the ULTI leadership to summarize unresolved legal problems faced by rural residents while enforcing their land rights, to prepare proposals on resolution of the mentioned problems at the national level and to send them to members of the Working group according to the given procedure.

Next meeting of working group will be scheduled at ULTI main office following completion of WB legal and technical consultants short term Mission towards preparation of a proposal of recommendations for a draft registration procedure manual. The requirements for contents of the draft manual are being prepared by the WB team largely based on ULTI State Act preparation procedures as drafted and presented in September for this purpose by a working group from ULTI’s ALT and legal and regulatory teams.

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.

4. Program for Legal Aid to Landowners

General achievements and implementation of the September objectives

1. A trip to Poltava LAC to assist the lawyers in putting the center into operation
- On September 14 a joint trip with LAC lawyers to conduct a seminar in Reshetilivski raion Kalenykivska village rada. The seminar topic was “Inheriting land and passing it over to heirs”.

Present at the seminar were: 2 representatives of raion land resources department, who attentively listened to every presentation. According to unofficial information there were no complaints about inciting villagers or dissemination of inappropriate information among villagers by the center.

Seminar results:

2 collective cases were brought to the center: 1) – 32 villagers demand their rent payment areas, 2) 30 people need assistance in compiling Annexes to land parcel rent agreements to specify the size and forms of rent payment.

- Working meeting with Mr. Kolesnichenko, Head of raion land resources department of Reshytilivski raion. The following issues were discussed at the meeting:
 - Cooperation of the center with raion department in identifying and resolving land disputes in accordance with requirements of land legislation.
 - Possibility of additional financing by the Project for agricultural land titling. There is no need to finance the preparation of SA in the raion as 92% of SA had been issued to villagers.
- A working meeting with Zamykula V.V., Deputy Head of oblast state administration, Sen O.V., Head of agricultural department in oblast administration, Sharyi G.I., head of oblast land resources department.

The following issues were discussed at the meeting:

- ULTI Project objectives
- Goals and principles of LAC
- Forms of the LAC work and ways of its cooperation with state power bodies;
- Reaching agreement on the date of Poltava LAC opening

The results of the meeting:

The date of opening ceremony was scheduled.

Preliminary agreement was received from oblast officials to get financing for agricultural land titling works.

• **Assisted lawyers to put the center into operation**

Recommendations:

- **Create seminar folders for each lawyer in the center, which will contain the following: lecture materials, articles prepared by the Program lawyers, sample contracts, applications, requests, LAC beneficiary forms, etc.**
- **Develop sample announcement form for seminars as well as invitations to be further distributed to villagers by village rada.**
- **When conducting meetings with heads of raion state administrations and heads of raion land resources departments the situation should be studied regarding the possibility to finance the preparation of SAs by the Project.**

2. Developed organization plan for establishment of six LACs in Volyn, Transcarpathian, Khmelnytsky, Mykolaiv, Luhansk and Kyiv oblasts

Date	Necessary activity	Responsible
September 9	Place a vacancy announcement	Kochubynska, Bogatyrchuk
	List of equipment for Center	Fischuk, Bogatyrchuk
	Start of procurement process	Fischuk, Baydala, Yermak
October 1	Start interviews	Bogatyrchuk
October	Organization and conduct of working meetings with officials of Kyiv, Volyn, Transcarpathian, Khmelnytsky, Mykolaiv and Luhansk oblasts	Bogatyrchuk, Kochubynska
October 22	Final date to determine the winners of recruiting process	Bogatyrchuk
	Last day of equipment supply for the LAC to the central office	Baydala, Fischuk, Yermak
October 25-26	Discussing the issue of employees' compensation	Slipher, Bogatyrchuk
November 8	Tentative start day for new employees	Bogatyrchuk
November 12	Preliminary date of finding the office for LAC	Bogatyrchuk, LAC coordinators
November 15-17	Training seminar for new employees	Bogatyrchuk
November 18-19	Practical training on management and operation of LAC on the basis of Chernihiv	Bogatyrchuk, Barabash, Pidlubna

	LAC (Kyiv, Luhansk, Mykolaiv LACs) and on the basis of Chernivtsi LAC (Volyn, Transcarpathian, Khmelnytsky) LACs	
November 22	Start of actual operation of the center	Bogatyrchuk, coordinators
November 22-23	Delivery of equipment to LAC offices and installation	LAC coordinators, Fischuk
(mid)November	Official opening of one center	Bogatyrchuk, Kochubynska
December	Official opening of three centers	Bogatyrchuk, Kochubynska
February 2005	Official opening of two centers	Bogatyrchuk, Kochubynska

3. A round table in Lviv oblast on issues of taxation of land owners (based on Mostytski raion)

The round table was conducted with participation of Allan Slipher, ULTI Project manager, O. Bogatyrchuk, LAC Program manager, O.Kochubynska, information team leader, R. Barabash, coordinator of Chernigiv LAC, A. Melnitska and I. Zhogalska, lawyers of Lviv LAC.

Results:

It is expected to expand the seminar package by including the following topics:

- Designation of land
- Procedure for refusing to allocate state allowances and subsidies to land owners

Additionally, the above topics will be covered in mass media where LAC operate (radio, TV, newspapers).

4. Review of Kharkiv center

- The center is working in compliance with requirements outlined in the Regulation on LAC in Instruction on office paper work. No comments\remarks regarding the quality of legal advice provided to beneficiaries.
- Conducted first round of interviews for the position of lawyer. Out of 8 candidates in the first round 3 have been selected for the final interview scheduled for October 7, 2004.

5. Preparation of October working meetings with officials of Kyiv, Volyn, Zakarpatia and Khmelitski oblast who are responsible for implementing government land reform policy

- Prepared letters to senior officials of the following oblast requesting a meeting:

Zakarpatia – October 26, 2004

Volyn - October 27, 2004

Khmelnytsky - October 28, 2004

Kyiv - during October

Mykolaiv - from November 1 through 5, 2004

Lugansk - a meeting will be conducted in November after the lawyers are selected for LAC as preliminary meetings with administration have been conducted already in 2003

and 2004.

6. Developed organization of the Legal Aid Program

As of September 30, 2004, the Project has opened Legal Aid Centers in 12 oblasts of Ukraine. Overall, these Centers employ 42 lawyers. With the adoption of the USAID decision to extend the network of LACs to all oblasts of Ukraine and to Crimea, there will be at least 90 regional experts employed.

Considering the remoteness of Centers from the central office, key aspects of the strategy of their operation include:

1. maintaining the unimpeded and easy control over the ongoing activity of the Center as a whole and its particular employees;
2. preserving the team spirit to guide lawyers to achieving the common specific and successful results in meeting the tasks set by the USAID.
- 3.

Given the above, it is proposed to conditionally split Centers in two zones – the Right Bank and the Left Bank. Such division is historically justified:

Right Bank

1. Volyn
2. Lviv
3. Ivano-Frankivsk
4. Transcarpathian
5. Ternopil
6. Khmelnytsky
7. Rivne
8. Zhytomyr
9. Chernivtsi
10. Vinnytsia
11. Odesa
12. Kyiv

Left Bank

1. Chernihiv
2. Sumy
3. Poltava
4. Kharkiv
5. Luhansk
6. Dnipropetrovsk
7. Donetsk
8. Zaporizhia
9. Kherson
10. Mykolaiv
11. Cherkasy
12. Kirovohrad
13. Crimea

Based on the practical experience of supervision and physical capacity the central office staff (three employees – the manager, the deputy and the assistant), we need to have one more deputy manager.

Thus every deputy will supervise his own zone (12 Centers each) and control the quality and effectiveness of lawyers' performance in their oblasts.

The monthly load per deputy manager:

- Processing 160 weekly reports
- Control the implementation of 48 weekly plans of 12 centers, success stories and other materials received from Centers
- Legal expert analysis of urgency and compliance with legislation

We propose S Bekmaniuk, coordinator of Zhytomir LAC, for the position of deputy manager. She can start November 1, 2004.

Centers will be divided two zones with deputy managers to each group of them to cut down the cost of organization and conducting of regional coordinators' meetings and extended seminars for LAC employees. Before the Program extension coordinators met every three months. Twice every three months they met in Kyiv. Extended seminars for all lawyers of the Program were held once in three months in one of the LACs. Since we are going to have 25 Centers, the following, revised meeting system will be put into effect Beginning October 1, 2004:

1st month – a two-day meeting of coordinators in Kyiv (updates on other components of the Project, monthly reporting, analytical analysis of the Program as a whole.)

2nd month – zonal meetings of coordinators on the basis of respective Center (to cut down the cost of such meetings)

3rd month – an extended two-day seminar for all employees of the LAP (updates on other components of the Project, selective monthly reporting, discussion of the most typical or difficult cases, analytical analysis of the Program as a whole, legal or communications training) or a meeting of coordinators in one of the regional centers.

7. LAC interaction with mass media:

• **Ternopil:**

Recorded 4 programs discussing the issues of creation and operation of subsidiary farms and land lease,

• **Zhytomyr:**

Prepared and recorded 4 radio programs "Chas Hospodarya" (Time of the Owner) on the following topics: 2 programs - answers to letters of Zhytomyr oblast residents relating to the most urgent issues, legal issues of good neighbor relations and reconcluding lease agreements after receiving State Acts.

• **Rivne:**

Prepared four weekly radio programs "Your land" devoted to the following topics: everything about lease, inheritance and bequeathing, procedure for replacing land certificates with SAs.

• **Vinnytza:**

Responses were published to letters sent to the editorial office of "Gospodar" supplement to "Podolia" newspaper. Cooperation continues which started in January 2004. Cooperation with regional "Podilska zoria" socio-political newspaper started.

• **Chernihiv**

The center lawyers recorded next oblast radio programs on the following topics: inheritance of land parcels and land shares, taxation of inheritance (new provisions in legislation), specific features of using land parcels of different designation, cost of preparing a SA (ceiling prices), using land parcels without concluding lease agreement, returning money to the land share owners, etc.

• **Kherson:**

The Center prepared materials and brought footage of 3 programs "Vlasna Zemlya" (Own Land) for the oblast television. The programs were devoted to early termination of

lease contracts, state registration of lease contracts, notarial actions by village rada officials.

- **Lviv LAC:**

The Center recorded six radio programs devoted to: “Rights of foreign citizens to land”, “The right to a free of charge privatization of land”, “The Procedure for distribution of land parcels among land share owners”, “Lviv experience” (2 programs), “Guarantees for the right to land”, “The terms and procedure for indemnifying the losses to land owners and land users”.

The lawyer are constantly monitoring the press, work on materials of seminar packages, learn land legislation.

- **Chernivtsy**

1. Upon request of Mr. Dugan, information and state registry section of Chernivtsy obalst justice department specialist, an article to be placed in Bukovynske Viche” was prepared. “Bad weather does not exempt from paying rent” article was published in September 15, 2004 issue of the newspaper.
2. On the invitation of obalst land resources department lawyers participated in “Open microphone” TV program, which was broadcast live on the channel of Chernivtsy oblast state TV and radio company. The subject of the program was “Man, land, law”. The program last for 45 minutes, and starts at 5.30 p.m. Tetiana Pidlubna, LAC coordinator acted as a presenter of the program, she told about LAC, its objectives and services, pool of beneficiaries, information activity etc. She gave answers to three questions put live by the viewers: about privileges for pensioners, land payment of Chernobyl residents, and land share inheritance.

8. LAC cooperation with other institutions:

a. Rivne LAC:

On September 10 LAC participated in the social services fair organized by Center for social partnership (city of Rivne) under EC project “Development of civic society in Kyiv and selected regions of Ukraine”. Through participation in this fair the info about the ULTI Project and LAC was disseminated among over 200 citizens. Everyone received the Project’s printed materials. Simultaneously legal advice was given on land privatization issues that the center specializes in.

- **Vinnvtsa LAC:**

1. At the invitation of Deputy head of oblast agricultural department LAC participated in oblast agricultural exhibition which took place on September 3-4, 2004 on the territory of “Plemservice’ state enterprise in Agronomichne village. At the above exhibition the LAC was introduced. The visitors were interested in the work of LAC. The fact that the services are rendered free of charge got the most attention. The visitors were especially interested in Project leaflets.
- Note: Slauta V.P, Minister of Agrarian Policy, took part in the exhibition, as well as Kaletnyk G. M., head of oblast state administration, heads of raion administrations, and other officials.

Upon the results of this effort the center’s economist prepared and article for website. The title of the article was “We skilfully farm our own and leased land”.

2. Continue the cooperation with oblast library regarding dissemination of success stories through raion and village libraries.

- a. **Chernigiv LAC**

To strengthen LAC cooperation with oblast state power and local self-government bodies and to ensure that oblast population is aware of LAC operation, LAC participated in a field trip of the reception office of Chernigiv oblast state administration to the town of Korop, Koropski raion.

- b. **Kherson LAC**

In September 3 training seminars were conducted for village surveyors jointly with raion land resources departments. Such training seminars were conducted during September in Novotroitski, Kalanchatski and Vysokopilski raions. A number of issues were discussed: court resolution of disputes arising between parties to lease agreement for land parcels and land shares. Separately discussed was the subject of force major provision. Also discussed were issues of avoiding going to court in resolving disputes between parties of land lease agreements when concluding lease agreements, recognition of the right to land share, recognizing land parcel or any other property as intestate and heirless property.

The notes of the lecture was supplemented with annexes: extracts from Civil Code of Ukraine, Civil Procedural Code, CoM Decree “On State Duty”, and laws of Ukraine “On lease of land”, “On the procedure for allocating land shares in kind”.

Additionally, every seminar packages was supplemented with a diskette with the “On state duty” Decree, Civil Code of Ukraine, CoM Resolution on approving the form of lease agreement for land parcels and the land parcel lease agreement developed by the center which in the best way protects interests of lessors. Every seminar participant was given a package of seminar materials.

During seminars participants take very active part. They asked plenty of questions, because it is just village heads and surveyors that on a daily basis face these issues. Raion land resources management expressed a wish to continue conducting such seminars and proposed several new topics for them in the future.

- c. **Lviv LAC**

- i. On September 2 LAC participated in the seminar for representatives of local self-government in Lviv organized by Western Ukrainian regional training center. The seminar topic was: “Authority of local self-government in the sphere of managing land resources”. Heads and deputy heads of city radas, employees of executive committees, heads of deputy commissions of oblast radas in a number of oblasts of Ukraine, representatives of raion land resources departments. Information about the activity of Lviv center evoked great interest : who are beneficiaries of legal advice, is it possible to cooperate with local self-government bodies, whether the center will refuse to assist citizens of those oblasts where there are no such centers.
 - ii. September 23. On the center initiative with the participation of the Project representatives a round table was conducted for heads of village radas, land surveyors, social protection agencies, raion land resources department and raion State land cadastre center of Mostytski raion. The topic was: “The significance of SA and its impact on state subsidies”. All heads of village rada of the raion were present at the meeting as well as representatives of state bodies.

The objective of the round table was to **remove the villagers reluctance to receive SAs** and their concern caused by lack information and knowledge about the procedure and basis for calculating land tax, state allowances for low-income families , subsidies, etc.

d. Chernivtsy LAC

- i. At the invitation of Chernivtsy oblast land resources department the LAC jointly with the Project specialists (P. Kulinich, legal advisor and S. Suchenko, web-site manager) participated in the seminar on land reform issues. At this training seminar conducted by oblast administration for first deputy heads of raion state administrations, heads of employees of land resources departments, employees of SLC the following topics were covered: the procedure and status of state registration of rights to immovable property in the oblast, overview of the key issues arising in the process of land privatization, non-agricultural market development, the status of agricultural land protection, prospects of mortgage crediting development, the status of land titling works, etc.
- ii. Jointly with P. Kulinich and S. Suchenko participated in the meeting of Chernivtsy Market Reform Press Club devoted to the following subject: “Land reform: achievement and problems”. The center informed mass media about successful implementation of the LAC Program in Chernivtsy oblast, proposed the discussion of urgent problems of legislation in the sphere of land relations reformation, and presented to the journalists the pool of LAC services, invited mass media representatives for cooperation in covering the results of LAC activity, dissemination of information among land owners.

9. Report on beneficiaries:

Oblast	Number of cases						
	Total number of applications	Number of persons affected by problems	In process of resolution	resolved positively			Removed from records
				In court	Before court	Number of people	
Chernihiv	382	3950	1	-	375	7466	6
Kherson	281	6338	8	9	258	3502	6
Ternopil	322	645	9	-	306	1875	7
Vinnitsia	402	15305	3	-	398	14469	1
Rivne	374	1787	1	9	364	1487	-
Zhytomyr	399	1739	18	3	374	1478	4

Chernivtsi	176	633	8	-	166	601	2
Lviv	283	469	26	-	237	375	16
Sumy	225	2157	79	-	147	1677	1
Odesa	109	126	21	-	62	109	26
Kharkiv	248	831	64	3	168	219	13
Poltava	2	62	2	-	-	-	-
Total:	3203	34042	240	24	2855	33258	82

The most difficult and interesting disputes (or disputes involving many villagers) and ways to resolve them

- Ternopil LAC

Gorban M.V., Head of commission on regulating property relations addressed the center on behalf of citizens of Lidykhiv village Kremenetski raion Sobchuk, Bobchuk, Matiukha, and Yarmus. The applicant requested to explain who had the right to receive land share certificate in the former kolhoz and whether the management was right depriving former kolkhoz members of certificates.

The gist of the problem:

When the SA was issued to kolkhoz the above villagers were kolkhoz members. This was confirmed by certificate of “Lykhidivska” land share owners association (a legal successor of the reorganized kolkhoz) and extracts from work books. Despite the fact that villagers had the right to receive land shares they were not included into the list of eligible citizens which was attached to the SA.

Resolution of the problem:

Having analyzed materials of this case, the lawyers prepared a request to Kremenets raion land resources department asking to provide the date of the SA issuance to collective enterprise, the size and value of a land share for this village rada to file law suits to raion court on behalf of villagers demanding to recognize their right to land share. After telephone negotiations with Golub, raion land resources department head, and after explanations to him about the lawfulness of issuing land certificates to villagers, an agreement was reached that Krememetska raion state administration without going to court will issue certificates to the above villagers. As a result Kremenetska raion administration adopted a decision “On issuing land certificates to citizens of Lidykhivska village rada” according to which our clients (named above) received their certificates for land shares on fields included into reserve land of the rada. The size of a land share in this rada is 1.43 ca ha. The land share value is UA 12 487.34

- Zhytomir LAC

In the process of land titling works there are cases when land share owners or their heirs learn that they were omitted or excluded from the list of eligible persons. They have land share certificates and were sure they will get their SAs. The resolution of such case of Mr. Gosha P.I. in Zhytomyr raion was interesting. In August 2001 the above citizen received in state notary office an inheritance certificate. The testament stated that the inherited property includes the right to a land share (4.63 conventional ha) in Kuibyshev collective agric. enterprise. After reregistering the land share certificate in his name the heir brought the required

documents to village rada to be included into the updated list. The response was that he had no right to a land share because his mother was not in the list attached to the SA for collective ownership of land.

The center found out that the client's mother died on January 4, 1994 and the SA was issued on December 20, 1995. The client mother was not entered into the updated list submitted to raion state administration. The question was how raion administration issued the land share certificate. Under a more detailed scrutiny it turned out that the general meeting of collective enterprise members the mother was included into the list. The list was transferred to local administration. After the verification conducted by in 2000 by raion prosecutor's office it was established that the general meeting decision on the list of entitled citizens was allegedly adopted with violations of legislation. Later after the prosecutor's demand the list was updated again by village rada and transferred to raion land resources department. The current legislation stipulates that the above decisions may be recognized void or cancelled by prosecutor only upon court ruling in accordance with Civil Procedural code of Ukraine. This was not done the prosecutor's office with important legal consequences. Land share were allocated to villagers not by the state but by respective agric. enterprises. This means that with the adoption by the highest governing body of the enterprise of a decision on approving the size of land share and the list of enterprise eligible members, a citizen included into the list was considered the one who received the right to a land share. The issuance of land certificate by raion state administration should be regarded as certification of the fact of receiving the above right by citizen. Thanks to respect and authority earned by the center employees in cooperation with executive power and local self-government bodies with the assistance of LAC as a result of negotiations with Ozeriankivska village rada officials and head of Zhytomir raion land resources department the latter were persuaded to include the heir into the list of eligible persons to be used when preparing SAs. Besides, SA are prepared on the territory of the this village rada under the ULTI project and our client will get his SA free of charge.

- Rivne LAC

Initiative:

Petruk V.P., resident of town of Mlyniv Rivne oblast, requested LAC assistance in implementing the decision of local court on allocating a land parcel to her from reserve fields in accordance with the court ruling on recognizing her right to inherit the land share of her mother.

The gist of the problem:

Petruk V.P., resident of town of Mlyniv, applied to court for establishing her mother's right to a land share (her mother was not issued land share certificate when kolkhoz land was shared) and for allocating to her, as her mother's heir, a land share in kind.

Court ruled in her favor and obligated raion state administration and village rada to allocate a land share in kind to the plaintiff.

The village rada allocated a land parcel on the hills of reserve land, which the client refused to take because it was not fit for agricultural use. There was no

other land fit for farming in this village rada and the court ruling had not been executed for 3 years.

Results:

Upon several visits to the plaintiff, local self government and local power bodies several rounds of negotiations were conducted and possibilities of allocating land share to the plaintiff in any other legal way were studied.

As a result an agreement was reached to allocate a land share in kind at the expense of decreasing the size of land shares of other land owners. The location of land parcel and its quality were satisfactory for the plaintiff, and she agreed to receive that land parcel.

The results of this assistance enabled to begin land titling works on the given field both for the plaintiff and other land share owners.

- Vinnitsa LAC

Mykoliuk T., Mykoliuk V., Mykoliuk S, Dobrianska L., residents of Kurylivka village Zhmerynka raion of Vinnitsa oblast requested the LAC assistance following the seminar for their territorial community.

The gist of the problem:

Villagers for some time could not get the prepared SAs kept by a lessee – “Zoloty Kolos” daughter company of Kristal company. This agricultural formation leased their land parcels.

The problem was that land owners did not want to conclude a new lease agreement with the lessee. Having become owners, the citizens finally decided to use their right to farm independently. On March 29, 2003 Mykoliuk T., Mykoliuk V., Mykoliuk S, Dobrianska L concluded a 3 year lease agreement with the lessee - “Zoloty Kolos” company under Kristal company, agreed to the lessee paying the cost of SA preparation (UAH 60 per SA) and paid the needed amount to the lessee.

The lessee concluded contracts with a land survey company for land titling works. SA have been prepared and transferred to the customer in the fourth quarter of 2002.

The lessee refused to give SA to villagers under the pretext that the lease agreement had not expired yet. These actions constituted gross violations of villager’s rights guaranteed by current legislation.

Resolution:

The lawyers conducted a number of meetings with representatives of executive rada of Zhmerynka raion, oblast prosecutor’s office, oblast land resources department, management of the leasing enterprise on issuing SA to owners and allocating land parcels in kind.

This fall the villagers received SA and land in kind, they immediately started to farm their land.

As a result of pro-active approach of villagers and the LAC efforts 16 ha of land shall be appropriately cultivated and bring income to citizens along with confidence in the effectiveness of land reform declared by the state.

- Chernihiv LAC

Having learned in village rada about Chernigiv LAC, Nikolayev O., resident of Buianka

village Ripkinski raion, personally requested the LAC assistance. Nilokolayev requested to explain who was right in the situation described below. Having his own machinery he wished to allocate his land share in kind to independently start a subsidiary farm. He submitted the appropriate application to raion state administration. His application was satisfied and in fall 2003 after marking his parcel with boundary monuments Nilolayev ploughed his land to sow winter wheat on it. However “Druzhba” enterprise did not recognize the ownership right of this citizen and having ruined the installed boundary monuments sowed the disputed land parcel. The villager applied to raion prosecutor’s office, but the enterprise ignored the prosecutor’s order.

After getting acquainted with Nikolayev’s documents the LAC lawyers told him that with the issuance of SA he received the right to the land parcel and this right is inviolable and protected by law. They also explained to the client the provisions of civil law in accordance with which the person who unlawfully uses another person’s property should return to the owner all income it received or could have received from using this property.

Without hesitating Nikolayev wished to resolve the dispute in court. But he was recommended not to be in hurry with going to court and instead collect all needed evidence confirming the unlawful actions of the enterprise. In May – June 2004 the client sent letters prepared by LAC to Druzhba enterprise, state inspection on protection of land, village rada and land survey company. Soon he received responses to his letters. In July 2004 Nikolayev renewed the destroyed boundary monuments and harvested crops on his land parcel, about which the “Druzhba” manager complained to raion state administration and to internal affairs agency. At that moment the land parcel owner had enough documents confirming unlawful actions of “Druzhba” enterprise. As a result, power bodies rejected the complaint of enterprise manager and there was no need for Nikolayev to go to court.

Only a year after receiving his SA Nikolayev felt himself a full-fledged owner of land. He was the only person in his village that was not scared by enterprise manager threats. Despite difficulties, Nikolayev got the possibility to farm his own land and to earn enough money to support his family when others were waiting for rent payments that usually translated into a few sacks of fodder grain.

- Sumy LAC:

After participating in a seminar organized on invitation of head of Burynski raion land resources department where the villagers learned about the LAC, 41 lessors in Sinzhkivska village rada Burynski raion requested the center’s assistance in preparing lawsuits to get the rent arrears from “Agro-terra” private agricultural enterprise. According to submitted copies of documents the rent under lease contracts was 1.1% of the land share value. According to the terms of these contracts (par. 2.6.1.) the rent payment was UAH 228. The same paragraph stipulated that rent had to be paid by December 30 each year.

Lease contracts were concluded for 5 years (up to 2008).

From the moment of conclusion of lease contracts rent payment problems arose. In violation of subpar. c in par. 3.1. of the contract no response was given to the repeated request to pay rent on time.

Rent for 2002 was partially paid, and for 2003 no rent was paid at all and the debt was

not restructures in accordance with procedure established by legislation.

The LAC employees recommended to these clients to get from Agro-Terra management certificates (spravka) confirming rent arrears.

On August 28, 2004 LAC lawyers visited Snizhkovska village rada to collect the needed documents. During the trip a meeting with the lessee was held. The lessee was told that if it fails to pay rent arrears voluntarily this case shall be resolved in court.

LAC lawyers prepared lawsuit materials, calculated rent payment and financial sanctions for failing to comply with contract terms. When calculating rent arrears par. 3 of the Procedure for indexation of income of population was taken into consideration. The paragraph states that rent payment not paid on time is subject to indexation proceeding from calculating inflation index, which is periodically printed in "Uriadovy Courier" newspaper.

On August 6, 2004 as a result of LAC efforts an agreement was reached with acting head of Burynski raion court that lawsuits will be taken by this court without paying state duty.

On August 9, 2004 upon the preliminary agreement with Kuzmenko N., village rada head, a letter was sent to executive committee of Snizhkovska village rada requesting to delay charging of the state duty for filing law suits to the court.

The prepared lawsuit files were submitted to Kuzmenko N., village rada head.

To resolve this issue before court, LAC met one more time with the lessee. As a result, the lessee took a decision to pay rent arrears voluntarily. According to preliminary information from village rada head rent arrears were paid to 20 villagers amounting to UAH 5760. As for rent payments to other land owners the rent payment schedule is compiled which will be agreed with lessors.

Thanks to LAC efforts citizens of Snizhky village were able not only to get their money but also to realize that they are the real owners of land and can dispose of their rights at their own discretion.

- Kherson LAC:

LAC received a written request from Zubenko A.I. residing in the city of Kherson (18D, Dimitrova St., apt. 65) to assist him in getting rent arrears for 2004 under lease contract.

The lawyers scheduled a meeting with Khamulin, the lessee-manager of "Latyski strilky" company. During the conversation with him it turned out that the company paid rent in the amount of UAH 600 for a land share of 800 stipulated by lease agreement, speaking more precisely, every land parcel owner received 1 ton of grain. It is planned to pay the rest of rent payment to lessors later, after the sunflower is harvested.

It was proposed to company manager to pay rent arrears to Zubenko given his age, the fact that he lives far from the farm (about 100 km away) and that he is Group II invalid. The manager's reaction was positive and he ordered the company's chief accountant to pay to Mr. Zubenko the rest of his rent. When looking through payment invoices it was found out that Zubenko did not receive UAH 100 due him for 2003. The enterprise manager proposed to pay him all arrears (UAH 280) in kind: sunflower oil, tomato paste, macaronis and cereals. As a result of negotiations with the lessee the issue of receiving UAH 280 in rent arrears was resolved without going to court.

- Lviv LAC:

On September 9, 2004 Lviv LAC received a letter from Agronovyny radioprogram editorial board, which was the first registered letter and the first written request for assistance in Lviv LAC.

Lysuniv V., resident of Medenytski village Drogobychski raion Lviv oblast, requested the explanation regarding the right to a land share.

Details of the case:

It became clear from the letter that he was not included into the list of eligible citizens under pretext that he was a production pensioner and not agricultural pensioner.

How the case was estimated by LAC:

Lviv LAC sent a written response to the client in which it explained the categories of entitled persons and mandatory conditions for the person to claim the right to a land share. Specifically, the letter quoting Presidential Decree “On the procedure for sharing land ...” stated that a mandatory condition for a person to claim a land share was the kolkhoz member status at the moment of land sharing as well as approved list of entitled persons. The fact that the client was working not in agricultural sector and retired before becoming a kolkhoz member, does not deprive him of the right to a land share.

Problem resolution:

In March 2004 Lviv LAC was engaged in scheduled visits to village and settlement radas of Drogobych raion to get acquainted with rada officials and to disseminate information on the LAC activity. On March 17, 2004 the LAC lawyers visited Medenytska settlement rada and met rada head. Medenytska rada is included into the Project and during the meeting the problem issues, and the status of land titling works were discussed. During the meeting the issue of Mr. Lysuniv V.- kolkhoz member omitted from the list - was raised. The rada head categorically disagreed with the layers’ arguments and referred to par.7 article 6 of the 1992 Land Code of Ukraine. It turned out that last year Lysuniv V. applied to Medenytska settlement rada for allocating a land share to him and received a written refusal based on the same Article 6 of the LC with explanation that he was rightfully omitted from the list as he was not a pensioner of that agricultural enterprise and did not reside on the territory of Medenytski settlement.

The LAC representatives proved that Mr. Lysuniv had the right to a land share as he was a kolkhoz member at the time of sharing land. Retirement from production sector before entering a collective enterprise is immaterial from legal point of view.

The above arguments changed the point of view of the rada head and he said that Lysuniv’s application would be considered by the meeting of settlement rada. LAC kept calling settlement rada and learned that the rada meeting would take place very soon.

LAC recommended to Lysuniv to get certificate confirming his kolkhoz membership from 1992 through 2000 and to submit this certificate to settlement rada.

The result:

Mr Lysuniv has sent a letter to LAC with the copy of the decision of settlement rada: “Decision #116 of June 7 2004 “On allocating land share to Mr. Lysuniv V”. The 12th session of Medenytska rada decrees: to allocate to Mr. Lysuniv V., who was omitted from the list, 2 ha of land from reserve fund for him to create a subsidiary farm.” In this letter the client also thanked the LAC for assistance.

Chernivtsy LAC:

Two proactive persons – Novitskiy and Kyryliuk – on behalf of residents of Beregomiet, Klokichka and Revakivtsi villages of Beregometska village rada of Kitsmanski raion requested the LAC assistance in getting rent arrears from “Promin” enterprise for 2001, 2002, and 2003. These citizens learned about the LAC from the center’s response to their letter to “Agronovyny” radioprogram regarding the cost of SAs.

The relations between “Promin” enterprise and land owners were not very good. Villagers were indignant at the actions of “Promin” manager who in exchange for property shares gave villagers several kilos of sugar depriving people of property and the hope to get it back. From 2001 the owners were not paid rent for using their land. Promin company was at the stage of liquidation, part of lease agreements was withdrawn and new lease agreements handed out the validity term of which started in 2004. “Berekol” company became a legal successor of Promin company. Without villagers’ consent part of land belonging to land share owners was subleased to farmer Sidoruk. Lease agreements did not stipulate sublease. Consequently the rights of owners were violated. When villagers asked the farmer about rent for using their land, the response was that no lease contracts were concluded between villagers and the farmer therefore they were waiting in vain for the rent.

All this caused tension among villagers who put all the blame on village rada head. The head denied it, stating that he had warned them against exchanging property shares for sugar and reconcluding new lease agreements until rent arrears were paid under the old agreements, but villagers independently made respective decision. The enterprise manager would not negotiate with villagers and did not give any explanations.

A group of villagers collectively applied to All Ukrainian Union of Land and Property Share Owners, however their problem was not resolved. People were frustrated and felt abandoned. LAC proposed to conduct a seminar in Beregometska village rada in order to inform as many people as possible about their rights and how to protect these rights. 69 interested persons participated in the seminar.

People were in despair, blaming the authorities and complaining to LAC lawyers. Without knowing the law, villagers were sure they were deceived when from the calculated but not paid rent a tax was accrued and deducted from the amount of social benefits. Additionally, on top of UAH 85 stipulated by Presidential Decree it is expected to collect from villagers UAH 18 for state registration of SA (in village rada villagers pay their own money for the preparation of SA).

The key achievement of communication with villagers was that 35 land share owners wished to get the assistance of Chernivtsy LAC. People wrote a collective letter, brought documents to be photocopied, including new agreements concluded in 2004 with “Berekol” company which formally deprived them of rent arrears under previous lease agreements.

14 citizens had all needed documents available – copies of agreements with Promin company valid from 2000 through 2004 and original land share certificates required to protect their violated rights.

LAC took actions to resolve the dispute before going to court. The lawyers undertook a substantial part of resolving legal collisions, disputable terms of lease agreements, and undertook to establish a constructive dialogue with local authorities and leasing

enterprise management. A notice was sent to raion state administration , a letter claiming rent arrears for 2001-2003 on behalf of 14 land share owners who put their signatures and submitted all documents was sent to Oliynyk M., “Promin” company director. The claimed size of payment was 9 centners of grain and 75 kg of sugar for every land share owner.

Additionally, LAC conducted several rounds of negotiations with Mr. Oliynyk with the participation of Kitsman raion administration. The center declared its preparedness to protect villagers’ interests in court, and warned that a fine, moral damage, and financial loss charges may be pressed on behalf of all 502 land share owners.

Later “Promin” enterprise Director personally contacted the center and submitted copies of documents confirming the full repayment of rent arrears.

It should also be mentioned that rent arrears were paid not only to citizens mentioned in the application for repayment but to all 502 land share owners. The annual rent size was established in the amount of 3 centners of grain and 25 kg. of sugar. For 2001 the rent was paid in the size stipulated in agreement. For 2002-2003 – 3 centners of barley, corn and additionally 1centner of barley instead of sugar. I.e. every owner received 10 centners of grain, which totals 50 ton of grain and 1.25 tons of sugar worth UAH 25.000.

5. Public Education and Outreach

PE Team general activities

1. The PE team arranged publications of ULTI advertisements for LACs vacancies in Kyivska, Volynska, Khmelnytska, Donetsk, Luganska, Mykolaivska and Zakarpatska oblasts in the newspaper *Yuridichniy Visnik Ukraini*. The advertisements were published on **September 11, 18 and 25**.
2. On **September 9**, 2004 the PE team jointly with CURE organized the meeting of the press club of the market reforms in Chernivtsy oblast. Pavlo Kulinich and Sergiy Suchenko participated at the meeting of the press club. Suchenko informed the journalists about ULTI progress in the Oblast and certain specific problems, which stood in the way of successful issuance of SAs. Pavlo Kulinich informed the journalists about the work of ULTI legal component and legal aid program, he also refuted the information published in the article “SAs to villagers – land to Americans”.
3. On **September 17**, 2004 the PE team organized the ULTI titling ceremony in Zitomir oblast, Ruzin raion, village Bystryk. Kochubynska and Kulinich took part in the titling ceremony. Kochubynska jointly with Kulinich did everything possible to handle out the situation and didn’t let Ananyev to derange the ULTI titling ceremony.
4. The PE&OU team jointly with LAC team prepared and sent the letters to governors of Zakarpatska, Volyn, Khmelnytska and Mykolaivska oblasts.

5. The PE team assisted the LAC team in preparing the letter to the Head of Kharkiv State Administration Y.P. Kushnariov.
6. On **September 23** Kochubynska took part in the seminar for the heads of village radas of Mostiskiy raion Lviv oblast. At the same day Kochubynska together with Allan Slipher, Olga Bogatyrchuk and Anna Melnitska met the Deputy Governor of Lviv oblast Stephanyshyn.
7. PE team developed the press release about the return of funds, collected by LLC “Zemlevlasnyk” for the preparation of SAs, to the villagers of Chernigiv oblast and arranged its publication in the local press. The press release was published in the newspaper «Desnyanska Pravda» on **September 28** and in the newspaper «Siverschina» will be published in **October 1**.
8. On **September 21** and **23-24** - interpreting services provided for ULTI COP on business trips to Skvyra, Lviv and Ternopil (Sergiy Suchenko);
9. The PE team developed the letter, addressed to the villagers of Sumy Oblast on the LAC opening, services, success stories and contact addresses. The letter will be distributed among the rural population in the villages, which were not visited by the Sumy LAC specialists.
10. The PE team organized the volunteers to carry out the task N0: disseminate the ULTI letter and collect the information about the status of the works for the preparation of the state acts on land in Volyn oblast.
11. The PE team organized the volunteers to carry out the task N2 in Sumy Oblast: distribute letters from the Project among the villagers of Sumy Oblast. The task is carried out in the framework of the PR campaign related to the LAC opening in Sumy Oblast. In the letter the Project informs the villagers of the Sumy Oblast about the Sumy LAC activities, Sumy Lac success stories, contact addresses.
12. On **September 3** the PE&OU team jointly with Kulinich organized and conducted the live TV program with questions from the villagers and answers on Kharkiv oblast Radio channel.
13. On **September 26** the PE Manager prepared and conducted the TV Forum program, dedicated to the land market. The TV spots were filmed in Odessa oblast and showed the land sales. Pavlo Gaidutskiy, President’s advisor commented the spots.
14. The PE team prepared the new slots for the TV program «Silskiy Chas». On **September 5** - LAC in Kherson oblast, on **September 12** – Kulinich answered the question from the villagers, on **September 19** – Kulinich answered the question from the villagers, on **September 26** – Teleforum.

15. The PE Manager developed the concept, prepared and launched the new two slots of “Kolos” ULTI ten-minute Radio program that was aired on the National Radio channel.
- **On September 7** Pavlo Kulinich refuted the wrong information placed in the article «State acts to the villagers, land to Americans».
 - **On September 18** success story of the of a Kirovograd farmer.
16. The PE Manager jointly with Kulinich prepared the new regular information spots for AGRONOVINI radio program.
17. The PE&OU team jointly with the LAC lawyers prepared the new legal oblast radio and TV programs.

Kherson TV «Skifiya»: «OWN LAND».

Broadcasts: from 18:35 to 18:50 on Sunday (on “Skifiya” TV channel), with a repeat – on Saturday from 12:30 to 12:45 (on UT-2 channel).

05.09. – Burning issues of privatization of subsidiary plots. O. Kosenko.

12.09. – Gornostaivskiy Raion, Kairy Village. There is a rent indebtment, the villagers are willing to dissolve the lease in court but the lessee hides from them.

Present: Head of Kairy Vilage Rada Anatoliy Tarasenko, director of private foreign investment company “Emanuilfarm” Vasyl Zyk, coordinator of LAC A. Tsybulko.

19.09. – Kalanchatskiy Raion. ULTI seminars for heads of village radas, specialists of raion land survey companies and rain land departments. Participants: head of Kalanchatska Raion Rads Volodymyr Vinchuk and deputy head of the raion department of land resources Oleksandr Semerenko.

26.09. – Registration of SA and payment for registration of ULTI’s SAs; land lease for less tha one year – A. Tsybulko.

Kharkiv Oblast Radio: “LAND”.

Broadcasts: from 06:10 to 06:25 on Saturday, with a repeat on Sunday from 15:40 to 15:55.

05.09. – P. Kulinich informs about the norms of the LCU connected to lessor’s rights, legal aspects of relationship with agricultural enterprises; how to cancel the disadvantageous terms of lease, etc.

12.09. - V. Nagynaylo – about the decree of Derzhcomzem on limiting costs of land survey works for organizations, which carry them out.

19.09. - P. Kulinich informs about the characteristic violations of land lease contracts, namely: untimely payments for land shares, or failure to pay rent at full; lessor’s rights.

26.09. - V. Nagynaylo – on subsidiary farm establishment; rights of villagers who work directly to satisfy their own needs, social protection of individual farmers.

Rivne Oblast Radio: ”YOUR LAND”

Broadcasts: from 20:00 to 20:10 on Thursday, with a repeat on Saturday from 18:30

to 18:40.

- 02.09. – Household farm. O. Khomasiuk.
- 09.09. – Lease of land shares and land parcels (end).
- 16.09. – Inheritance of land shares and land parcels.
- 23.09. – Continuation of previous topic.
- 30.09. – How to exchange the LCS for the SA for the right to private ownership of land (Part 1). O. Khomaziuk.

Zhytomyr Oblast Radio: “NEW LANDOWNERS”.

Broadcasts: on the first and third Tuesday of the month from 18:20 to 18:40, and from 20:10 to 20:30 on the second and fourth Tuesday of the month.

- 07.09. – Re-conclusion of land lease contracts and testaments. Yarosh, Dyachenko.
- 14.09. – Taxes in the field of land use and farm activity. Dyachenko.
- 21.09. - S. Yarosh comments on listener’s letters: questions and answers.
- 28.09. – Keeping the rules of good-neighborliness while using land parcels. Dyachenko.

Lviv Oblast Radio: “YOUR LAND”.

Broadcasts: from 06:45 to 06:55 on Tuesday, with a repeat on Thursday from 06:45 to 06:55.

- 07.09. – Conservation of land (part 1). (Inna Zhogalska).
- 14.09. – Conservation of land (part 2).
- 21.09. – Rights of foreign citizens to land. Anna Melnytska.
- 28.09. – Right to free privatization of land.

Ternopil Oblast Radio: “PRIVATIZATION OF LAND: LAW, PRACTICE, PROBLEMS”.

Broadcasts: from 20:15 to 20:30 on Thursday, with a repeat on Monday from 08:10 to 8:25.

04.09. – Subsidiary farm – legal basis for functioning and establishment.

- 11.09. – Continuation of previous topic. M. Galushka.
- 18.09. – Lease of land. M. Galushka.
- 25.09. – Subsidiary farm activity. M. Galushka.
- 30.09. – Privatization of land of state utility and agricultural enterprises. M. Galushka.

18. The PE&OU team continued its work on the ULTI Web-site. The following materials were prepared, proofread and translated:

- Lubov Slominska, How to Terminate the Contract on Lease of Land Upon the Lessor’s Initiative?; +
- Oksana Dyachenko, Re-formalization of Lease Contracts Under State Acts – Whim or Must?; +

- Kostiantin Boychuk, Levying of Rent Arrears: Rivne LAC Experience; +
- Lidiya Lytovchenko, Own Land Parcel – Myth or Reality? Specific Local Problems; +
- Oleksandr Zinchenko, Court Order: Grounds for Decisive Action or Reason for Refusal?; +
- Chernigiv LAC Success Story (Ganna Salay); +
- News of 30.09.2004; +
- News of 23.09.2004; +
- Updated version of the Land Code of Ukraine placed on the Web-site; +
- Poltava LAC page placed on the Web-site; +
- Press monitoring for ULTI COP prepared on September 07 and September 20;
- Documents translated for PE Team Manager (references about titling ceremonies, volunteer's reports, etc);

Together with the technical team:

- Current number of subscribers: **329**; +
- + - put on the Web-site

Provide Support to ALT Team

1. *The PE team prepared and sent the letters in September.*

<i>Date</i>	<i>Oblast</i>	<i>Organization</i>	<i>Official</i>	<i>Number of letters</i>	<i>Appendix</i>
09.02.04	Zaporizhska	Raion Court	Head	1	ULTI handouts
09.13.04	Chernigivska	Village Radas	Head	8	Letter info 3
09.13.04	Lvivska	Village Radas	Head	6	Letter info 3
09.13.04	Ternopil'ska	Village Radas	Head	3	Letter info 3
09.13.04	Zhitomir'ska	Village Radas	Head	7	Letter info 3
09.20.04	Odeska	Oblast Administrations	Head	1	Monthly ALT information
09.20.04	Odeska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.04	Ivano-Frankiv'ska	Oblast Administrations	Head	1	Monthly ALT information
09.20.04	Ivano-Frankiv'ska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.04	Rivnenska	Oblast Administrations	Head	1	Monthly ALT information
09.20.04	Rivnenska	Oblast Land Resources	Head	1	Monthly ALT

4					information
09.20.0 4	Lvivska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Lvivska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Zhitomirska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Zhitomirska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Ternopilska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Ternopilska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Chernigivska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Chernigivska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Chernivetska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Chernivetska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Vinnitska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Vinnitska	Oblast Land Resources	Head	1	Monthly ALT information
09.20.0 4	Khersonska	Oblast Administrations	Head	1	Monthly ALT information
09.20.0 4	Khersonska	Oblast Land Resources	Head	1	Monthly ALT information
09.29.0 4	Odeska	Raion Administrations	Head	5	Monthly ALT information
09.29.0 4	Odeska	Raion Land Resources	Head	5	Monthly ALT information
09.29.0 4	Ivano-Frankivska	Raion Administrations	Head	7	Monthly ALT information
09.29.0 4	Ivano-Frankivska	Raion Land Resources	Head	7	Monthly ALT information
09.29.0 4	Rivnenska	Raion Administrations	Head	4	Monthly ALT information
09.29.0 4	Rivnenska	Raion Land Resources	Head	4	Monthly ALT information
09.29.0 4	Lvivska	Raion Administrations	Head	7	Monthly ALT information
09.29.0 4	Lvivska	Raion Land Resources	Head	7	Monthly ALT information

09.29.0 4	Chernivetska	Raion Administrations	Head	7	Monthly ALT information
09.29.0 4	Chernivetska	Raion Land Resources	Head	7	Monthly ALT information
09.29.0 4	Chernigivska	Raion Administrations	Head	8	Monthly ALT information
09.29.0 4	Chernigivska	Raion Land Resources	Head	8	Monthly ALT information
09.29.0 4	Khersonska	Raion Administrations	Head	10	Monthly ALT information
09.29.0 4	Khersonska	Raion Land Resources	Head	10	Monthly ALT information
09.29.0 4	Ternopilska	Raion Administrations	Head	11	Monthly ALT information
09.29.0 4	Ternopilska	Raion Land Resources	Head	11	Monthly ALT information
09.29.0 4	Vinnitska	Raion Administrations	Head	2	Monthly ALT information
09.29.0 4	Vinnitska	Raion Land Resources	Head	2	Monthly ALT information
09.29.0 4	Zhitomirska	Raion Administrations	Head	23	Monthly ALT information
09.29.0 4	Zhitomirska	Raion Land Resources	Head	23	Monthly ALT information
09.29.0 4	Volynska	Oblast Administrations	Head	1	Monthly ALT information
09.29.0 4	Volynska	Oblast Land Resources	Head	1	Monthly ALT information
	Total			215	

Provide Support to the NALT Team

On **September 26, 2004** Bilenko presented the PE&OU activities at the NALT regular meeting.

Provide Support to the LAC Team

- 1** The PE worked on preparation of the LAC opening ceremonies in Poltava and Sumy.
- 2** The PE team arranged publication of the LAC vacancies in the newspaper *Yuridichny Visnik Ukraini*.
- 3** The PE team worked on proofreading and placement of the articles sent by the LAC specialists for the ULTI Web-site and ULTI magazine.
- 4** The PE team updated information on LAC employees and statistic data on ULTI Web-site.

Continue Cooperation with Donor Organizations

1. On **September 9**, 2004 the PE team jointly with CURE organized the meeting of the press club of the market reforms in Chernivtsy oblast.
2. PE team kept on cooperating with AFU. PE team provided the materials for the ULTI legal section of the newspaper «Visnik Farmer of Ukraine».
3. PE team cooperates with the USAID Marketing Project marketing information on the preparation of the marketing information the landowners need.
4. PE&OU team jointly with CURE distributed the CURE publications: «How to work without losses», «Farm Taxation».
5. PE&OU team jointly with CURE prepared the radio programs on the National radio to illegal collection of the registration fees.

II. PROGRESS ON MEETING THE MONTH'S GOALS

Agricultural Land Titling

- a. Continued verification and payment activities for existing contracts.
- b. Monitored cancellation of registration fees.
- c. Continued ULRMC on processing of satellite images into base maps; continue to deliver raw data to surveyors in event of further ULRMC non performance.
- d. Conducted 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
- e. Completed 2004-05 work plan, subcontract pipeline and budget and began subcontracting of 250,000 SAs in close coordination with recently opened legal aid centers and first six new legal aid centers in ULTI expansion work plan
- f. Commenced progress reporting for all remaining subcontracts reflecting split of Phase 3 payments into 25% for printing of titles and 30% for issuance of titles with issuance delays due to slow DKZ issuance.
- g. Concluded and obtained USAID approvals of International Land Systems Inc subcontract continuing consultancy of Brennan Klose through May 2005.

Non-agricultural Land Titling

1. Conducted site visits to regional offices.
2. Provided local radas with assistance on organizing and holding land auctions.
3. Organized and conduct legal analysis of newly passed laws as to effect on NALT.

4. Prepared informative articles on non-agricultural land privatization issues for the ULTI magazine.
5. Continued preparing press conference on NALT accomplishment of overall ULTI goal of 13,500 SAs
6. Prepared concept and work plan outline for systematic pilot SA subcontracts including 1-3 village radas adjacent to raion or oblast center town for implementation through ALT subcontracts as basis of registration law and regulation development with ULTI working group to support GOU pilot systematic first registration efforts.

Legal and Regulatory Work and Legal Aid Program

- 1. Prepared comments to the Registration Law and draft implementing regulations with working group.**
- 2. Prepared 2004-05 work plan and priority draft laws and comments for new VR session with participation of short term RDI legal consultant Leonard Rolfes.**
- 3. Continued 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.**
- 4. Assisted Verkhovna Rada Deputy Tkach, with advocacy on the draft Law on Protection of the Constitution Rights of Land Share Holders.**
- 5. Presented inter-ministerial working group and obtained resolution to proceed with drafting GOU, WB and USAID 3 party agreement**
- 6. Assisted Public Education and LAC teams with forums, broadcasts and seminars**

Program for Legal Aid to Landowners

- 1. Held monthly meeting of LAC coordinators.**
- 2. Scheduled official opening of Sumy LAC Oct 12.**
3. Hold a working meeting with state officials of Poltava oblast and scheduled opening of Poltava LAC on Oct 5.
4. Developed and completed work plan on implementation of new centers (2004-2005).
5. Checked Lviv LAC.
6. Held a round table in Lviv oblast on the basis of Mostysky raion on taxation of land owners.
7. Checked Kharkiv LAC, meet with local officials.

8. Prepared working meetings in October with officials of Kyiv, Volyn, Transcarpathian and Khmelnytsky oblasts held responsible for implementation of the government land policy.

Public Education and Outreach

1. In September the PE&OU team prepared the following programs:

National TV:

“Silskiy Chas” UT-1 TV-Channel
aired on September 05,12,19 and 26 at 12:15

National Radio:

“Agronovyny”
Daily, except Saturdays and Sundays on 5:40 and 21:00.

B.

“Kolos”

09.07.2004 – 6:30-6:40, comments of P.Kulinich on the article “SAs to villagers – land to Americans”
09.19.2004 - 6:30-6:40, Rent by coffins? How to protect the villagers from lessee’s voluntarism.

Local TV and radio programs:

Chernigiv Oblast Radio:

Broadcasts: from 18:10 to 18:20 on Monday, with a repeat on Wednesday from 15:40 to 15:45.
aired on: September 01, 06, 08, 13, 15, 20, 22, 27 and 29.

Kharkiv Oblast Radio:

Broadcasts: from 06:10 to 06:25 on Sunday, with a repeat on Sunday from 15:40 to 15:55.
aired on: September 05,12,19 and 26

Lviv Oblast Radio:

Broadcasts: from 06:45 to 06:55 on Tuesday, with a repeat on Thursday from 06:45 to 06:55.
aired on: September 07, 14, 21 and 28

Rivne Oblast Radio:

Broadcasts: from 20:00 to 20:10 on Thursday, with a repeat on Saturday from 18:30 to 18:40.
aired on: September 08, 15, 22 and 29

Ternopil Oblast Radio:

Broadcasts: from 20:15 to 20:30 on Saturday, with a repeat on Monday from 8:10 to

8:25.

aired on: September 04, 11, 18 and 25

Zhytomyr Oblast Radio:

Broadcasts: on the first and third Tuesday of the month from 18:20 to 18:40, and from 20:10 to 20:30 on the second and fourth Tuesday of the month.

aired on: September 07, 14, 21 and 28

Kherson Oblast TV:

Program “Own Land”

Broadcasts: from 18:35 to 18:50 on Sunday (on “Skifiya” TV channel), with a repeat – on Saturday from 12:30 to 12:45 (on UT-2 channel).

aired on: September 05,12,19 and 26

Odessa Oblast TV:

Program “Your Land”

Broadcasts: from 13:40 to 13:55 on Sunday (on UT-2 (1+1) TV channel), with a repeat – on Wednesday from 06:15 to 06:30 (on 38th channel).

aired on: September 05, 12, 18 and 25

2. Developed the concept and launched the seventh 45-minute TV Forum in the framework of «Silskiy Chas» in Chernivtsy oblast.
3. Open the LACs in Sumy Oct 12 and Poltava Oct 5
4. Prepared the new slots for the TV program «Silskiy Chas».
5. Prepared the new information slots for the AGRONOVINI program.
6. Prepared the next two 10-minute radio programs on the National Ukrainian Radio Channel.
7. Prepared all regular oblast TV and Radio programs.
8. Continued sending letters to the heads of village radas, rayon administrations and oblast administrations, which are included into the Project’s scope of work.
9. Answered the letters coming to the Project.
10. Maintained and developed the ULTI Web-site.
11. Worked with appropriate Ukrainian agencies and other donors/organizations, where appropriate.
12. Conducted monitoring of publications on land issues for ULTI staff in national press

III. SIGNIFICANT ACCOMPLISHMENTS, PROBLEMS, AND OTHER ISSUES

C.

- Updated and signed all Zhitomir oblast cooperation agreements with oblast officials, heads of each raion and each subcontractor in order to continue ULTI support for all unfinished ALT land titling subcontracts through October 31, 2004. These agreements will be unilaterally extended through April 2005 following USAID approval of extension of ULTI land titling funding by issuance of letter from ULTI COP.

- Completed legal and regulatory work plan for 2004-06 during short term consultancy of Leonard Rolfes
- Multiparty cooperation agreements on Zhitomir model have been strengthened to add free of charge title issuance and legal aid center support for use in all oblasts with new land titling subcontracts in 2004-05; First two new sets agreed and in process of signing in Odessa and Chernivtsi in September.
- Planned systematic review and extension through April 2005 of all 99 ALT subcontract that are still in production and need additional time for completion of work. Updating proceeds as contractors report for payments and is substantially complete this month with full completion to follow in August.
- Prepared coordinated ALT subcontracting plan, pipeline and budget for SA prep and issuance for additional 200,000 land shares based on legal aid center expansion work plan for first 6 legal aid centers so that new LAC employees rapidly gain experience in land titling related issues and tasks.
- Completed accounting review and updating of systems; introduced internet payables system and debit card payroll system resulting in significant improvement in administration efficiency and reduction in need to make cash payments for project expenses. System is planned to be expanded to include routine cash paid branch legal aid center operating expenses following test and approval of electronic spreadsheet imports into accounting system during October: completed recruitment of junior accountant to begin work in October.
- Continued collaborative planning with USAID funded agricultural marketing project managed by Land O lakes for related legal aid and titling activities in oblasts and raions where both projects either now work or plan to work in 2005. First joint target is subcontracting of land titling in Hust raion while opening new legal aid center in Zakarpathia in November 2004.
- Completed project management training summer internship for Andrey Lupenko. Andrey is third year economics and finance undergraduate at Kiev university. Andrey is working well with team and extended internship as paid, half time employee working with ALT and LAC program administrators beginning October 1.

IV. NEXT MONTH'S GOALS

Agricultural Land Titling

1. Actively pursue contracting opportunities according to the ALT contracting pipeline and in close coordination with the Legal Aid Centers.

2. Continue activities to speed up ALT progress by working at the raion and rada level.
3. Continue verification and payment activities for existing contracts.
4. Review contractor performance vs. promised production schedules.
5. Continue coordinated work with Public Education, Legal Aid, Regulatory Reform and Problem Resolution Teams.
6. Continue implementing expanded management activities in Zhitomir Oblast.
7. Continue cooperation with World Bank.
8. Resolve issues oblast by oblast as they emerge.

Non-agricultural Land Titling

1. Conduct at least two visits to regional offices.
2. Continue providing assistance to local radas in organization of land auctions.
3. In cooperation with Association of Ukrainian Cities organize seminar on land relations.
4. Prepared concept and work plan outline for systematic pilot SA subcontracts including 1-3 village radas adjacent to raion or oblast center town for implementation through ALT subcontracts as basis of registration law and regulation development with ULTI working group to support GOU pilot systematic first registration efforts.
5. Conduct monthly regional coordinator meeting
6. Assist Public ed team to organize press conference to announce NALT accomplishment of overall SA issuance goal.
7. Prepare orderly phase out of regional coordinator enterprise land sale SA issuance subcontracts by year end 2004

Legal and Regulatory Work and Legal Aid Program

- 1. Prepare comments to the Registration Law and draft implementing regulations with working group.**
- 2. Prepare priority draft laws and comments for new VR session**
- 3. 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.**
- 4. Assist Verkhovna Rada Deputy Tkach, with advocacy on the draft Law on Protection of the Constitution Rights of Land Share Holders.**

5. **Based on inter-ministerial working group resolution, proceed with drafting GOU, WB and USAID 3 party agreement**
6. **Assist Public Education and LAC teams with forums, broadcasts and seminars**
7. **Assist ALT and LAC teams with development of specialized land titling regulations to solve common problem cases such as land with perennial crops, land distributed without complete documents, incomplete land titling contracts financed by villagers and systematic SA issuance to support pilot first registration of agricultural land and built up land in 1-3 pilot village radas**

Program for Legal Aid to Landowners

1. **Official opening of Poltava LAC October 5**
2. **Hold a meeting of LAC coordinators.**
3. **Official opening of Sumy LAC October 12.**
4. Work on creating 6 new centers
 - Conduct interviews and determine winners.
 - Working meetings with oblast officials
 - Develop working plans for new centers
 - Develop the training seminar program for the newly created centers
5. Verification of Zhytomyr LAC.
6. Verification of Odessa LAC.
7. Hold coordinator meeting.
8. Select lawyers for Kharkiv LAC
9. Assist ALT team in selection of villages for land titling subcontracting.

Public Education and Outreach

The PE Team will work on the following objectives throughout October 2004 in order:

- Review 2004 work plan and prepare detailed public education work plan for 2004-06 with participation of short term consultant John Swartzbaugh
- In October the PE&OU team will prepare the following programs:

National TV:

“Silskiy Chas” UT-1 TV-Channel

Will air on October 3,10,17,24,31 at 12:15

National Radio:

“Agronovyny”

Daily, except Saturdays and Sundays on 5:40 and 21:00.

D. “Kolos”

10.02.2004 –6:30-6:40, the Deputy Governor of the Kharkiv Oblast talked about the contribution of ULTI to preparation and issuance of the SA and legal assistance to the villagers of Kharkiv Oblast given by the Kharkiv LAC lawyers.

10.10.2004 - 6:30-6:40, Trozenko, Head of Gadyach Poltava Land Resources expressed his gratitude to the ULTI assistance in financing of the 10,000 SA in his raion, which makes 50% of all SA of the raion. Also he mentioned that it was no case that ULTI specialists were trying to collect info about those who got the SA with the ULTI assistance. He said the rumors about American’s intention to buy the Ukrainian land are pure fiction. Zamykula, Deputy Head of Poltava Oblast Administration mentioned the important role and perfect timing of the free assistance given to the villagers of Ukraine. Shary, the Head of Poltava Land Resources Department said that the rumor about the American’s intention to buy the Ukrainian land is funny and not serious as Ukrainian legislation doesn’t allow that. Tereschuk, the Deputy of the Supreme Rada commented the lifting up of the moratorium on land sales.

Local TV and radio programs:

Radio:

Kherson TV «Skifiya»: «OWN LAND».

Broadcasts: from 18:35 to 18:50 on Sunday (on “Skifiya” TV channel), with a repeat – on Saturday from 12:30 to 12:45 (on UT-2 channel).

Scheduled to air in October: 03,10,17,24,31.

10.03 Andriy Berezniak will tell about the correctness of rendering of notary services.

Kharkiv Oblast Radio: “LAND”.

Broadcasts: from 06:10 to 06:25 on Saturday, with a repeat on Sunday from 15:40 to 15:55.

Scheduled to air in October: 03, 10, 17, 24, 31.

Rivne Oblast Radio: ”YOUR LAND”

Broadcasts: from 20:00 to 20:10 on Thursday, with a repeat on Saturday from 18:30 to 18:40.

Scheduled to air in October: 07, 14, 21, 28.

Zhytomyr Oblast Radio: “NEW LANDOWNERS”.

Broadcasts: on the first and third Tuesday of the month from 18:20 to 18:40, and from 20:10 to 20:30 on the second and fourth Tuesday of the month.

Scheduled to air in October: 05, 12, 19, 26

Lviv Oblast Radio: “YOUR LAND”.

Broadcasts: from 06:45 to 06:55 on Tuesday, with a repeat on Thursday from 06:45 to 06:55.

Scheduled to air in October: 05, 12, 19, 26.

On October 5 will air the program on the topic: «Procedure for distribution of land parcels between land share holders – Lviv’s experience».

Ternopil Oblast Radio: “PRIVATIZATION OF LAND: LAW, PRACTICE, PROBLEMS”.

Broadcasts: from 20:15 to 20:30 on Thursday, with a repeat on Monday from 08:10 to 8:25.

Scheduled to air in October: 07, 14, 21, 28.

- To develop the concept and launch the eighth 45-minute TV Forum in the framework of «Silskiy Chas» in Kharkiv oblast.
- To organize the task N2 for the volunteers in Sumy oblast.
- To open the LACs in Sumy on **October 12** and Poltava on **October 5**
- On **October 1** to organize the ULTI titling ceremony in Zitomir oblast, Singurivska village rada, Singury village.
- On **October 7** to organize the press conference for Cristopher Crowley
- On **October 14** to prepare the one-year anniversary program for Kherson oblast TV program.
- On **October 19** to organize jointly with CURE the seminar for the journalists of Lviv, Ternopil, Zakarpattya and Rovenska oblast in Lviv.
- On **October 28** to prepare the live radio program on Kharkiv radio.
- To prepare the new slots for the TV program «Silskiy Chas».
- To prepare the new information slots for the AGRONOVINI program.
- To prepare the next two 10-minute radio programs on the National Ukrainian Radio Channel.
- To prepare all regular oblast TV and Radio programs.
- 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.
- To answer the letters coming to the Project.
- To maintain and develop the ULTI Web-site.
- To work with appropriate Ukrainian agencies and other donors/organizations, where appropriate.

- To conduct monitoring of publications on land issues for ULTI staff in national-level press.

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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 July 1 through September 30, 2004. The report highlights significant work undertaken and accomplishments realized.

PROJECT ACTIVITIES

AWC Start of Operations

AWC started its operations as a limited liability company replacing WAJ/Aqaba on August 1, 2004. It was decided that the company have a “soft” rather than highly publicized opening.

TAPS Post Effective Date Support:

TAPS Support Request

AWC management recognized the importance of TAPS role in providing the company with technical support, particularly during the start up phase. Therefore, it was decided during the 3rd MC meeting that formal approval for this assistance be obtained from the Ministry of Water and Irrigation.

Identification of Support Areas

Initial discussions with USAID, MWI/WAJ and AWC management were held addressing the support that the TAPS project would be providing to AWC after the effective date. Areas were identified where AWC would need technical assistance and included: Management Information System, financial system implementation, AWC employees compensation package implementation assessment, public information and customer relations related strategies, utility management, Business Plan review and update, operations safety technical

assistance. Additionally, tasks as per the DA and AA were extracted by TAPS upon AWC's request and a corresponding schedule for completion developed. According to the tasks identified as priorities for AWC, relevant scopes of work and country clearances for consultants were prepared and submitted to USAID by Chemonics on August 11, 2004.

TAPS Office at AWC

The local TAPS team received permission to set up an office within AWC premises. It was agreed that office equipment and furniture be provided by TAPS including a work station, private telephone line and separate ADSL internet service. Office make-ready was completed in advance of September fieldings of the ST team. In exchange, AWC requested that key staff employees have access to TAPS office at the Ministry in order to process AWC tasks and activities requiring office space and facilities.

TAPS Local Team Work Routine

The team has spent an average 2-3 days weekly at AWC in support of company activities, with the remaining work week spent at the TAPS office in Amman. Weekly progress reports have drafted by the LT project manager and submitted by Chemonics to USAID. From Amman the local TAPS team has also assisted AWC in locating and obtaining quotes for services and materials providers.

TAPS TA End of Contract

On August 1, 2004 Jose Valdez ended his contract period with Chemonics International as TAPS Technical Advisor. As of said date, in-country oversight of the implementation of TAPS role became the responsibility of the TAPS local engineer, now LT project manager.

Conditionality for USAID

In order to pressure other Jordanian organizations (e.g. the Ministry, or ASEZA) into supporting AWC, ASEZA would identify areas in which it would need support and pass them onto USAID by October 2004.

PROJECT DOCUMENTS

Development Agreement (DA) and Assignment Agreement (AA)

Following approval by the Council of Ministers (COM), both documents were finalized and distributed to the Management Committee (MC) members, and AWC management.

Business Plan (BP)

Mr. James Baker, TAPS PSP Specialist completed the incorporation of input received from the MC members and AWC company management during the 3rd MC meeting. The updated version of the document was submitted by Chemonics HO to both USAID and AWC Management on August 6, 2004. Upon the MC's request, TAPS will be working, in coordination with the MC and company management, on a revision of this document and an evaluation of the assumptions therein in order to produce an amended version before the end of 2004.

Employee Bylaws

During the 3rd MC meeting, the MC reviewed a final version of the Employees Bylaws, changing the title to “The Internal Bylaws for the Employees.” Amendments were incorporated into the English translation of this document which was then sent to both USAID and Chemonics HO by TAPS on July 22, 2004.

Customer Service Procedures (CSP’s)

AWC management and the TAPS team met with ASEZA’s Director of Physical Planning on July 14, 2004 to address and settle issues requiring clarification/agreement. Necessary revisions were made and the final version of the document was approved by the MC during the 3rd meeting held on July 22, 2004.

Customer Service Procedures& Procurement/Purchasing Procedures & Regulations

In accordance with a decision by the MC during their 3rd meeting, it was agreed that AWC translate both documents into Arabic. It was also decided that the Arabic version should prevail should there be any conflict between the translated documents. The Procurement/Purchasing Procedures & Regulations were approved by the MC during the 2nd meeting held on July 10, 2004. AWC is still in the process of translating these documents into Arabic.

Amendment of DA Article 6.4.1 (WUP fees)

It was agreed that TAPS local legal advisor would draft a letter to be co-signed by ASEZA’s Chief Commissioners and the Chairman of WAJ BOD to inform the COM of the amendment and to include the text of the amendment. Further work on this issue was to take place next month.

PROJECT COMPONENTS

Business Plan

Mr. James Baker, TAPS PSP Specialist

After completing the provisional BP in June, incorporating all relevant feedback, Mr. Baker was fielded to TAPS on July 21, 2004 to present and discuss the plan in the 3rd MC meeting. Additional input was received and incorporated from WAJ and the MC during the meeting.

Institutional

Mr. Anthony Stellato, TAPS Institutional Specialist

Mr. Stellato’s first assignment this quarter focused on revising the “Employees Bylaws” document and the preparation of an “evaluation document” identifying weak areas and areas of departure from best practices. He was also tasked to prepare a presentation for the MC (to be presented in the 2nd MC meeting) of the work he performed under the institutional component including the “Organizational Structure & Staffing Plan” report and the “Benefits & Pay Plan” report. Due to time constraints he was unable to make his presentation. Work also continued on completing the updates needed for employee wage base and range, as well as an analysis on the wage and benefit package. In September, Mr. Stellato continued work in this component, fulfilling a scope of work which

included:

- Updating the organizational staffing plan.
- Revision of AWC Employee By-Law provisions.
- Identification and budgeting for new hires (2004, 2005, and 2006).
- Conducting a preliminary assessment of FAS HR/payroll systems' operational status.
- Assessing new WWTP staffing needs.
- The identification of a short-term local HR specialist to assist AWC in an acknowledged company weakness in the field of HR.

Legal

Mr. Jerome Donovan, TAPS Legal Specialist

Mr. Donovan's assignment this quarter focused on establishing a list of conditions precedent that needed to be fulfilled prior to the starting date, identifying which conditions could be deferred and which ones had to be satisfied before said date. Once this was done, he proceeded in preparing amendments to the agreements (AA & DA) for the conditions that would be deferred. The list was presented by TAPS to the MC during the 3rd MC meeting where it was decided that no deferment was necessary. No relevant amendments were to be introduced to either document.

Financial

Mike McLindon, TAPS Financial Consultant

Work this quarter was focused on ensuring that the new Financial and Accounting System will provide the adequate information and data to develop the Business Plan, to update the three-year-budget for AWC, with an emphasis on the analysis of the results, and use such results to develop a financial strategy that is coordinated with, and supportive of, the AWC Business Plan. Additionally, a strategy was prepared to address high depreciation rate of AWC assets. Ongoing support and assistance was provided to the newly established AWC Financial Division. In September, Mr. McLindon fulfilled scope of work requirements which included drafting the AWC Financial Strategy and updating the AWC Budget, conducting an initial briefing with the AWC Financial and Administration Manager to outline assignment and necessary synergy, and requested information from the FAS project in order to best meet assignment deliverables.

Discussions were also held on the financial implications of the start-up of the new WWTP and reconfiguring the Disi pumps to save electricity costs. In the area of financial training, Mr. McLindon revised and updated the financial training material to be delivered to AWC accounting staff, including budgeting and financial analysis. Upon AWC's request for assistance in exploring depreciation options, the financial consultant held discussions with the local financial specialist, Mr. Abdel Ghani Hijazi, over the depreciation options and policy.

Customer Service and Community Relations (CSCR)

John Woods, PSP Communications Specialist

Work in this component began in September as the first in a series of assignments offered to provide the GM and Executive Management Team with support in the area of public Information and community relations to help ensure AWCs effective and successful

management and operation. Objectives included assisting AWC management in preparing a strategy and framework for the dissemination of public information to AWC customers and community and working closely with the General Manager to establish priorities to be outlined in a preliminary workplan and set of recommendations on proposed activities for the programs. Additionally, the development of an AWC website was initiated.

Operations and Maintenance

Terrence Driscoll, PSP Specialist Industry Engineer

Objectives in this component were focused on evaluating and assessing safety procedures currently in place for AWC, and to recommend international best practices for safety in operation and maintenance of water and wastewater systems. However, upon request by the AWC GM, based on AWC's priorities TAPS O&M assistance shifted to assessing WWTP staffing and training requirements, means of improving electrical efficiency and reducing electrical costs in Disi well field operations, and the Smart Meters Proposal. A report summing up the recommendations on the three tasks was prepared and submitted.

Corporate Utility Management

Harold Gorman, Senior Utility Management Specialist

Objectives in this new component were focused on providing the AWC Executive Management Team recommendations on industry best practices in the oversight of administrative and financial management, utility planning, procurement and systems operations and maintenance. This consultancy was the first of a series offered to provide the GM and Executive Management Team with support to help ensure AWC's effective and successful management and operation. Presentation and discussion the Assessment Tool results with AWC GM were held. According to the tool, AWC was ranked as a Competitive Utility and opportunities to improve to the Competitive level were also discussed. The consultant proposed undertaking special tasks as assigned by AWC GM to evaluate Smart Meters Proposal and Disi well field pump system as well as to review the new WWTP start up program. The GM was advised on revision of the DA, AA and Bylaws for impact on management issues.

MEETINGS/WORKSHOPS

Management Committee Meetings Participation and Facilitation

The TAPS team participated and assisted in the logistical coordination of the two MC meetings that took place this quarter. TAPS:

- Identified issues of priority to be included in the agenda (in conformance with the work schedule and progress requirement.
- Provided the attendees with proper consultations and clarifications on technical, legal and other matters.
- Presented ST consultants' work to the members as appropriate.
- Prepared meeting minutes and followed up the consequent administrative work.

AWC Employees Meeting Participation and Facilitation

The TAPS team participated in a two-session meeting between the AWC management and employees that took place on July 14 and 15, 2004 in Aqaba. The purpose of this meeting was to:

- Introduce the new company.
- Present the new management team and the MC.
- Present the advantages and benefits of working for the new company.
- Present the new employment package, including the salary structure and benefits.
- Present the company “Internal Bylaws for the Employees” as well as other procedures and regulations.
- Introduce and start to implement the employees transfer process.

The TAPS project engineer presented a historical background of the transaction and TAPS role in each stage including preparation of the prefeasibility study, negotiations and signing of the MOU between WAJ and ASEZA, preparation of core documents and principal agreements, and preparation of internal company procedures and regulations. The event was administered and logistically supported by TAPS.

AWC Conference September 14, 2004

On September 14, 2004 AWC held its first public conference with Aqaba Governorate top officials, community leaders and company managers. The purpose of this conference was to introduce AWC to the community and to explain the corporatization of WAJ/Aqaba.

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

This is the seventh quarterly report for the **Bolivian Trade and Business Competitiveness** (BTBC) project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International, Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date has been extended from December 31, 2004 to March 31, 2005.

The project’s overall objective is to help Bolivia reduce the poverty level through greater investment and employment creation, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute in creating this “productive environment” include:

Effective institutional, legal, administrative and regulatory conditions;

Development of human resources, especially in the area of foreign trade and negotiation, and;

Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the Andean Trade Preferences and Drug Erradication Act (ATPDEA).

- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level, and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale. This area of activities has been completed, with the presentation to USAID/B - in Q5 - of the BTBC Phase II Conceptualization Paper.

SECTION II

Key Achievements During the Quarter

A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening

A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus

All components of the communications campaign are now fully operational. Key achievements during this quarter include:

- The mass media component – including TV spots, radio jingles and newspaper ads - has been intensified after a period of inactivity in July, during which we decided not to try to compete with the Hydrocarbon Referendum. The mass media campaign will now continue until the end of October. We decided not to go beyond that date because November will be saturated with political propaganda, given the municipal elections on December 5th.
- We organized two set of public seminars on trade issues, with good attendance and participation from both the public and the private sectors.
 - Presentation and Debate on “Public Policies for the Promotion of Exports”, starring Minister of Economic Development Horst Grebe. There were three events, held in the cities of La Paz, Cochabamba and Santa Cruz on July 16th, 17th, and 18th, respectively.
 - Presentation of the Study on the FTAA and its Impact on the Economy of Bolivia, held in the cities of La Paz, Cochabamba and Santa Cruz on September 1st, 2nd and 3rd, respectively.
- The website and DATAROOM of the campaign started operations at the following address: www.boliviaexporta.com,

A.2. Training Course for Bolivian Negotiators: Strengthening Bolivia’s Capacity to Negotiate Trade Agreements

Some of the participants in the training course concluded last quarter were incorporated into the Bolivian team that is participating in the negotiating rounds of the Free Trade Agreement between Andean countries and the US; process in which Bolivia is in attendance as an observer. Of the approximately 25 team members, six graduates from our course participated in the Lima Rounds between July 25 and 29, and this number might increase in the following rounds.

A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto

Having completed the design of this high-level management course last quarter, as well as the selection of the 35 small and medium enterprises (SMEs) that would participate in

the same, the following four-programmed training modules were executed between the months of July, August and September:

1. Accounting and Basic Finance
2. Marketing
3. Entrepreneurial Strategy
4. Management and Leadership, and
5. Business Simulation Workshop

One of the most noteworthy and highly regarded features of this course was that classroom sessions were followed up with visits by instructors to each of the participating SMEs in order to verify the correct implementation of lessons learned. These visits resulted in improved diagnosis of particular problems or issues and in actual improvements to efficiency and productivity.

Even though ten participants dropped out of the course, the remaining 25 SME managers who managed to conclude it were highly motivated and impressed by the results obtained in the areas of management skills, analysis and problem-solving, and leadership abilities and attitudes. The experience was also very highly regarded by the Master's Program of Universidad Católica Boliviana, as a way to bring the university closer to real-life experiences.

A.4. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends

At the request of the National Chamber of Exporters, BTBC is funding this study, aimed at gathering information about the employment generated by the export manufacturing sector of Bolivia. Results are expected by the end of 2004.

B. Activities to Stimulate Production and Exports

Continued technical assistance this quarter resulted in important gains in productivity, employment, production, and exports. The average employment in this quarter rose significantly, with regards to last quarter, considering assistance has been provided to new companies in all sectors, particularly in the fine fibers sector. Exports in the quarter have reached an additional \$1.5 Million, and approximately 50 new SMEs have been subcontracted by exporting firms.

Overall, since its inception, BTBC's technical assistance program to more than 50 companies has been instrumental in generating over \$11 million in additional exports and over 1,400 new jobs. These new jobs have resulted in 2,100 additional indirect jobs, and considering that the average family size in Bolivia is of 5 family members, the multiplier effect of these new jobs has benefited 7,000 people.

Also, considering that BTBC supports SMEs initiating in the exporting process, and have mainly local sales that have been impacted by the technical assistance program, we are

including this new indicator, which shows that additional local sales have reached an approximate value of \$200 thousand. Furthermore, 100 SMEs have been incorporated into the production chain under subcontract for larger exporting companies.

Throughout the technical assistance program, strong emphasis has been placed on on-site training of new and old workers, as well as offering special workshops on specific areas such as patterning and design, quality control and production systems; resulting in training for more than 3,000 people.

Finally, due to the significant impact the technical assistance program has generated in the number of people trained and local sales, figures for these two indicators have been included in the following chart.

Estimated Cumulative Results in Support of the Productive Sector to September 2004*

<i>SECTOR</i>	<i>New Jobs**</i>	<i>New US\$ Exports</i>	<i>New Local Sales</i>	<i>New SMEs subcontracted for export</i>	<i>People Trained</i>
Textiles and Apparel	455	2.891.614	126.250	27	957
Fine Fibers	79	204.496	17.190	6	184
Secondary Wood Products	722	2.466.279	53.000	23	1.649
Jewelry	108	5.576.631	0	0,00	156
Leather Products	101	609.396	2.459	44	199
TOTAL	1.464	11.748.416	198.899	100	3.145

* Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported.¹

B.1 Textiles and Apparel

B.2 Secondary Wood Products

B.3 Fine Fibers, Leather and Jewelry

¹ For example, say a company had a baseline of 40 employees in January, before BTBC began assisting them. Suppose in February they had 70 workers, in March 90, in April 80, May 50, June 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be $120 / 5 = 24$ new jobs created.

SECTION III

Detailed Quarterly Results

A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening

A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus

All components of the Communication Campaign are now fully operational, including the airing of spots in national TV, radio jingles and newspaper ads; public seminars in the country’s main cities, and a working website/Data Room whose operation has been turned over to the Chamber of Exporters. The baseline national survey has also been completed and will be used to measure campaign impacts.

This report about the Communication Campaign activities will cover the following areas: i) supervisory activities; ii) public education/information events, and iii) impact evaluation mechanisms.

A.1.a Supervisory Activities

- Distribution of campaign posters directly and through the six chambers of exporters.
- Supervision of airing of TV spots and jingles in the national mass media.
- Periodical meetings to examine contents and technical scope of the Data Room.
- Training for the administration of the Data Room, tool reception, data update, collection of information to update the system, distribution of responsibilities between BTBC and CAMEX for management and operation of the Data Room, and follow up and update of its operation.
- Generation of a database for event guests and logistical organization of seminars (supervision of printing and distribution of invitations for the events, seminar evaluation meetings, etc.) in coordination with the Export Chambers of La Paz, Santa Cruz and Cochabamba.
- Report on the current state of expenditures and progress of the Communication Program.
- Update and amendment of the Tironi & Asociados subcontract in order to reflect adjustments in activities and budget execution.

A.1.b Public Education/Information Events

The series of public education/information events was initiated this quarter, having completed two of the six events planned.

- **Discussion Forum on “Public Policies for the Development of Exports”**

This opening event was held in the cities of La Paz, Cochabamba and Santa Cruz on July 16, 17 and 18, respectively. It set the stage for the rest of the series by providing the government and the private sector with a forum in which to present their positions with respect to the importance of exports to the Bolivian economy and discuss public policies that should be used to promote them.

The event was very successful in attracting the government authorities responsible for export promotion: Minister of Economic Development Horst Grebe was the keynote speaker in the three sessions, and Vice Ministers Ana María Solares (Industry, Commerce and Exports), Carlos Tadic (Micro and Small Enterprise) and Victor Barrios (Agriculture, Cattle and Fishing) also participated. The private sector speakers included the president of the Chamber of Exporters of La Paz, the president of the Chamber of Exporters of Santa Cruz, and other distinguished entrepreneurs.

There were a total of 308 attendees in the three events: 130 in La Paz, 70 in Cochabamba and 60 in Santa Cruz. These included local and national government, academia and private sector. Over a dozen media representatives attended each of these sessions and provided ample coverage.

Because of their significance, we hereby provide some of the main conclusions derived from the event:

1. After years of economic stabilization programs, the government's philosophy is changing to a more proactive public presence in order to facilitate Bolivia's participation in international markets.
2. The four priority sectors to stimulate economic growth and exports are hydrocarbons, new mining, manufactured products and tourism.
3. In order to reach 10 billion dollars in exports by 2010, the following is required:
 - a. New financing mechanisms.
 - b. To institutionalize a system to harmonize and boost export policies, between the private and public sectors.
 - c. The productive and competitive convergence between the internal and the external market. It is necessary to be competitive domestically in order to combat contraband and improve exports.
 - d. A change of attitude towards more innovation on the part of the entrepreneur and defense of their workplace, on the part of labor.
4. The government plans to act or intervene in the following areas:
 - a. Preserve macroeconomic stability, not as an end in itself, but as an instrument to encourage investment and growth.
 - b. Active policies to support and foster productive transformation and a new system of export-financing.
 - c. A system to monitor and evaluate public policies.

- d. The focus on productive chains is correct as long as participants are willing to assume their commitments; it is necessary to create adequate management mechanisms to accomplish this goal.
 - e. It is not possible to specialize in everything. We need to prioritize what sectors will be supported.
 - f. We need to take advantage of existing trade agreements, and extend these to new markets.
5. Private sector proposals:
- a. An institutional and political will is required to support exports. The government should intervene firmly in areas like: export and investment promotion, sector development policies; facilitation of export activities, and elimination of anti-export tax biases.
 - b. Special support for development of SMEs. The modern SME shows an attitude for innovation and business organization.
 - c. Financing is a bottleneck; access to financing is absolutely necessary to reach greater levels of exports.
 - d. Legal security is necessary to promote domestic and foreign investment.
 - e. Effective fight against contraband.
 - f. Pilot program to support export companies, especially SMEs, based on successful export experiences.

- **Presentation of the *Impact Study of the FTAA on the Bolivian Economy***

In consultation with the chambers of exporters and with USAID/Bolivia, BTBC decided to include dissemination of its two sector studies on the impact of trade liberalization as part of the public education events of the Communication Program.

The first to be presented and publicly discussed was the *Impact Study of the FTAA on the Bolivian Economy*, held in Santa Cruz on September 1st, in Cochabamba on September 2nd, and in La Paz on September 3rd². The

presenters were the authors of the study: Gustavo Svarzman, Pablo Garcia and Juan Carlos Requena, who were joined by a group of distinguished commentators from the public and private sectors, including the president of CADEX; the general manager of IBCE, the Vice Minister of Industry, Commerce and Exports, and the dean of the Universidad Privada Boliviana.

The three presentations of the study summoned a total of 114 guests, of which 45 in Santa Cruz, 35 in Cochabamba and 34 in La Paz, representing different areas of production, public administration, academic sector, civil society and the international donor community.

At the end of the presentation in La Paz we held a technical workshop for those interested in going more into depth regarding the statistical model used as a basis for the study. Attendees to this workshop included the Unit of Economic Policy Analysis (UDAPE), the Vice Ministry of Tax Policy, the National Institute of Statistics (INE), the Vice Ministry of International Economic Relations, the Vice Ministry of Industry, Commerce and Exports, and the Institute of Social and Economic Research of the Universidad Católica Boliviana.

Among the most representative reactions of participants to the presentations of the study are the following:

.....in the immediate past the international insertion of the country has not changed. Our income came largely from drugs and international charity, which has had a direct consequence on our position in the world. For the future, we should transform our image from that of a poor country looking for handouts to that of a serious trading partner.

..... The third strategic sector is manufacturing. In contrast to hydrocarbons and minerals, that do not generate massive employment, the production of textiles, apparel, leather products, wood, jewelry, crafts, etc. is labor-intensive. That is to say, the transformation of basic products into goods with added value.

.....We have the markets necessary to reach the proposed goal of 10 billion dollars in exports in the next six years. It is doable if we maintain the export growth rates of 2003 and 2004, and add new exports from the hydrocarbons and mining sectors.

Dr. Horst Grebe
Minister of Economic Development

² The other study is specifically about the prospects of the soybean sector given growing trade liberalization in the region.

- There is an evident concern in relation to Bolivia's absence in the negotiations of the Free Trade Agreement between the US and countries of the Andean Community of Nations. This situation is highly damaging to the country because of the difficulty of preserving the trade access and preferences that Bolivian exports enjoy *vis a vis* exports from third countries, thanks to the ATPDEA.
- Some civil society organizations voice grave concerns about Bolivia's entry into the FTAA, and now have begun to protest against the possible subscription of a FTA with the United States. The underlying debate is about how Bolivia is to participate in a growingly interrelated world economy.
- Much of the business sector considers it very serious if the country isolates itself, because it risks losing important markets and even greater opportunities, as well as access to financing and to international donors.
- Some private representatives believe that the government does not participate fully in the negotiations with the United States because of pressure by certain political organizations.
- It is inevitable that – as trade liberalization progresses through agreements such as CAN-MERCOSUR, CAN-USA and FTAA – Bolivia's current preferential trade access will be eroded. Thus it is essential to look for new markets, diversify exports and, most importantly, improve productivity and competitiveness.
- The argument that opening markets has a beneficial effect on smaller economies has failed because these economies don't have the capacity to take advantage of the broader markets, which are saturated by exports and subsidized agricultural production.
- The private sector is making its own efforts to improve production and productivity, but the government is not doing its part in relation to basic tasks such as investment in technology, infrastructure, export promotion, and fundamentally, creating the conditions of stability to motivate private investments.
- Even if new markets are opened through negotiation, it is difficult to plan ahead because the country lacks an exporting strategy, a long-term vision, and predictable economic growth policies.

A.1.c Impact Evaluation Mechanisms

In July we presented the results of the survey on "Perceptions and attitudes against the Free Trade Agreement (FTA)", conducted last quarter in La Paz, El Alto, Cochabamba, Santa Cruz and Tarija.

The survey sought to identify perceptions and attitudes about the economic situation of the country and about Bolivian trade relations, particularly in relation to a Free Trade Agreement with the United States and in relation with the Andean Community and with Mercosur.

The target group consisted of adult men and women in five socio-economic strata: high, medium-high, typical-medium, medium low and low. The type of survey sample was conglomerates with random selection of areas and neighborhoods and systematic selection of home and interviewee. The size of the sample was 2000 (400 per city), with a margin of error of 5% per city.

Consequences of not participating in a Free Trade Agreement with the United States

- Possible loss of tariff preferences and markets.
- The Bolivian economy by itself is too small to generate an industrial development that guarantees employment, income and improved quality of life.
- Become isolated from the exporting circuits in those areas where we are concentrating our efforts.
- If we delay, when we realize our mistake we will have to resignedly accept whatever trade agreement is out there, having lost the chance to negotiate in good terms.

Actions Required

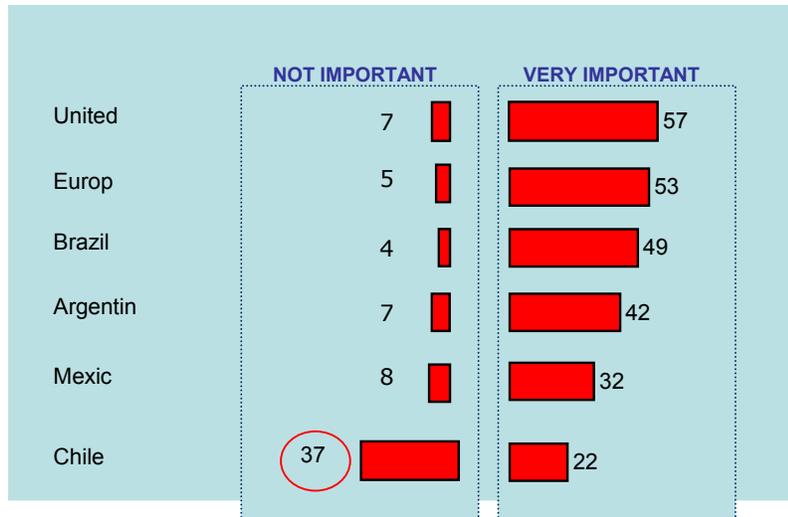
- Immediately enter into negotiations of the FTA with the US.
- Seek ways to maintain our preferential status in the context of the agreements currently being negotiated by MERCOSUR.
- Seek free trade agreements with Central America, a region with good potential demand for Bolivian products.
- Negotiate agreements with Europe, Asia, Russia and Japan in order to diversify markets and supply.
- Promote a new attitude of companies towards society in order to improve their public image.
- Public education to overcome false concepts that are being promoted against the free market.
- Help the government assimilate the impact of making the decision to participate in the negotiations.

Guillermo Pou Mont
Vice President of CAMEX

In the following figure we show the importance that Bolivians concede to trade relations with the US:

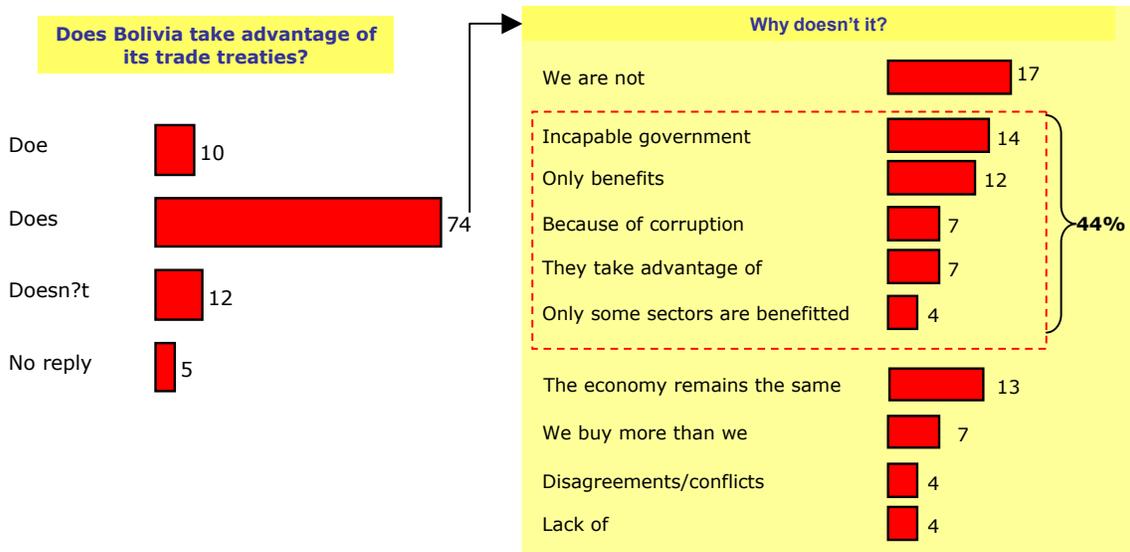
Importance of our Trade Relations with...

PERCENTAGE OF THOSE WHO BELIEVE THE RELATION IS ...

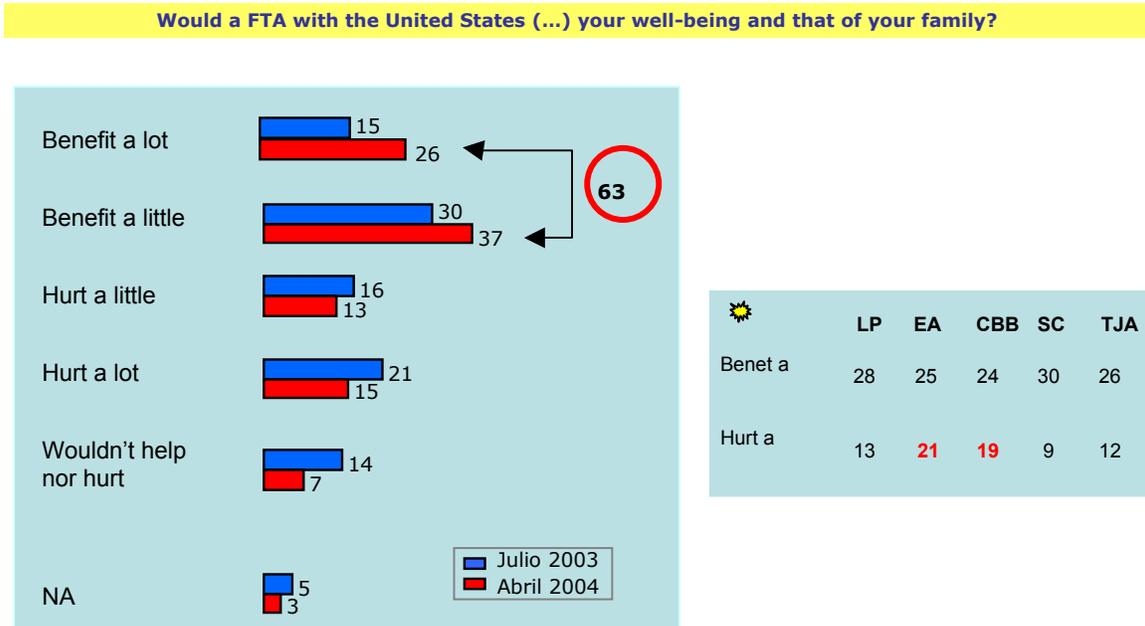


Another important revelation of the study is the one referred to the use of commercial agreements whose data are shown in the following chart:

Bolivia and its Trade Treaties

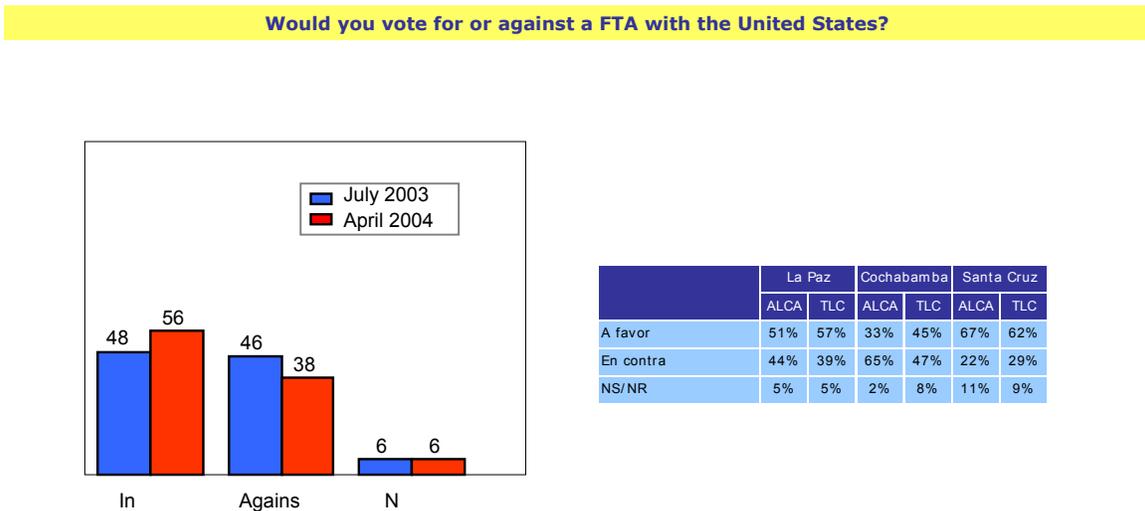


With respect to people's perceptions regarding the FTA and the way in which these have changed from a previous survey carried out in July of 2003, the following figure shows us the positive change of attitude:



The survey shows that around 63% of the interviewed population considers that the signing of a FTA with the US will benefit the country between a lot and a little,.

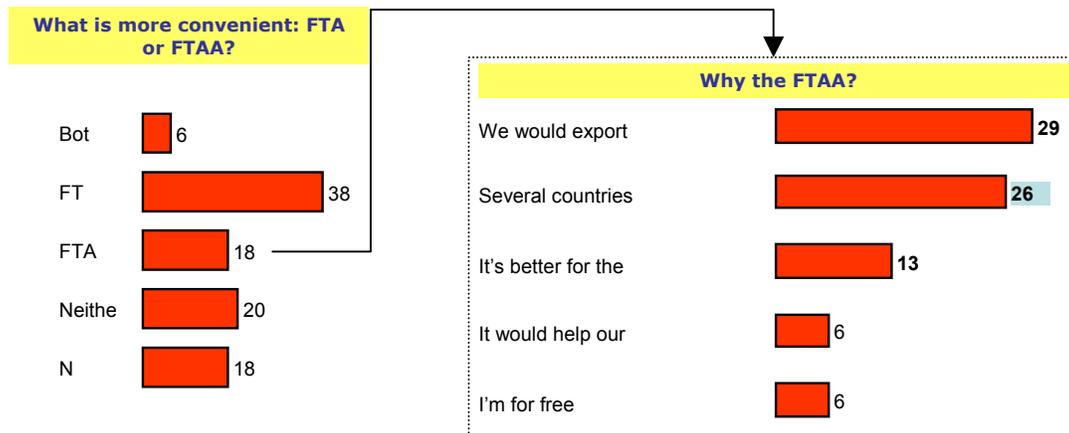
The survey then compares attitudes in July 2003 regarding the FTAA and in April 2004 regarding a FTA with the U.S. Interestingly enough, in April 2004 38% of those interviewed responded that the bilateral scheme is more convenient for Bolivia, compared to 18% that said the FTAA was more convenient.



The following figure shows why those interviewed consider that the FTA is more beneficial for Bolivia.

P28-

Attitude towards a FTA Why is it more convenient than the FTAA?



Given the importance of these perceptions, not only to guide the activities of the Communication Program, but also to provide the Bolivian Government with useful decision-making information, the study was presented to Vice Minister Ana María Solares and to the national negotiating team on July 23rd, hours before their trip to participate in the Lima Round of the CAN-U.S. trade agreement negotiation.

The results of the survey were also shared with the U.S. Embassy in La Paz and disseminated to the Bolivian press, which gave them significant coverage.

A.2. Training Courses for Bolivian Negotiators: Strengthening Bolivia's Capacity to Negotiate Trade Agreements

The training program for international Bolivian negotiators was concluded at the beginning of this quarter, with the workshop: "Impact Analysis of International Trade Negotiations", celebrated in the city of Sucre between June 26 and July 2nd.

The workshop provided 60 hours of instruction and negotiation practice over an eight day period. The instruction focused on issues and methodologies for developing and assessing alternative negotiating positions in the current negotiation context, and in balancing options and evaluating trade-offs in terms of benefits and drawbacks for

Bolivia. This workshop utilized specific sector situations in the current Bolivian economy as the basis for the practical exercises. Based on consultations with the Chemonics project manager, FIU presented a thorough and realistic approach to alternative methods for analysis of the impacts of different trade negotiation strategies and outcomes. Participants were provided with a manual of background and preparatory readings prior to the opening of the Workshop and were requested to review and study these materials in their off-hours during the first two days of preparatory presentations.

FIU's training methodology consisted of 20 class hours of preliminary briefings and instruction and approximately 40 hours of simulated negotiations based on previously prepared materials covering actual factual and statistical information on three areas of the Bolivian economy: agroindustry, with emphasis on the oleaginous sector; manufactures, with emphasis on the textile sector, and intellectual property rights, plus a fourth dossier on positions of Bolivian civil society.

The workshop featured a specially designed negotiation problem based on the FIU trade training team's prior analysis of the mentioned Bolivian economic sectors and the civil society positions. The parallel context was the ongoing FTAA process and more particularly, the eventual Bolivian adhesion to the separate US-Andean FTA negotiations in early 2005. The Workshop objective was to develop a simulated unified national negotiating position.

USAID CTO Denise Fernandez attended several workshop sessions as did USAID/Bolivia Deputy Economic Opportunity Sector Officer Margaret Enis. They were briefed and discussed the workshop purposes, methodology and context with Carl Cira, Rodolfo Rua and other FIU/INTEGRAL instructors, as well as with Walter Nuñez, who was present and participated throughout the Workshop and served as a resource and facilitator as well.

At the end of the workshop, a special seminar was organized to assess the content and objectives of the entire training program. Government authorities and business leaders from the participating private organizations were invited to the seminar. The workshop closing ceremony on July 3rd was attended by Mr. Victor Barrios, Viceminister of Agriculture, Livestock and Fisheries, and by Ms. Margaret Enis from USAID/Bolivia.

Mr. Isaac Maidana, Vice Minister for External Economic Relations, joined the group the next morning and contributed to the course by providing an extensive briefing on the status of negotiations regarding the FTAA and other regional agreements. He in turn was provided with a detailed report on the structure and content of the course, as well as on the progress achieved by the participants. Vice Minister Maidana highlighted the importance of the course in identifying and preparing new potential participants for Bolivia's negotiation teams.

Here is a brief summary of the results of the entire training program for trade negotiators:

- A total of 190 hours of instruction and negotiation practice over three eight-day periods. Courses on Trade Negotiation Skills, Market Access in the FTAA and Impact Analysis of Trade Agreements.
- Instruction provided to 42 Bolivian professionals, 27 from the public (19 of which from the Ministry of Foreign Relations), and 15 from the private sectors of La Paz, Cochabamba and Santa Cruz.

A.3. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

On September 6th Viceminister Ana María Solares was unexpectedly removed from office and Mr. Juan Carlos Iturri was sworn in as the new Vice Minister for Industry, Commerce and Exports. Soon after Mr. Iturri took office, the USAID/Bolivia EOSOT and BTBC teams arranged a meeting to discuss with him, among others, all matters pertaining to the strengthening of the intellectual property rights regime in Bolivia. Mr. Iturri acknowledged the importance of the topic and assured us he will give priority to the SENAPI reform process and to the approval of a Supreme Decree which clarifies Bolivia's adhesion to Andean Community legislation pertaining to intellectual property rights.

A.4. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto

Between the months of May and July, the Universidad Católica Boliviana "San Pablo", through their Master's Program for Development, worked in the different steps necessary to carry out the course of Strategic Management for SMEs of El Alto. These steps consisted in identifying the universe of SMEs, defining the selection criteria for their participation in the course, and designing the structure and content of the course itself.

After a rigorous and professional selection process, the training program in Strategic Management for El Alto SMEs began towards the end of July, with 35 companies.

Selection Criteria

- Predisposition to learn and to implement modern managerial technologies. This was determined through an in-depth interview with the owner or manager of the SMEs.
- That the company be at least five years old
- That the number of employees be seven or more.
- That the shops be located in the city of El Alto
- That the activity be production of goods or services

Selection Process

Working with public and private institutions with presence in El Alto – such as chambers and association, micro-credit and training institutions, and local government - the UCB

team was able to develop a database of close to 500 SMEs. From this universe it was possible to identify 178 units that initially met the selection criteria.

The 178 units were contacted and the training program's objective and scope was explained. Sixty-four companies showed an interest in participating. Specific visits were then carried out to interview the owner or manager of each one of the 64 firms, after which only 35 SMEs remained, divided in the following sectors:

Sector	No. of Companies	Percentage of Companies (%)	Total Employees
Apparel	15	42	145
Metal-mechanic	5	14	25
Wood	4	11	38
Textiles	3	9	36
Food	3	9	26
Handicrafts/Pottery	2	6	42
Polymers/Plastics	1	3	10
Shoes	1	3	6
Mining	1	3	14
TOTAL	35	100	342

As can be seen, the bulk of the selected SMEs (67%) are in the areas of apparel, wood production and metal-mechanic, which reflects the fact that these sectors represent 62% of establishments in El Alto.

Diagnosis of the SMEs

Once selected, the 35 business owners were diagnosed for their management capabilities in two areas: operations, particularly accounting and marketing, and strategic vision and leadership.

The diagnoses revealed the following deficiencies:

- Lack of long term, strategic vision for the development of products, broadening of markets and improvements in productivity.
- No analysis of the industry or sector where they operate
- Little capacity to interpret the value of the productive chain and their particular role in it.
- Ignorance of the organizational structure of their industries.
- Product imitation rather than diversification, reduction of costs and/or specialization.
- Concept of leader as a hero and irreplaceable manager.

- No motivational labor policies to generate abilities and commitments from their employees.
- Hardly any marketing practices and tools, which they consider a cost rather than an investment. They expect demand to come knocking on their doors.
- Accounting and financial management is precarious in more than 90% of the companies.

Academic Design of the Program

The academic program of the course was designed by emphasizing that the contents be highly practical and useful for participating SMEs. In this sense, a challenge of particular importance was the adaptation and/or redesign of the contents of the graduate program in business management from the UCB, to the technical level of the participants.

The course had two central components: i) The training component and, ii) The personalized counseling component.

The Training component consisted of the following modules:

- Accounting and Basic Finances for SMEs Managers (12 working sessions, held on July 26-29)
- Marketing and Sales (12 sessions, held on August 16 and 17)
- Business Strategy (12 sessions held on August 18 and 19)
- Management and Leadership (12 sessions held on September 13 thru 16)
- Business Simulation Module (from October 4 through 6, in the laboratories of the Universidad Catolica)

The Personalized Counseling Component consisted of visits and counseling to each of the SMEs at the end of each training module. This meant that the UCB professors practically had to work full time with the companies from the month of June through October 15.

Each one of the SMEs that have concluded the course will have counseling from UCB professors, constituted as “Members of the SME Board of Directors”.

Some preliminary conclusions

The attendance of participants to the four modules has surpassed 81% in all cases, showing the interest and seriousness in the management-training program.

The owners and managers of participating SMEs have significantly valued the fact that full time professors of a master's program are working with them in their own business units.

The case of Mr. Edmundo Pinto, owner of the company “El Porvenir”, dedicated to the production of sport socks and “cholita” socks.

When Edmundo started the program he believed that his company was in a good situation and thus did not consider necessary to change his management ways. Nevertheless, after participating in the classes and receiving counseling from the Universidad Catolica team, he realized that his own situation could be even better if he only planned his strategies and activities in a medium and long term and also if he could evaluate the impact of his decisions in the future.

Thanks to this change in the perception of his company's management, Edmundo acknowledged a pending debt with another bank using a plan with a future vision for this effect.

The owners and managers of participating SMEs have valued the fact that the identification of problems and its solutions is the result of a joint task between the entrepreneur and the professional counseling of professors.

As a result of the visits and the training received, the SMEs have found concrete results that have allowed them to solve operative issues with strategic visions. The participating entrepreneurs have appreciated counseling that has allowed them to solve specific, concrete problems.

In the last stage of the course, simulation exercises were carried out, where each one of the SMEs worked in the immediate solution of critical problems, applying tools from the training program.

Towards the ending date of the program, we will have a group of highly motivated SMEs. The city of El Alto will have owner entrepreneurs and managers that —exposed to new working tools by the course and aware that in order to grow it is necessary to apply management approaches and to build strategic visions forward of medium and long term— will be willing to innovate and to improve in all parts of their company's management.

A.5. Creating a Greater Capacity to Analyze Key Economic Issues: Consultancies to Support the Ministry of Economic Development (MED)

During the course of this reporting period, Mr. Rodney Pereira, the consultant in Policy and Productive Plans, worked on the following activities:

- Preparation of work agenda with CEPAL for the formulation of a proposal for growth promotion.
- Assistance and counseling for the Bolivian System of Productivity and Competitiveness, including promotion of competitiveness and productivity,

- prioritization of productive chains, support in the realization of the National Dialogue, document on associability, and report on the Leather Chain.
- Progress report on productivity and competitiveness for the Cooperation Table of the Advisory Group.
 - Assistance and counseling for the participation of Bolivia in the negotiations of the FTA of the Andean Community of Nations with the U.S.
 - Analysis of exports of Bolivia to the U.S.
 - Participation in Trade Capacity Building meetings, in the framework of the Hemispheric Cooperation Program.
 - Analysis of Public Investment in the first semester of the year 2004.
 - Analysis of the financial situation of the banking system.
 - Report on the Balance of Payments and Foreign Debt of the First Semester.
 - Analysis of the National Strategy of Agricultural and Rural Development ENDAR.

During the course of this reporting period, Mr. Jose Eduardo Gutierrez, consultant for the implementation of the Economic Development Plan, worked on the following activities:

- Development of a strategy for promoting economic growth.
- Support to the MED in the definition of a strategy so that the country can enter into the Andean-FTA negotiation with the U.S.
- Presentation on the importance of the FTA and the progress in the negotiations of the Andean FTA with the US to the media and private sectors.
- Analysis of the garment industry Gamarra Street experience in Lima, Peru and its possibilities of replication in Bolivia. It was concluded that this experience is not entirely replicable in Bolivia, due to: i) the country does not have a relevant domestic market and ii) the textile and apparel producing sectors are extremely weak as a result of smuggling.

By the first week of October both consultants will end their respective contracts with BTBC and it is not expected that these contracts be extended.

A.6. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends

Bolivia needs sustainable jobs in order to maintain economic and political stability. Current statistics show that the country has lost jobs not related to contraband and legal activities and thus increased its poor populations. These statistics show confusing trends and they can lead to incorrect interpretations on how to deal with this problem.

It is important to establish employment baselines in the export industry to assess the impact that this sector has had and can offer under a competitive environment.

The study aims at gathering statistics regarding the number of jobs the manufacturing export industry has generated in Bolivia and the expected growth by each sector, in order to clearly understand where the efforts should be placed in the creation of new employment or how trade agreements should be negotiated in order to guarantee this growth.

The study will:

- Evaluate the three most important regions in Bolivia (La Paz, Santa Cruz and Cochabamba) that currently export manufactured goods.
- Gather information from the legally established firms to determine the employment generated by these 3 regions.
- Identify the industries at risk if no trade agreements or other means of commercial integration is implemented.
- Determine the number of people employed in each region by each sector.

The expected results are as follows:

- Up-to-date information on employment generated by the manufacturing export sector in the three principal regions of the country.
- A summary of the importance of trade agreements (TLCs) or other integration agreements for employment generation.
- Guidelines on where the most employment can be generated
- Only relevant information from other regions of the country, gathered from secondary sources, as complementary for further research.

BTBC has signed a MOU with the National Chamber of Exporters, which through its 1st Vice-president, will supervise and support the project until its completion and will provide all the elements needed to complete the report, including computer equipment, requests for information, additional visits if needed, etc.

The study is expected to be finished by the end of November.

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

B.1.a Overview of BTBC Activities in the Sector

B.1.b BTBC Projects and Results in the Textiles and Apparel Sector

Overall employment average in the textiles and apparel sector have suffered a small fall and exports have increased in less degree with respect to last quarter. This is due to the fact that two of the most important companies in the sector have gone through major changes. Confecciones Record which during the V quarter reached 150 new jobs mainly in the sewing area, is now subcontracting this service from 2 new SME's created by their previous workers, however only a third part of the 150 are now working in the SME'S. MYTEX- ASEA, which during Quarter V, created 125 new jobs, has practically stopped all production, due to financial problems. Another factor affecting exports, is that assistance is being provided to new companies that are in the process of beginning to export, and therefore have more local sales; however there is an important exporting projection for next quarter. This sector is the second most important after the secondary wood sector in the number of people trained, both on site in the companies and through workshops. As with the chart of the general results, the following chart includes a) number of people trained and b) local sales. Likewise, there are other important results that the technical assistance program has generated, which are depicted in a third column.

Summary of Cumulative Results to September 2004 Textiles and Apparel

Companies	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains	Other Results
BTX (MEL CONFECCIONES)	45	166.070	100.000	90	7,0	<ul style="list-style-type: none"> Established possibility to export 400,000 t-shirts for women to Footlocker
CONFECCIONES RECORD	59	1.053.924	0,00	6	5	<ul style="list-style-type: none"> 30% increase in productivity Implementation of new layout and modular production process Company subcontracts all sewing services
MITSUBA	12	46.000	0,00	7	0,0	<ul style="list-style-type: none"> Installation of new Patterning and Design department 5%-10% reduction in overall fabric waste during the cutting process
MAQUIBOL	140	480.696	0,00	50	7	<ul style="list-style-type: none"> Productivity increased by 30%
ASEA-MYTEX.	39	909.934	0,00	150	4	<ul style="list-style-type: none"> Installation of New production plant in the city of Cochabamba
ALFACH	31	29.000	0,00	12	3	<ul style="list-style-type: none"> Increase productivity by 30% Increase labor salary by

						30%
VAL FAL	3	1.700	0,00	10	0	<ul style="list-style-type: none"> 14% reduction in manufacture reprocessing due to new quality control procedures.
JHECCEM	9	0	0,00	5	0	<ul style="list-style-type: none"> Due to standardized patterns, new order for \$50,000 to Puerto Rico was closed
MAKAM	9	13.040	0,00	15	0	<ul style="list-style-type: none"> 15% reduction in overall fabric waste during the cutting process New integrated management system techniques
TRAILER	13	20.000	0,00	10	0	<ul style="list-style-type: none"> Increase in productivity by 20% productivity
TORINO	10	44.200	0,00	13	1	<ul style="list-style-type: none"> Increased production by 5%
DINATEX	6	0	0,00	15	0	
IMAGEN	10	20.000	0,00	1	0	<ul style="list-style-type: none"> Production time reduced between 25-30%; Local sales increased in 30%
CORCEL	0	40.000	0,00	0	0	<ul style="list-style-type: none"> New production layout and improved manufacturing system With Business plan, obtained loan for \$60,000 for new embroidery machine.
TRES COLORES	4	9.000	0,00	0	0	
DIM's JEANS	15	24.800	0,00	15	0	<ul style="list-style-type: none"> Production increased by 10% New integrated management system techniques
BATOS	31	26.250	26.250	45	0	<ul style="list-style-type: none"> Installation of new manufacturing plant First exporting order for 10,000 jeans to Chile was closed.
BOGAMA	20	7.000	0	0	0	
UPC- Trainings of pool of consultants	0	0	0	300	0	
BANCO BISA	0	0	0	50	0	<ul style="list-style-type: none"> Training to loan officers and project evaluators regarding the textiles and apparel sector.
REY WEAR	0	0	0	20	0	
AMETEX	0	0	0	83	0	
TEXTURBOL	0	0	0	60		

TOTAL	455	2.891.614	126.250	957	27	
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B.2 Secondary Wood Products

B.2.a Overview of BTBC Activities in the Sector

B.2.b BTBC Projects and Results in the Wood Products Sector

Overall average employment in the secondary wood products sector has risen with respect to last quarter, and this is due to the fact that support has been provided to 10 new companies. Exports this quarter have increased by \$900 thousand, being the highest exporting value of all sectors in the quarter, however overall considering the accumulated sum, this is the third most important exporting sector after jewellery and textiles and apparel.

It is important to note that this is the leading sector with respect to the number of people trained, noting the support provided to United Furniture in order to comply with an important order to COSTCO. Even though all trainees were not hired and all hired trained personnel has not remained in the company, it is a fact that these people are now working in other companies or have started micro-enterprises.

As with the chart of the general results, the following chart includes a) number of people trained and b) local sales. Likewise, there are other important results that the technical assistance program has generated, which are depicted in a third column.

Summary of Cumulative Results to September 2004 *Secondary Wood Products*

Companies	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains	Other Results
CASA BLANCA	111	182.040	0,00	0	12,0	<ul style="list-style-type: none"> • Organization and planning of production for all SME's subcontracted by the company.
Mobilia	13	52.000	0,00	33	0,0	<ul style="list-style-type: none"> • Increased production by 20% in wooden floors.
Ultimate Design – Calderon	18	53.400	0,00	10	2,0	<ul style="list-style-type: none"> • Design and implementation of new production lay out • 17% reduction in sanding and finishing time.
Mabet	35	150.000	0,00	8	0,0	<ul style="list-style-type: none"> • 12% reduction in drying time

Muebles Hurtado	50	245.854	0,00	44	0,0	<ul style="list-style-type: none"> Strong support in production system, achieved better quality and most of all better lead times; making the company credible and responsible before old and new clients
Somain	20	60.396	3.000,00	24	0,0	<ul style="list-style-type: none"> Increase in production by 278%; going from a production of 18 furniture items in 3 months to 36 items in 1 ½ months.
Pacahuaras	64	80.000	50.000,00	145	0,0	<ul style="list-style-type: none"> 7% reduction in drying time
CIMAL	10	420.000	0,00	12	0,0	<ul style="list-style-type: none"> 25% reduction in drying time, increasing output yield with less or the same cost.
Schmidt Wood	7	14.500	0,00	8	1,0	<ul style="list-style-type: none"> Company has been subcontracted for the first time to manufacture products for two exporting orders.
Línea Rústica (*)	13	13.152	0,00	0	0,0	
KAOBA	0	26.800	0,00	0	0,0	
IBEMA	20	63.022	0,00	22	2,0	<ul style="list-style-type: none"> Design of new production lay out Product adjustments and training in new finishing techniques.
UNITED	291	1.000.000	0,00	1238	0,0	<ul style="list-style-type: none"> 938 people were hired through a dual training program- theory and hands on, achieving 100% increase in production capacity; reaching record high levels of production.
SOEX	22	23.065	0,00	18	4,0	<ul style="list-style-type: none"> Implementation of the new manufacturing plant
SAGUSA	5	20.000	0,00	45	0,0	<ul style="list-style-type: none"> 35% increase in used capacity of drying kilos.
SALI	4	12.000	0,00	6	0,0	<ul style="list-style-type: none"> Initiation of new drying process.
PROMAD	12	850	0,00	4	0,0	
MONTANA	3	0	0,00	7	0,0	<ul style="list-style-type: none"> Initiation of new drying process.
BTL	9	17.700	0,00	8	2,0	<ul style="list-style-type: none"> New market was found for pre-dimensioned wooden pieces and two companies were enchainned to the production system.

ECOWOODS	3	3.500	0,00	3	0,0	<ul style="list-style-type: none"> Improved production processes Reduction time in sanding and cutting of parts and pieces.
FATIMA	3	8.000	0,00	5	0,0	<ul style="list-style-type: none"> Support in pressing processes of pieces for outdoor furniture
IMAPA	10	20.000	0,00	32	0,0	<ul style="list-style-type: none"> Organized the whole drying process
TOTAL	722	2.466.279	53.000,00	1.672	23,0	

B.3 Fine Fibers, Leather and Jewelry

B.3.a Overview of BTBC Activities in the Sectors

B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sector

The recently included fine fibers sector has generated more than 50 new jobs and exports for 150 thousand during this quarter. Overall the accumulated exports total up to \$204,496 where 40% of this value is due to the orders closed in the Magic Market Place Fair.

The support provided to Macaws, the only leather company has resulted overall in more than 500 thousand in exports and more than 40 new SME's. The company has achieved certifications for ISO 9001 AND OSHAS 18000, and is preparing for certification is ISO 14001.

Finally, our support to the jewellery companies, finished in quarter V, no new jobs have been generated, however it is important to note that the majority of the jobs created have been maintained. In the case of Exportadores Bolivianos, exports have not only reached \$5 million in new additional exports as committed with BTBC, but to date have reached more than \$10 million in new additional exports.

As with the chart of the general results, the following chart includes a) number of people trained and b) local sales. Likewise, there are other important results that the technical assistance program has generated, which are depicted in a third column

Summary of Cumulative Results to September 2004 Fine Fibers, Leather and Jewelry

Companies	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains	Other Results
Milos International	17	21.157	12.243,74	3	0,0	<ul style="list-style-type: none"> Consolidation of trade relation with Linda Richards. Contact with two potential clients at EXPOCRUZ.
Origenes Bolivia	10	12.767	1.986,00	4	0,0	

Altifashion	15	50.000	0,00	2	0,0	<ul style="list-style-type: none"> Inventory management system
Altifibers	17	42.500	0,00	2	6,0	
Fotrama	6	7.072	2.960,40	2	0,0	<ul style="list-style-type: none"> Production planning and implementing process of quality control system. Training of 300 women.
Knitted Apparel	9	36.000	0,00	2	0,0	<ul style="list-style-type: none"> New lay-out, time and movements studies. Implementation of a computerized control and management system.
**Gloria Thaine	5	9.000	0,00	0	0,0	
**Alpaca Style	0	16.000	0,00	0	0,0	
**Terraltas	0	10.000	0,00	0	0,0	
**Intiwara	0	0	0,00	5	0,0	<ul style="list-style-type: none"> Development of styles for a new line of knitted products (coats and jackets)
**Shalom	0	0	0,00	4	0,0	<ul style="list-style-type: none"> Process of implementing an Integrated Management System.
*Patterning and Design Workshops	0	0	0,00	60	0,0	
*Design Workshop	0	0	0,00	100	0,0	<ul style="list-style-type: none"> Direct support to five companies, on improving designs for export to the US market.
Export. Bolivianos	90	5.576.631	0,00	138	0,0	<ul style="list-style-type: none"> With E-Coating assistance, the price of jewellery pieces increased in 10 cents. Up to date, new exports reach more than \$10 million
Minerales y Metales	18	0	0,00	18	0,0	<ul style="list-style-type: none"> Implementation of a new jewellery manufacturing line.
Macaws	101	609.396	2.458,51	199	44,0	<ul style="list-style-type: none"> Macaws is the first Bolivian company to obtain the OSHAS 18000 certification in addition to the ISO 9001. ISO 14001 certification is expected by the end of 2004.
TOTAL	287	6.390.523	19.649	539	50	

SECTION III

Detailed Quarterly Results

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

B.1.a Overview of Developments and BTBC Activities in the Sector

At the time of writing this report, Bolivian export statistics are available through July 2004. During the period January-July 2004, the behavior of textile/apparel exports from Bolivia has been as follows vis-à-vis the same period in 2003:

- Apparel (garment) exports have increased by over 15%, from \$24.0m to \$27.7m.
- Significantly, textile exports have increased by over 167%, from \$2.6m to \$6.9m.
- Aggregate exports of textiles and apparel have increased by over 30%, from \$26.6m to \$34.6m.

Exports of cotton garments have increased substantially, vis-à-vis camelids. Indeed, BTBC has received information indicating that US imports of Bolivian camelids have decreased significantly. Synthetic garments and textiles continue to represent a very small percentage of Bolivian exports in this sector.

Textile/apparel manufacturers complain of a lack of support from Bolivian financial institutions, and they assert that they have achieved this growth despite a lack of working capital finance.

It is no coincidence that Bolivian financial institutions are nervous about textiles/apparel, as almost all of the dominant companies in the sector are in serious financial distress.

Together, these dominant companies represent the substance of the Bolivian textile/apparel industry, and within its limited resources BTBC is making efforts to help them overcome their crises. However, the issues are complex, in some cases structural or financial, in others arising from the character or competence of the principals, and in others related to the fundamental viability of the business models. Some noteworthy examples are.

- Ametex is carrying debts exceeding \$60m, which are in arrears, and the company is struggling to avoid foreclosure by creditors. BTBC is providing assistance through [TC]² to help Ametex implement “lean manufacturing,” which will lead to substantial reductions in work-in-process inventories and major operating cost improvements.
- Asea was unable to cover its financial obligations with Banco Bisa, and has been forced to sign its assets over to the bank. Bisa has appointed Ernst & Young to run the garment plant that was formerly Asea, today Intertex. BTBC has provided assistance to Banco Bisa and Ernst & Young in the form of industry-specific training for generalist staff, as well as review and commentary on the viability of proposed business plans.
- Hilbo’s assets were signed over to the bank over a year ago, though they have been leased back to Rene Meier, who continues to operate the factories.
- Texturbol is the first Bolivian company to be accepted into the “Hospital de Empresas” (equivalent of Chapter 11). BTBC has helped Texturbol implement garment production lines to complement their yarn spinning and fabric knitting operations. In addition, through BTBC, Texturbol’s entire garment

manufacturing capacity has been subcontracted to Maquibol for production of export garments.

- Santa Monica Cotton is applying for acceptance into the “Hospital de Empresas.” BTBC has introduced Santa Monica to the Small Enterprise Assistance Fund (SEAF), which is currently considering injecting fresh equity into the company.
- Maquibol is a spin-off of a former shirt factory, La Modelo, which ceased operations under foreclosure by the banks. BTBC has provided extensive technical assistance to Maquibol’s in-house manufacturing operation, and has helped Maquibol to identify and develop SMEs for subcontracting garment production.
- The other important shirt factory, Dynatex (formerly Manhattan), is in arrears and renegotiating its debts. BTBC is providing training to the better Dynatex workers, so that they can be promoted to line supervisors.

Perhaps as a result of working capital shortfalls, the larger garment manufacturers have increased outsourcing of production to SMEs. This reduces their need to finance production payrolls, but increases the complexity of quality control. BTBC has been active in providing assistance to the SMEs to help them comply with quality/delivery requirements.

Supply of production inputs continues to be a key constraint for Bolivian apparel manufacturers. The largest exporters have sought to resolve this by vertically integrating their operations (yarn spinning-fabric knitting/weaving-dyeing- cutting-garment assembly). In several cases, the capital intensive investments for the upstream activities have been the cause of the companies’ current financial distress.

The majority of Bolivian companies have not integrated vertically and they face shortfalls of production inputs ranging from fabrics, printing, dyeing, buttons and zippers to spare parts and accessories for the garment manufacturing machinery. Several exporting companies are looking to represent fabric manufacturers in Bolivia in order to mitigate that major bottleneck. A number of Bolivian companies are seeking providers of other services and items for the textile/apparel chain. This situation is leading towards the development of a cluster, as gaps are filled by companies anxious to fulfill their own needs and at the same time seeking to profit by filling the needs of others.

Because of ATPDEA, the Peruvian and Colombian textile/apparel industries are oversold, and buyers are looking to Bolivia as a supplier with ATPDEA benefits. A number of attempts have been made to procure garments in Bolivia, but important orders have been thwarted as a result of failed coordination between Bolivian companies involved in their fulfillment. Experienced and effective trading companies are needed in the local environment, to play the key role of leading and coordinating multiple Bolivian companies in the fulfillment of larger orders.

However, the potential development under ATPDEA of Bolivia’s textile/apparel industry is under threat, as the imminent lifting of US import quotas will substantially reduce the cost of US market access for Asian companies. The Bolivian government’s decision to participate only as an observer in the Andean FTA negotiations could also set back the development of the country’s textile/apparel sector. As and when GOB decides to participate in the Andean FTA negotiations, it should seek concessions similar to the “Nicaragua clause” that exists in the Central American FTA.

As has been the case in the past, Bolivian SMEs are finding success selling to

neighboring countries. A significant proportion of SMEs' sales are to buyers who come from adjacent markets and frequently smuggle the garments across the borders. Contraband into Argentina and Brazil is widespread, whereas a greater percentage of exports to Chile are legitimate. The city of Santiago is a particularly important market for many Bolivian SMEs. However, the rising bilateral tensions related to Bolivia's aspirations for sovereign access to the seacoast are creating increasing market uncertainty for these SMEs.

BTBC has made an important contribution to the incorporation of apparel SMEs to the export chain. On the one hand, through BTBC contacts and introductions, larger exporting companies have subcontracted production from a number of SMEs. On the other hand, BTBC has developed agendas for commercial missions to Chile and Brazil, which have resulted in several trial orders for direct export by SMEs.

However, a number of Bolivian SMEs are abandoning their export aspirations and focusing instead on the domestic market. This seems a paradox, given the small size of the Bolivian market and the competition from used clothing. However, these companies assert that they obtain better margins in the local market, as export markets are characterized by higher volumes and lower margins, and Bolivian SMEs do not have the benefit of economies of scale or highly efficient serial production. Export markets are more unstable for Bolivian producers, due to seasonal oscillations in demand as well as periods of inactivity between orders. In addition, it is easier for Bolivian companies to meet the more lax quality standards accepted in the domestic market, and they are better able to cater to local fashions and consumer needs.

B.1.b BTBC Projects and Results in the Textiles and Apparel Sector

AMETEX:

Embodying almost 75% of Bolivia's textile exports, America Textil (AMETEX) is by far Bolivia's principal manufacturer of textiles and apparel. It is also Bolivia's largest employer, operating seven manufacturing plants with an aggregate headcount of some 3,000 on the payroll. Ametex is struggling to overcome a severe financial crisis, with debts exceeding \$65m against gross revenues of some \$30m pa in what is known to be a low-margin business.

After 9/11, Ametex' markets in the U.S. saw a serious downturn. At that point, Ametex had just completed major capital expenditure investments, increasing its level of indebtedness in Bolivian bank loans, publicly traded bonds and other obligations to an aggregate exceeding \$65m. Ametex' ability to honor its cash flow obligations was undermined by the revenue reductions resulting from the market downturn. After struggling to cover and re-program cash flow obligations, Ametex finally defaulted on public bond payments in February 2004. The major bondholders are the Bolivian pension funds.

In response to the default, the pension funds and the banks held a series of meetings with Ametex and advisors to evaluate the viability of the company. Ametex was able to persuade the creditors to delay foreclosures and allow the company a period of time under agreed terms for restructuring and increasing cash flows.

Ametex' restructuring involves substantially downsizing the payroll, divesting non-core assets, seeking higher-margin market niches, reducing overheads, minimizing operating

expenses and optimizing manufacturing efficiencies.

Overshadowing Ametex' situation, the fast-paced US garment market is demanding ever faster order turnaround times, increasingly competitive prices and higher volumes of production. Garment manufacturers must be highly versatile and must work incessantly to stay ahead of the competition. Maximum productivity, responsiveness as a corporate culture and appropriate production technology are fundamental to the success or failure of companies competing in this business.

Ametex is facing difficult competitive challenges. At present Ametex estimates that it is manufacturing at about 60% of efficiency, but it needs to achieve 80% efficiency to produce enough volume to deliver its commitments to US buyers. This need to improve manufacturing efficiency stems not only from cost-reduction requirements and volume output requirements, but also from shortened delivery times as US buyers have recently started requiring delivery in 60 days rather than 90 days.

Indeed, if Ametex does not achieve major improvements in its production efficiency, its ability to survive will be in doubt.

In order to address these competitive challenges, BTBC is providing assistance to Ametex in retaining the services of a consulting firm specialized in implementing cutting-edge lean manufacturing systems in the textile/apparel industry. This consulting firm is Textile/Clothing Technology Corporation [TC]².

[TC]² provides updated and novel perspectives on key areas for textile/apparel companies. It provides consulting services on full package production, operations engineering, garment assembly, product development, procurement planning, production management, quality control, supply chain management and other areas, all of which comprises lean manufacturing. The [TC]² multidisciplinary teams have simulation tools that enable companies to quantify the value of the expected improvements in processes before implementing recommended changes.

The [TC]² work program in Ametex involves identifying outdated practices, recommending lean manufacturing practices, resolving engineering issues, exploring the Ametex corporate culture, achieving worker participation and buy-in, and designing a compensation system with appropriate incentives for the workforce.

BTBC expects significant results from the [TC]² intervention in Ametex. These include saving a substantial portion of the 3,000 existing jobs, increasing exports by over \$9m pa and maintaining the work that Ametex currently subcontracts to 20 SMEs. At the date of writing this report, almost 100 Ametex people have been trained by [TC]², from which the initial implementation task forces are being selected.

At BTBC's suggestion, several SMEs have been invited to participate in part of the [TC]² work in Ametex. These SMEs are Bogama, Texmabol and Alfach Jeans. They have been extremely impressed with what they have learned to date, and they are requesting that BTBC retain [TC]² to implement lean manufacturing more broadly in Bolivian SMEs.

Alfach Jeans, Cochabamba:

In July BTBC completed implementation of a new production system by sub-assembly, in order to achieve a rapid increase in productivity. In the first four weeks we have increased output from 4,000 to 5,200 garments per month. The objective is to continue increasing output to 8,000 gpm.

BTBC has helped Alfach design an performance-linked remuneration scheme, with increased payment for the workers based on their output and productivity. Under this new remuneration scheme, Alfach has been able to increase the average income for the workers by 50% from Bs 500 to Bs 750 per month.

BTBC has provided training in this sub-assembly based production system to two SMEs that are subcontracted by Alfach. With BTBC advice, these SMEs have purchased four new double-needle sewing machines.

Texturbol, El Alto:

BTBC has helped Texturbol implement a serial production system for garment manufacturing, and we have provided training for the workers under this system.

We have implemented a quality control system with checkpoints along the production line to detect any defects as early as possible, which has allowed the company to reduce defective garment rates from 20% to 5%. BTBC has trained four line supervisors in this quality control system.

Through a BTBC introduction, Texturbol has obtained a garment-assembly subcontract from Maquibol. Texturbol has hired 40 new sewing operators for the garment assembly work under the Maquibol subcontract.

BTBC has helped Texturbol develop a complete collection of samples of polyester garments for seeking orders in the US market.

Texturbol has been very pleased with the BTBC consultant and has hired him directly as permanent full-time staff.

BATOS, Cochabamba:

Batos has many years of experience manufacturing and selling denim garments in the domestic Bolivian market. In recent months, the company embarked on an aggressive strategic plan to begin exporting. In order to approach internationally-competitive levels of productivity, Batos needs to improve plant efficiency by about 50%. In order to do this, BTBC has helped the company make necessary upgrades to its production systems and implement a performance-linked remuneration scheme for the workers.

Batos is concerned that its existing workers may resist the changes that are being made in the production systems and the remuneration scheme. For this reason, BTBC has helped Batos recruit and train 45 people to “inject as new blood” into the company, with a fresh mentality open to the new approach. 35 of these people have been employed by Batos and the other 10 have found jobs in other garment manufacturing plants.

BTBC arranged a sales trip for the manager of Batos to Santiago, Chile, in late September. As a result of the trip, Batos has closed a contract for 10,000 garments per month, under which the first delivery is due on 30 October.

Mitsuba, Santa Cruz:

BTBC has helped Mitsuba implement new formats and controls in the production area, improve the distribution of the machinery and balance each of the production lines. We assisted in the production planning for each of the existing orders, both for export and for domestic market.

The BTBC consultant trained a plant engineer in production planning by product and by client. He also trained a new plant chief, a new supervisor and three new quality auditors.

We helped Mitsuba implement a performance-linked remuneration system, by introducing a 30% bonus over the existing salary level for workers that meet their

objectives.

Finally, we helped organize Mitsuba's sales and warehousing.

DINATEX, La Paz:

BTBC is providing training for mid-level supervisors in four hour sessions every Saturday. This is the only time that does not conflict with the participants' work hours and when the machinery is available. Ten select people are attending these training sessions and will be promoted upon completion.

Jeshem, Santa Cruz:

Jeshem did a sales trip to the US to present the collection that was developed by BTBC's design and patterning consultant. As a result of this sales trip Jeshem has obtained a trial order for 7,000 garments (½ slacks and ½ jackets). BTBC's production specialist is helping Jeshem with the production planning for the order. Three micro-producers will be sub-contracted to assist in the production, which is to be delivered in early November.

Rey Wear, El Alto:

This is an exporter of hand-knit cotton sweaters, which sub-contracts 14 groups of knitters in El Alto. During the high season these groups employ a total of some 400 knitters and in the low season about 130. Rey Wear's in-house production is relatively small, with about 18 people working. BTBC is helping Rey Wear improve its production systems and production planning. In order to expand its US sales, BTBC has provided assistance to Rey Wear in the production of samples for nine prospective new US buyers.

In anticipation of orders from these new prospects, BTBC's specialist in production systems has introduced Rey Wear senior management to over 10 SMEs considered capable of producing for Rey Wear under sub-contract in La Paz, Oruro, Cochabamba and Santa Cruz.

BTBC has helped Rey Wear improve the efficiency of its weekly shipments to clients, by implementing a system in which the sub-contractors visit Rey Wear on agreed delivery dates to simultaneously drop off their finished product and pick up raw materials for their new production.

BTBC is also helping Rey Wear offer cotton sweaters to potential buyers in Europe. If European orders are obtained, this could double Rey Wear's production, potentially generating employment for over 1,000 people in El Alto.

Confecciones Record, Santa Cruz:

Confecciones Record is now manufacturing under the new outsourcing scheme that was mentioned in the previous quarterly report. They have completed the spinoff of two medium manufacturing plants from within their own operations, making their employees into entrepreneurs by transferring ownership of the equipment and machinery to them under favorable credit terms. Production is already being outsourced from these spinoffs. BTBC has adjusted the focus of its assistance to support the success of the new outsourcing scheme. One of the key functions that continue to be executed in-house by Record is fabric cutting. Record provides the spinoffs with the precut fabric, and they proceed directly to assemble the garments (an approach very similar to maquila).

BTBC's design and patterning specialist has trained Record's cutting/patterning staff on the Lectra automatic cutter, which has led to substantial reductions in fabric wastage rates and improvements in the batch logistics for garment assembly in the spinoffs.

MAQUIBOL, La Paz:

In September, BTBC completed its technical assistance to Maquibol with satisfying

results. The plant has now made a full transition to modular production, achieving efficiency levels around 80%, much greater versatility and significantly reduced turnaround times.

BTBC has been able to identify and organize nine SMEs that are being sub-contracted by Maquibol in several cities. Through this effort, these nine SMEs have been incorporated into the export chain. As they develop their quality and delivery capabilities, in future they will be able to export directly rather than sub-contract for another exporter.

Trailer, Cochabamba:

BTBC helped Trailer design and implement a new production system based on sub-assemblies, which has accelerated production, increased output and improved quality. We assisted in the implementation of a performance-linked remuneration scheme, which has led to an average 10% increase in workers' income. As part of these activities, the company has added ten new sewing operators to its production lines. BTBC trained a mechanical technician to maintain and repair the machinery and/or to adapt it according to the company's needs. We put Trailer in contact with a chemical engineer to help develop an economic water treatment system for the plant's effluents. We also contacted Trailer with an IADB-financed project that provides assistance with implementation of ISO 9001.

Corcel, Cochabamba:

This is a small manufacturer of knit cotton polo shirts and t-shirts. Its main market is Chile, where it has been exporting for about one year. BTBC has assisted Corcel in a variety of ways, ranging from developing its business plan to market linkages.

This last quarter BTBC has helped Corcel alleviate several bottlenecks in its production process, which is allowing the company to cope with a seasonal peak in orders. The BTBC specialist in production systems is implementing series of improvements, which include improving the distribution of the machinery, monitoring times and methods, and on-the-job training for workers.

Corcel is negotiating a possible partnership with a Chilean manufacturer of knit cotton fabrics. The partnership contemplates the Chilean company relocating its production to Cochabamba, thus integrating vertically with Corcel's garment assembly operations. This would position Corcel well to offer full package production rather than garment assembly services. A key factor in the decision will be closing a deal with an appropriate dyeing operation in Cochabamba.

Bogama, La Paz:

This is a small garment assembly operation that sub-contracts for Ametex and Asea. More recently, through BTBC auspices, Bogama has also started sub-contract production for Maquibol. Though small, Bogama has significant growth potential, and has become one of the more important garment assembly suppliers for the exporting companies of La Paz.

Given its increasing orders, Bogama has relocated its production premises from Miraflores to El Alto, where labor is more abundant. Bogama is importing 20 new machines, for which it will employ new operators.

B.1.c Additional Activities

- BTBC held a meeting with twelve medium apparel manufacturers in La Paz to develop a joint work plan with a view to providing them with technical assistance

- and help in market linkages. At present, information is being compiled on each of these operations and their needs.
- BTBC is working with the Tarija Chamber of Apparel to jointly select 10-15 companies from its 30 members that will receive BTBC technical assistance to help them market their products across Bolivia.
 - In coordination with an IADB-funded project, BTBC has selected four apparel SMEs to implement ISO 9000 requirements and proceed to seek certification.
 - In Cochabamba, BTBC has identified an expert in water treatment and has introduced him to three denim laundering companies, which have retained his services to help them implement simple and economic effluent treatment mechanisms.

B.2 Secondary Wood Products

B.2.a Overview of Developments and BTBC Activities in the Sector

At the time of writing this report, statistical data for the wood sector is available through the month of July 2004.

As illustrated in the table below, Bolivian exports of wood products continue to grow at a steady pace, as exports for the period Jan-July 2004 show a 29% increase vis-à-vis the same period in 2003.

BOLIVIAN EXPORTS OF WOOD PRODUCTS			
Jan-July 2003/2004 US\$ millions			
<i>Product</i>	<i>Jan-July 2003</i>	<i>Jan-Jul 2004</i>	<i>% change</i>
Sawn wood	12,29	16,35	33%
Sub-total primary wood products	12,29	16,35	33%
Doors and windows	7,00	8,00	14%
Wood furniture	7,40	9,5	28%
Other wood products	2,20	3,50	59%
Sub-total secondary wood products	16,60	21,00	27%
TOTAL	28,89	37,35	29%

Source : SIVEX

We are pleased to note that in dollar terms, the growth in exports of secondary wood products (\$4.4m) has been greater than in primary wood products (\$4m).

The growth in secondary wood products has primarily been driven by wood furniture and other wood products (notably flooring and decking), followed by windows and doors.

The dominant companies continue to be:

Doors and windows:

- Mabet
- La Chonta
- UTD
- Sali

Wood furniture:

- UNITED

- CIMAL
- Muebles Hurtado

Flooring and decking:

- Jolyka
- Pacahuaras (through Mabet)

Numerous foreign buyers of wood products are visiting Bolivia. Many of these continue to seek sawn lumber with no additional value added, with a view to exporting to Asia for processing. Significantly, an increasing number of foreign buyers are beginning to see Bolivia as a competitive source of flooring and decking in tropical hardwoods.

Against this backdrop, during 3Q04 BTBC has increased its team of wood sector consultants providing active support to companies. With the additional consultants, BTBC has extended technical assistance to six additional companies, of which five are SMEs. BTBC consultants have played an active role in several exporting companies in the manufacturing of high end indoor furniture and garden furniture. In other companies, we have worked intensively to help them achieve quality levels suitable to the US market.

The following is a summary of the main activities of BTBC wood sector consultants during 2Q04:

- Implementation of new ventures: BTBC has been instrumental in helping to complete the installation of machinery, equipment and power systems in a major new venture, Pacahuaras, in Riberalta, Northern Bolivia. BTBC has provided different levels of training to 45 people in Pacahuaras on the operation of the new machinery and equipment, production of flooring, cost analysis and quoting. In addition, we have been able to achieve a major improvement in utilization of short wood emerging from the sawmills, which was previously discarded, by helping Pacahuaras use Finger Joint technology to produce parts and pieces for engineering doors. During the quarter, Pacahuaras has commenced production of decking and S4S boards for export to Oregon and the Netherlands. Implementation of Pacahuaras will continue during 4Q04.
- Kiln drying: BTBC has been very active in the critical area of kiln drying wood. This is a key factor in the quality and durability of wood products. During the quarter BTBC has provided assistance related to kiln drying to eight companies in Tarija, Cochabamba, Santa Cruz and Cobija, and has trained over 41 people in improved kiln drying techniques. BTBC's involvement has ranged from implementation and upgrading of kilns, to interventions at the sawmill level to obtain more uniform cuts of better quality wood to optimize performance of limited kiln capacity. In CIMAL we have completed implementation of a new kiln drying system developed by a BTBC consultant, which in the initial runs has increased kiln output by 25%.
- Classification and cutting of sawn lumber: BTBC has provided assistance in classification of lumber in Tarija in southern Bolivia and in Santa Rosa del Abuná, near Cobija in northern Bolivia. In Santa Rosa del Abuná, BTBC has provided training to 50 people in classifying and optimizing cuts of wood. New areas have been identified for future BTBC assistance. For instance, a number of sawmills are cutting all species of wood as if they were mahogany. However, each species of

wood has a different internal structure of layers, and requires a distinct cutting pattern to optimize the yield of the trunk. By utilizing mahogany cutting patterns for all species, sawmills are (sometimes seriously) underutilizing alternative species of wood. We have also identified a valuable potential role for BTBC in the chain of custody certification process. BTBC has started helping sawmills and drying operations implement Smartwood/Forestry Stewardship Council (FSC) recommendations, and there is substantial space for BTBC to increase this kind of assistance. Note that chain of custody certification necessarily involves industrial value added to the wood, and is not the same as certification of forestry concessions.

- **Planning and production processes:** Technical assistance in planning and production processes has been very dynamic this quarter, encompassing planning, production controls, quality control and training, as well as a new area of activity involving monitoring actual progress against production plans. Casablanca has continued to subcontract production from eleven SMEs in Santa Cruz. BTBC is helping Casablanca implement a production planning and control system that is significantly improving the performance of the multiple manufacturing processes that simultaneously take place. Milestones and time lines are established for each order with each SME. BTBC then monitors actual production against the milestones and Casablanca makes early payments if milestones are reached within the agreed time limits. This provides an incentive for the SMEs to produce according to the agreed timelines, and in addition improves their cash flow, as they receive funds against timely achievement of the milestones during the production process, rather than having to suffer liquidity shortages until making delivery of the entire production batch. This production and control system is already functioning in Hurtado and Somaín, and will be rolled out to other Casablanca SMEs during 4Q04.
- **Market linkages and commercialization:** Through the team of BTBC consultants, BTBC has been able to encourage active sub-contracting of parts and pieces among BTBC-assisted companies. The most significant example of this has been the production for the Spanish group Anaconda, in which BTBC has incorporated three new SMEs to the export chain, namely BTL, Pisolack and Andean Tropical Hardwood. Anaconda is very pleased with its business in Bolivia, and has expressed a serious interest in the possibility of investing almost \$1m in the country during 4Q04. In addition, BTBC has helped IBEMA establish commercial operations in the United States. A BTBC consultant assisted IBEMA in the implementation of a warehouse in Virginia as well as developing initial relationships with buyers. IBEMA was very pleased with the BTBC consultant's work, and has hired him to be their resident representative in the US. IBEMA is investing about \$100k to start-up these commercial operations.

B.2.b BTBC Projects and Results in the Secondary Wood Products Sector

Casablanca International, Santa Cruz.

BTBC played an important role in obtaining a pivotal partner for Casablanca, Mr. Tito Avalos, whose decision was favorably swayed when he learned that BTBC is involved in Casablanca's operations with production controls in the sub-contractors. Mr. Avalos' adds considerable value to Casablanca, as, in addition to injecting fresh funds he also controls forestry concessions which have become Casablanca's principal source of lumber. Together,

Mario Landivar and Tito Avalos have rented a saw-mill with kiln drying facilities, thereby inserting the missing link between the forestry concessions and the furniture manufacturing operations.

At the time of writing this report, Mr. Avalos is financing working capital for six Casablanca sub-contractors. BTBC has prepared and submitted production plans for four of these sub-contractors, which account for 95% of Casablanca's procurement. These production plans lay out delivery times and key work-in-process milestones. If WIP milestones are achieved within three days of the target dates, the sub-contractors receive payment proportionate to the work-in-process. If WIP milestones are missed by more than three days, sub-contractors must wait for payment and catch up by the next milestone.

With the entry of Tito Avalos, Casablanca has designed a small wood collection hub to supply lumber to Casablanca's main sub-contractors. Casablanca is requesting help from BTBC to increase its financial capacity to purchase raw materials and kiln-drying services. Casablanca has made new investments of some \$150k this quarter, and hence is short of liquidity to fund its small wood collection hub.

Muebles Hurtado, Santa Cruz.

Muebles Hurtado is generating very satisfactory results. During the day shift Hurtado produces indoor furniture and during the night shift it produces garden furniture. This quarter BTBC has shifted the emphasis of our assistance to garden furniture for the US market, though continuing with limited assistance to indoor furniture for Casablanca. Hurtado is supplying four buyers with garden furniture. BTBC has helped adjust production plans to accommodate all of these clients, and has assisted hands-on in the dispatch of two 40' containers. We have helped Hurtado significantly improve delivery times and quality, but have not yet shifted our attention to classification and selection of wood.

Templates allow significant automation and consequent acceleration of production. BTBC has helped Hurtado develop production templates for its new orders. A specialized and highly-responsive template development unit is being created in the factory.

In order to relieve one of Hurtado's production bottlenecks, BTBC is helping with the expansion of the laminating unit. Also, we have helped coordinate training and motivational workshops for the staff, in order to increase their sense of commitment to delivery and quality, and in order to make them aware of customer complaints so that they can help resolve them.

Somáin, Santa Cruz.

Somáin was one of the companies featured in BTBC's stand at Fexpocruz in September. During the quarter, BTBC has helped Somáin more than double its production volume from 18-20 to 48 units/mo. Next quarter we aim to increase production to 60. In parallel, we have helped Somáin achieve highly competitive quality standards, in particular in the six top-selling models.

As with Hurtado, BTBC has helped Somáin develop templates for its most important products. A serious production problem arose because the secretaire tops were warping, and BTBC identified the cause and provided the solution (the laminates had been applied counter-grain to the secretaire tops and by cutting small channels we were able to diffuse the tension between the overlays and the underlying wood, which completely eliminated the warping problem).

BTBC is providing training for Somáin's workers in the key area of hardware installation in the furniture. We have helped to improve sanding systems, so that customer

complaints about rough and grainy furniture have ceased.

Muebles Fátima, Santa Cruz.

After a difficult period, Fatima has recovered two clients, namely Casablanca and Ipe Timber. BTBC has assisted Fatima with the production planning for both clients and procurement of raw materials. An initial diagnosis of the company has been carried out, as well as an evaluation of worker performance in production of garden furniture. BTBC has also helped Fatima refurbish a heated press, which is being used by Casablanca for the application of bi-ply to the indoor style furniture being produced by Hurtado and Somain.

Pisolack, Santa Cruz.

This is the sawmilling and kiln-drying company that Casablanca rents to supply its sub-contractors with wood from the new partner's forestry concessions. Pisolack rents part of its production capacity to Casablanca and, through a BTBC referral, also manufactures under sub-contract with Bolivian Tropical Lumber (BTL) for export to the Anaconda Group in Spain.

BTBC has provided assistance to Pisolack in sorting and classifying a large lot of Tajibo (Ipe) wood, rejecting those pieces not suitable for furniture production. We have also provided assistance to improve the pre-dimensioning processes and S4S wood planed on four faces.

CIMAL, Santa Cruz.

Cimal is the dominant manufacturer of secondary wood products in Santa Cruz. As reported last quarter, BTBC has helped Cimal develop and implement a novel kiln-drying technique which in practice has reduced Cimal's drying times for tropical oak by 25%. The increased output of dried wood is expected to lead to the creation of 75 new jobs and a \$1m increase in Bolivia's exports. The BTBC consultant has also provided training to CADEFOR staff on the kiln-drying technique.

Through a BTBC referral, Cimal is in negotiations with a firm called Marrari that produces automated equipment for controlling drying processes in the wood industry and other industries. Marrari is developing a customized automatic controller for Cimal, which will be installed next quarter in Cimal's premises for a free trial period, during which other Bolivian companies will also be able to see it and evaluate its performance.

Chinga Decoraciones.

This is a small and very high-end manufacturer of fine custom furniture. BTBC has helped Chinga develop samples of three products to support a proposal to Entrada International Wood Products (EIWP) of the US. EIWP has also obtained samples and proposals from other Bolivian companies. To date, Chinga has positioned itself as a supplier of premium furniture in the domestic market, and has not yet exported. Though Chinga's quality is superb, for export purposes BTBC has helped the company correct a number of production defects. For instance, we have helped in fine tuning the machines so that channels are cut with precision to specs, homogenizing the texture of sanding, training staff on polishing hardware and providing recommendations on potential cost reductions.

Pacahuaras, Riberalta.

With BTBC assistance, Pacahuaras has now completed the installation of the machinery and equipment in its new plant in Riberalta, northern Bolivia. The machinery that is now installed includes a finger joint machine, a six-head Unimat molder, a multiple saw, a re-

sawing mill and sawdust extraction systems.

BTBC has trained Pacahuaras staff on operating the new production system and estimating costs for the new system. During this training, models have been developed for the following products:

- Pre-dimensioned sawn lumber with S4S wood planed on four faces
- Decking
- Flooring
- Finger joined style boards for use in door manufacturing

BTBC has helped Pacahuaras plan the production of opening orders from major clients in Oregon and the Netherlands. We have helped Pacahuaras achieve major improvements in the utilization of short wood that was previously discarded by the three sawmills and is now being used to make construction beams and style boards. We have helped the company set up transportation systems within the factory.

IMAPA, Cobija

Imapa, one of the most important wood companies in Cobija, is a medium producer of S4S lumber and decking. Imapa completed its production facilities in Cobija about one year ago and has been operating its sawmill but not its drying kilns. BTBC helped Imapa initiate the operation of the drying kilns by providing hands-on training to the staff through a full drying cycle in three of the five kilns. We provided training on loading the kilns, helped homogenize the circulation spaces between boards at 20mm and developed the drying curve for Almendrillo wood.

BTBC has helped identify and resolve several technical difficulties, such as calibration of the automated systems and necessary repairs in the main boiler. We have also provided assistance in classification of lumber for the sawmill process, making recommendations for cutting techniques for alternative woods which are expected to increase trunk yield by up to 25%. We have helped develop a data control sheet for process controls and have provided training on its use.

SAGUSA, Cobija.:

Sagusa is a medium company with two forestry operations and three rudimentary drying kilns located in northern Bolivia. During this quarter the company received export orders for planed wood and flooring, but its knowledge of how to appropriately kiln dry the wood was very limited. BTBC was able to make a highly opportune intervention to help Sagusa develop its kiln drying capabilities to service these orders. By showing them a more space-efficient way to stack their wood, we helped Sagusa load 20%-30% more wood into each of its kilns. We helped them refurbish their kilns and make significant technical improvements to optimize kiln performance.

BTBC provided training for Sagusa's staff on a diversity of activities involved in kiln drying, sawmilling, handling and loading. In kiln drying, we trained the staff in two methodologies.

These are the generic pre-set programs from the kiln manufacturers which do not provide for differences among wood species, and the more reliable manual methodology for controlling moisture content and the drying quality. With company management we have also developed an outline of the more extensive technical intervention that BTBC should make in Sagusa, encompassing the various stages in the process to manufacture different types of flooring for export.

SMEs in Tarija (Montana, Ginko and Comas)

These three SMEs sought technical assistance from BTBC in kiln drying, which we provided to them in Infocal premises in Tarija. In addition to hands-on training over the course of a full drying cycle, we provided training on wood classification based on NHLA standards (National Hardwood Lumber Association). The coverage of kiln drying was intensive, encompassing the manual methodology, measurement of humidity, utilization of dry and humid bulb thermometers, wood tension release, how to interpret the data to make decisions on temperature adjustments, and techniques to ensure that the wood will not warp, crack or twist. In classification of wood, the training that we provided completely changed the parameters for purchasing wood for these SMEs in Tarija. They now select and measure the lumber based on internationally accepted quality standards.

Montana had just acquired and was installing its kiln drying equipment. BTBC reviewed the work they were doing and provided constructive recommendations on improvements to the gas and steam connections, kiln insulation and installation of turbines and sprayers.

Industria Maderera Sali, Cochabamba.

Sali is a medium manufacturer of doors, which was facing serious quality issues arising from deficient drying in its kilns. A BTBC diagnosis identified mechanical faults as well as defective instrumentation generating incorrect readings during the drying process. Based on this diagnosis, we helped Sali install manual control probes for correct measurement of humidity by weight. We made recommendations on how to load the kilns to allow for better air circulation. We helped them install filters to avoid clogging of the heating ducts. We made suggestions on placing weights on the top of the wood stacks to avoid twisting of the upper boards. And we recommended the purchase of various instruments to obtain precise readings for proper control of the drying process.

IBEMA, Cochabamba.

Ibema is the leading manufacturer of furniture in Cochabamba, and is one of the companies that BTBC took to the High Point International Furniture Market in Oct 2003.

With BTBC assistance, Ibema was able to close its first export orders with buyers contacted at High Point. More recently, BTBC has helped Ibema develop its complete expansion strategy for the US market and the domestic market. As a result of the analysis, Ibema has opened representative offices in Virginia to drive its US sales. Ibema will invest about \$100k to start-up and operate its US marketing activities in the first year.

Ibema's first two shipments to the US contained certain deficiencies in quality, dimensions and finishing. In order to resolve this, BTBC consultants have helped the company separate export production from domestic market production. We have made significant improvements in plant lay out. For a number of the joinery operations we have recommended the use of dowels instead of spigots. We have trained plant workers to understand and utilize the Imperial measurement system rather than the metric system for US orders. We have helped the company develop templates based on the precise dimensions specified in the orders. The BTBC consultant has introduced new finishing techniques that enable compliance with the order specifications and prolong the durability of the products.

In order to improve cost competitiveness, BTBC has persuaded Ibema to work with lower-cost woods. The company is now utilizing yesquero blanco, mara macho and bibosi, which cost about 50% less than the traditional mahogany.

BTBC has also helped Ibema identify and sub-contract three SMEs, for production of carpentry, hardware and wrought iron.

SOEX, La Paz.

This is a small manufacturer of conventional and customized doors. BTBC has provided significant assistance in the company's first export shipment to the US. We helped develop the production plan, identified and mitigated bottlenecks in machining and assembling, developed the templates for each of the doors, made recommendations for packaging finished product and provided training to 18 workers to execute the production plan. We have helped implement a key system to control production by movements against the timetable. We have recommended catalysts to accelerate the adhesion processes, thereby enabling a significant increase in the capacity of the presses.

BTBC has helped Soex write its business plan to obtain its first loan, which has been approved by Precrédito for \$60,000. Soex applied to four financial institutions before obtaining this approval.

BTBC has helped Soex subcontract three artisans. Two of them manufacture style boards and other parts and pieces for Soex's doors. The other one specializes in sharpening the wide blades on Soex's saws every few days.

PROMAD, La Paz.

Promad has is a medium manufacturer of wood products, with a versatile plant allowing production of varied goods. BTBC has helped Promad develop an assortment of samples, including flooring and furniture, to seek orders from Soex's customers in the US. These samples have been shipped to the customers in Soex's door container, and we hope to receive orders during 4Q04.

MOBILIA, La Paz:

Last quarter this medium manufacturer of wood products had received a trial order for one container of almendrillo flooring. With BTBC assistance, Mobilia completed the trial. On seeing the trial order, the buyer has placed a regular order for a minimum of one container per month of almendrillo flooring. In addition, BTBC is helping Mobilia develop two new flooring products for stairways and floor trim.

Mobilia produced the trial order on a break-even basis, but not surprisingly the buyer will not increase the prices for the standing order. Mobilia must therefore reduce costs to be profitable. Through a technical diagnosis and a variety of recommendations, BTBC has helped Mobilia reduce the production process from 12 steps to 8 steps, thereby achieving significant cost savings.

As part of the cost reduction exercise, BTBC has helped Mobilia sub-contract two SMEs, Promad and Nadal, to provide kiln-drying services. We have also helped Mobilia find more competitive suppliers of wood to reduce the cost of raw materials. We have provided training to 30 Mobilia plant workers, from production to packaging.

B.3 Fine Fibers, Leather and Jewelry

B.3.a Overview of BTBC Activities in the Sectors

The fine fiber sector is still new for BTBC. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed to medium-high end markets, being exported in low volumes.

Most alpaca garment manufacturers need support in design, employee training and marketing. It is also important to market the benefits of camelid fibers (alpaca and llama) in the target markets.

There are basically two different types of products in this category: knitted garments, such as pullovers, sweaters, scarves and caps, and garments produced with woven fabrics, such as coats, suits and shawls.

In the area of knitted garments, there are three types of products:

1. Hand knitted garments with needles. Most of the companies that produce this kind of garments utilize women working from home. This activity is extremely labor-intensive. Companies in this group that are receiving BTBC assistance include Asociación Señor de Mayo and Fotrama.
2. Hand knitted garments with manually operated horizontal machines. This is the most extensively used method of production. Companies in this group that are receiving BTBC assistance include Millma and Intiwara, Bolivia's two most important exporters of camelid knitted garments.
3. Industrially knitted garments with automated horizontal machines. Most of these machines are currently used to knit acrylic fabric. Nevertheless, there is a growing interest in making a transition to natural fibres, in order to produce garments with higher added value. Companies in this group that in contact with BTBC include Batt, Shalom and Knitted Apparel.

In the area of garments produced with woven fabrics, there are two types of products:

1. Garments produced with hand woven fabric produced in traditional hand looms (e.g. shawls). These products are very labor-intensive. In this group BTBC is providing assistance to Origenes Bolivia.
2. Garments produced with industrially woven fabric, mostly imported from Peru. In this group BTBC is providing assistance to Milos International (Liliana Castellanos) and Altifashion.

Although Bolivia has an important population of llama and alpaca, most of the camelid fabric and yarn used for production is imported from Peru. This poses a significant disadvantage when competing with Peruvian companies, which are able to procure the yarn at a lower cost.

BTBC's activities in the leather and jewelry sectors during 3Q04 have not presented major changes.

Macaws continues to be our major project within the leather sector. With BTBC support, Macaws obtained ISO 9001 and OSHAS 18000 certifications, making it the first Bolivian company to obtain the OSHAS 18000. We are still working with the company to implement ISO 14001. We expect Macaws to obtain this certification by the end of the year.

Exportadores Bolivianos, the gold and silver jewelry manufacturer, continues growing and generating very substantial exports to the US. Minerales y Metales (M&M) is expanding its local jewelry business, having opened two retail jewelleryes in Santa Cruz. M&M is still trying to open stores in the US and is working on the book on Bolivianite.

B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sectors

Milos International, La Paz.

Designer and producer of alpaca coats, jackets, suits and shawls targeted to high-end export markets. Their success is based on their premium quality designs. The designer, Liliana Castellanos, was recently invited to participate in The Congress of Young Entrepreneurs to

tell her Success Story, together with Marcelo Claire (a successful Bolivian entrepreneur that owns a billion-dollar company in the US) and Alejandro Pereira (VP for Latin America of Bank of America).

This quarter, BTBC has provided support to Milos in the area of industrial design and patterning, helping to improve their existing patterns, creating a patterning and design department, developing technical specifications for each product and training their personnel in quality control and design. In the previous quarter BTBC also provided assistance to improve productivity and to establish a quality control system.

One of Milos' major clients in the US, Linda Richards, was contacted through BTBC business development consultant Luis Soto and has received her first two shipments.

Altifashion, La Paz.

The company is the largest manufacturer in Bolivia of alpaca coats and jackets. They are currently in production of an export obtained through the BTBC/CANEB Business Development Project in the U.S. The finished product for this order, valued at almost about \$20k, will be shipped in October.

Altifiber/Altiknits, La Paz.

This company exports mainly alpaca and llama tops to Europe and the US. Garments are produced by a group of over 300 women, who manually spin and knit the wool at home. The company also owns three industrial knitting machines, which operate in-house to complement the production that is outsourced from the women.

BTBC has provided assistance to Altifibers/Altiknits through a diagnosis and recommendations to improve management systems, production planning and quality control.

BTBC's recommendations are being implemented step by step, and will be in place by the end of the year.

Origenes Bolivia, La Paz.

This company started operations as a trader, outsourcing products from SMEs. Due to quality problems and long lead times, the owners decided to integrate vertically, installing their own textile manufacturing company. BTBC supported the company in production planning and control, quality control and inventory management. Origenes participated in the CANEB/BTBC Business Development Project in the U.S. and at the Magic Trade Show, through which it obtained trial orders and reorders from two clients. The company plans to participate in several trade fairs in Europe by the end of the year. Origenes has requested additional assistance from BTBC to increase their production capacity.

Millma, La Paz.

Millma is one of the major exporters of knitted alpaca garments in Bolivia. BTBC is helping Millma identify small and medium textile manufacturing companies from which to outsource industrially knitted garments. Of the eight potential sub-contractors introduced by BTBC, Millma has selected three to develop samples. These are Batt (of the Ametex Group), Neobol and Shalom. The samples produced by BATT completely satisfied Millma's requirements. The other two companies are still making adjustments. Based on this ability to sub-contract, Millma is launching new products for its 2004-2005 collection.

Knitted Apparel, La Paz.

Knitted Apparel produces acrylic garments for the local market and exports indirectly to Argentina by selling at the border. In recent years the company has exported limited quantities of knitted alpaca garments to Germany, and they are currently negotiating their largest order to date (30,000 alpaca sweaters) for the German market.

BTBC is providing assistance to Knitted Apparel in management, production planning and controls, quality control and inventory management. We are also helping Knitted Apparel implement a second production line.

Shalom, La Paz.

Shalom currently produces acrylic sweaters and pullovers. They sell all their production ex-factory to buyers from Chile, Peru, Paraguay and Brazil. Their orders have grown significantly in recent years and their current capacity (8 industrial machines) is no longer sufficient to satisfy demand. Therefore, they are installing a second plant with 4 state-of-the-art industrial machines. The second plant will continue operating with acrylic, and will begin incorporating alpaca. Through a BTBC introduction, Shalom is one of the companies being considered by Millma for production outsourcing. They are making minor adjustments to the initial sample that was submitted to Millma and, once the quality standard is reached, our expectation is that Shalom will begin producing under sub-contract for Millma.

BTBC is providing assistance to Shalom in management, production planning and controls, quality control and inventory management.

Fotrama, Cochabamba.

Fotrama is a cooperative composed of its workers. The company has two production units: camelid yarn spinning garment production. They collect, classify, wash, de-hair, comb, spin and dye alpaca fiber. They utilize part of the classified wool for the production of alpaca garments and sell the rest of it. Fotrama currently exports to the US, Germany, Switzerland, Norway, Denmark and Argentina. Garments are produced by over 300 women, divided into 16 groups, who manually spin and knit the wool at home.

BTBC is providing extensive assistance to Fotrama in production planning and controls, quality control, cost analysis and time and movement studies. BTBC's assistance is currently underway with on-site interventions at the spinning mill and in each of the 16 groups.

Intiwara, La Paz.

Intiwara is one of the major exporters of knitted alpaca garments in Bolivia. They export sweaters, pullovers, shawls and other accessories mainly to Europe, with small volumes also exported to the US and Japan. They export more units than Millma, but with a lower dollar value. Currently, 90% of the production is manufactured manually (with hand machines, not knitting needles) in their plant in La Paz and 10% is being outsourced. They just bought an industrial machine to increase their installed capacity. They have more than 80 hand-operated machines.

Intiwara participated in the BTBC/CANEB Business Development Project in the USA, through which it made contact with Icelandic. At present, Intiwara and Icelandic are jointly developing a collection for 2005. BTBC is providing assistance to Intiwara of patterning and design. The company aims to expand its production to include a line of alpaca coats, jackets and suits. In order to move towards this, we helped Intiwara develop the patterns for this new production line. The first garments will be presented in the Milan Fair in November.

Exportadores Bolivianos, La Paz.

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, Exportadores Bolivianos' exports continue to grow as a result of BTBC's pivotal intervention in 2003.

Minerales y Metales (M&M), Santa Cruz.

Minerales y Metales has new jewelry plant, which was implemented with BTBC technical assistance, is now in steady production, albeit at 30% of capacity. It is producing some 300 jewels per month, which are sold in the domestic market. M&M has recently opened two new jewelery stores in Santa Cruz.

M&M has not yet started exporting jewelry, though it continues to export large quantities of gemstones (it is the largest supplier in the world of amethyst and ametrine). In the short term, they aim to launch company-owned retail stores in major shopping malls in the US.

Macaws, Cochabamba.

Macaws is the leading Bolivian manufacturer company of leather products, and is the only manufacturing company in the country that sells through internet. They operate primarily through two companies in the US, namely Bellagio Designs and and PB Leathers. Macaws is a partner of both companies. Macaws' exports for the period Jan- May 2004 were \$464k, almost doubling its exports over the same period last year.

BTBC has provided training in Macaws in the following areas:

- Leather upholstery – 89 people trained, resulting in 34 people hired and seven new SMEs incorporated
- Manufacturing of small leather goods – 93 people trained, resulting in 23 people hired and 51 new SMEs incorporated
- Machine maintenance – 29 people trained, several are on-call when mechanical problems arise
- Total BTBC training in Macaws – 211 trained, resulting in 57 hired and 58 new SMEs incorporated.

With extensive BTBC assistance, this quarter Macaws finally achieved the OSHAS 18000 certification, making it the first Bolivian company to be internationally certified in occupational safety and health. In addition, BTBC helped Macaws renew the ISO 9001 certification. We have also worked closely with Macaws to achieve compliance with the requirements for ISO 14001, and we expect Macaws to have this certification by end 2004. Overall, BTBC has supported Macaws with five consultants for six months ending March 2004, two technical consultants through September 2004 and one expert in ISO 9001 & 14001 and OSHAS 18001 through October 2004. The impact of BTBC's assistance to Macaws from January to September, 2004, is reflected in the almost 100% increase in exports with respect to the same period in 2003, the training that we provided to 211 people of which 57 were hired and the 58 new small enterprises that have been incorporated to the Macaws production chain.

B.4 Market Linkages Activities

B.4.a Market Linkages in Textiles and Apparel

- BTBC helped Maquibol sub-contract production from three SMEs. These are Bogama in La Paz, Texturbol in El Alto and Fremar in Cochabamba. In aggregate, these SMEs will assemble 25,000 garments for export to Walmart via Maquibol.
- In coordination with the commercial attaché in the Bolivian Embassy in Chile and several Chilean buyers, BTBC arranged a trip to Santiago for a medium apparel manufacturer, Batos, which to date has already obtained a firm order for 10,000 blue jeans per month resulting directly from this trip.

- BTBC identified and contacted a distributor of children’s clothing based in Minas Gerais in Brazil. We introduced this buyer to the Premier Group of Cochabamba. The buyer has decided to visit Premier’s production facilities in early October, with the prospect of placing an order for 5,000 garments per month.
- BTBC helped launch web pages for Alfach, Trailer, Eysy and Batos. Through a BTBC introduction, these companies retained the services of TIR, a firm specialized in the production and maintenance of web pages.
- BTBC is working with the renowned Peruvian broker of textiles and apparel, Daniel Abugatas, to develop clients for Bolivian garment manufacturers. As they appear, orders will be allocated to the most competent companies in Bolivia.
- BTBC visited ten medium apparel manufacturers to evaluate their suitability to subcontract for Rey Wear. Of these, Rey Wear will subcontract 3-5 manufacturers for the production of denim garments under an order from a US buyer.

B.4.b Market Linkages in Secondary Wood Products

During this quarter BTBC has been very dynamic in brokering sub-contracts in the secondary wood products sector, including the following:

- Hurtado-Fatima. Utilizing Fatima’s heated press to apply bi-ply to the indoor style furniture being produced by Hurtado and Somain.
- Ecowoods-Schmidt Wood: Schmidt Woods is manufacturing wooden toys under sub-contract for Ecowoods.
- SOEX-Schmidt Wood: Schmidt Woods has produced ten samples of wooden trunks under sub-contract for Ecowoods. This has resulted in an order for 10,000 units.
- Anaconda: Anaconda of Spain has sub-contracted different stages of its Bolivian operation as follows:
 - Marketing and sales to Bolivian Tropical Lumber
 - Procurement of wood to Andean Tropical Hardwood
 - Pre-dimensioning and S4S four-face planing to Pisolack and Promad.

B.4.c Market Linkages in Fine Fibers, Leather and Jewelry

- **FUDEPE** [“Progress and Development Foundation”] of Spain. BTBC made contact with this private foundation that aims to strengthen SMEs in developing countries, focusing on high value products. FUDEPE provides selected companies with production assistance, working capital finance and capital expenditure finance. FUDEPE provides the designs for the products to be manufactured and subsequently takes charge of selling the finished goods.

BTBC organized an initial itinerary for two FUDEPE associates with manufacturers of jewellery, leather goods and alpaca garments. Enthused with the possibilities it found in Bolivia, FUDEPE has opened a small office in Santa Cruz. By end 2004, FUDEPE will announce which companies have been selected to receive its support.

- **MILOS International makes important contacts in EXPOCRUZ.** Through Milos’ participation in the BTBC stand in Expocruz, Liliana Castellanos was contacted the owner of a chain of boutiques in Colombia and by representatives of DBI International of Canada. Both of these organizations have offered to represent Milos in their respective geographies, and these opportunities are now under

consideration/negotiation. Milos was also contacted by a large German modelling agency that offered to represent Liliana Castellanos' designs in Germany and Russia. Milos was unable to accept because they already have a representative that covers those two countries. Milos was also.

- **Mitsuba obtains new orders from Fierres Inc.** BTBC introduced Mitsuba to Fierres Inc. of Puerto Rico. Mitsuba has produced two orders of Fierres-designed shirts. Having gained confidence in Mitsuba, Fierres has now placed a third shirt order, but this time using Mitsuba's designs. Fierres has also placed an initial order of polos shirts which is their fourth order from Mitsuba.

B.5 Increasing Access to Capital

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- **SEAF prospects.** BTBC has introduced SEAF to several prospects in Bolivia, including Santa Monica Cotton, Macaws, Casablanca and La Cuisine. Active discussions are underway particularly with Santa Monica Cotton, which has presented a formal investment proposal to SEAF.
- **Progress on pre-export and post-export working capital finance.** BTBC has continued its work in evaluating alternative mechanisms to meet the massive working capital needs of Bolivian exporters. Some of the mechanisms being considered are, for instance, export insurance, factoring receivables, electronic letters of credit, bonded warehousing and just-in-time delivery mechanisms to reduce the need to stockpile raw materials.
- **Study on SME finance in Bolivia.** BTBC helped coordinate a Premier-led study of SME finance in Bolivia. The study involved focused interviews with some twelve financial institutions and an equivalent number of SMEs. The results of the study will be available in 4Q04.
- **Precredit loan for SOEX.** BTBC has helped Soex write its business plan to obtain its first loan, which has been approved by Precredit for \$60,000. Soex applied to four financial institutions before obtaining this approval.

B.6 Training for the Productive Sector

BTBC has provided training for over 3,100 people, of which roughly 1,600 have been trained in wood products, 1,000 in garment manufacturing, 400 in leather and jewellery, and 200 in fine fibres. Much of this training was on on-the-job, but we also trained many people in structured workshops or seminars. Some examples of BTBC training include:

- In July we concluded the joint BTBC-UPC program for providing updated training to instructors. In this program, we trained and issued certificates to 230 instructors in Bolivia's three main cities. There was an aggregate of some 300 participants, but certificates were limited to those who attended a minimum of four sessions.

SECTION V

Major Activities for Next Quarter

A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening

A.1. Communications Campaign: “Foreign Trade and National Development”

Once the mass media component is coming to an end at the end of October, activities during next quarter will focus on assessing the campaign impacts and continuing with the preparation of the pedagogic component, that is, the seminars with foreign and national speakers. These activities will include the following actions:

- Periodic meetings with institutional associates to be briefed on the impacts of the mass media component. Specific activities will include the implementation of the following instruments to measure perceptions from the public:
 - An image auditing
 - An opinión poll
 - Focus Groups
- Second base line study completed (Survey on TLC and other foreign trade issues) assessed and distributed to stakeholders, particularly to Government officials and exporters. This study is planned to take place before the end of November and at least two weeks before the municipal elections to be held on the 5th of December.
- Organization of Seminar Series: Identification of selected speakers, seminar formats and issues to be examined. Specific seminars will include the following subjects:
 - Presentation of the Soybean Sector Study
 - The Negotiation of CAFTA as a parameter for Bolivia negotiating the AFTA: An Approximation to comparable economies
 - The Critical Issues in the negotiation of AFTA
- Monitoring of all Communications Program activities

A.2. National Intellectual Property Service (SENAPI) Institutional Reform

The Ministry of Economic Development over and over again has reaffirmed its commitment to restructuring SENAPI.

BTBC expects that next quarter:

- The Supreme Decree that enables the restructuring process of SENAPI is finally enacted.
- Some of the key positions of SENAPI, including its Executive Director are filled through competitive and public bidding.
- A concerted effort between some international bilateral and multilateral cooperation agencies has been set up, to assist SENAPI with its computer and information technology needs.

- Conditions have been created to assist SENAPI with the reform process

A.3. Proposal to Strengthen IPR Regime in Bolivia

BTBC will coordinate with the new VICE authorities, all the activities concerned with the dissemination, discussion and publishing of the studies and compilation done on IPRs related matters. This will include:

- Organize the dissemination seminars, to be held in Sucre and La Paz, around November 2004
- An intellectual work to actualize the studies in terms of the treatment that IPR related matters have received and are being discussed in the framework of the bilateral free trade agreements.
- An editorial effort to publish the studies
- Preparing the prologue of the study

A.4. Census of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends

Specific activities regarding this study will:

- Monitoring its development
- Assist the consultant with the organization and logistical support from the regional export chambers and other related institutions
- Asses its preliminary results with CANEB's supervisor

A.5. Strategic Training for SMEs

By the first week of October, the Strategic Training for PYMEs will conclude with the implementation of the workshop on a computerized business simulation, where participants will test their knowledge against simulated situations, but taking real data from their own enterprises.

As soon as the program finishes, BTBC and Catholic University are planning to hold a graduation ceremony to be held in El Alto around the second week of October.

On the other hand, given the extraordinary results that can be foreseen already with regard to program, according to the participants own view, there is a discussion about implementing a new course to be taken place from December 2004 thru February 2005. For this effort BTBC may ask the OTI office of USAID/Bolivia to joint us to co-finance the program. Catholic University has reacted very positively to this idea and sees no administrative nor technical obstacles to implement it.

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

Development of Resource Materials. In prior reporting periods, FILE drafted several collateral law resource materials, including a handbook for in-house counsel, a creditors' manual and an enforcement officers' handbook. FILE is currently working to finalize these materials, as well as a judges' benchbook on the enforcement law.

Similar to the goal for FILE's other resource materials, the In-House Counsel Handbook was designed to standardize and improve the banks' collateral law practice.

In September, the collateral law team completed vetting the handbook with its local partners and readied the final product for distribution. The vetted version was submitted to USAID on September 9th. FILE will continue to discuss the handbook's content with local partners and will periodically update and refine the handbook to reflect recent developments, topics and practices.

The collateral law team also continued to develop supplemental materials for its handbooks, such as preparing an article on the time value of money for inclusion in a Judges' Benchbook. The article was prepared at the request of several bank lawyers who wanted to impress upon the courts the need for expedient resolution of collection matters.

In addition, during this quarter the collateral law team completed a case study based on the Business Finance Project's "Teppsa" case. The case study is intended to highlight certain efficiencies that can be gained by proper application of the enforcement law, as well as some of the practical impediments to greater efficiency gains in debt collection practice. The case study will be built into future training sessions.

Partnership with Banks. During this quarter, FILE continued to work on deliverables contemplated under its draft workplan for the six-month period ending December 31, 2004. One contemplated activity is establishing working partnerships with certain banks, pursuant to which FILE would aid bank in-house counsel in shepherding enforcement cases through the system and in identifying roadblocks to effective implementation of the enforcement law.

In this regard, FILE held a roundtable on August 17th, during which several in-house counsels expressed concern that judges were not effectively implementing the Law on Enforcement Procedure, though no one was able to identify an implementation issue with specificity. FILE impressed upon in-house counsel the need to specifically identify the delays in enforcement procedure so that appropriate assistance can be ascertained. To accomplish this, FILE reviewed the different stages of an enforcement action and stressed the need to determine whether bottlenecks were the result of deficiencies in education/training, personnel, logistical support, financial matters, the legislative framework, or a combination thereof.

FILE and the banks then discussed data collection strategies to help determine where and why delays were occurring. Following the meeting, FILE developed a matrix on enforcement of collateralized loans, detailing the information FILE wanted to collect from banks and analyze. FILE then met with attorneys from Raiffeisen Bank, Vakufska Bank and Ljubljanska Bank and secured their agreement in principle to data gathering. In September, FILE received preliminary data from Raiffeisen and Ljubljanska banks and began its analysis thereof. Vakufska Bank was delayed in its submission, but is expected to supply data shortly. After reviewing the data and analyzing the results, FILE will consider expanding its data collection activities to other banks.

Stakeholder Advocacy Group. As previously reported, FILE intends to utilize the stakeholder advocacy group "Putokaz" to vet resource materials. As part of the vetting process, membership of the group was expanded to include local stakeholders for particular subject areas. To illustrate, the group, including in-house counsel from several banks, met during the August 17th roundtable described above. In addition to in-house counsel, representatives from GTZ's land registry project and USAID's Pledge Registry Project also participated in the session.

Other Activities during the Quarter:

- *Website.* FILE's collateral law team continued to coordinate with its Public Education and Communication Specialist and the bankruptcy team concerning the accession or development of an appropriate project website. Upon USAID's recommendation, FILE is re-exploring the option of partnering with local

institutions, and at this stage is negotiating possibilities with the Federation of Bosnia and Herzegovina (Federation) and the Republika Srpska (RS) Judicial Training Centers (JTCs), as well as with the BiH Bankers' Association.

Component Two: Bankruptcy Law

Training for Bankruptcy Judges. FILE conducted an advanced bankruptcy and reorganization training program for bankruptcy judges on September 16th and 17th. The session was attended by 27 judges from BiH's commercial divisions, and focused on legal and financial aspects of reorganization and issues arising in the early stages of bankruptcy proceedings. Also present were Greg Kishel, Chief Judge of the U. S. Bankruptcy Court (District of Minnesota), who provided pro bono assistance in the training, and two observers from the Federation JTC.

Almost all the judges present had attended FILE's two previous training sessions in Travnik (April 2nd and 3rd) and Teslic (May 27th and 28th). A few additional judges were also in attendance, having recently been tasked with hearing bankruptcy cases. [Whereas larger courts have designated one or two specific judges to specialize in bankruptcy, smaller courts tend to use "generalists."] Early in the program, the judges were given copies of the revised "Checklist for Managers of Companies in or about to Enter Bankruptcy Proceedings" and the revised "Checklist for Creditors of Companies in or about to Enter Bankruptcy Proceedings," which were submitted to USAID as deliverables on August 31st. These checklists were well-received, with judges indicating that they would make copies available in their courtrooms, at creditors meetings and other hearings.

The overall emphasis of the training was on bankruptcy reorganization and preparation of the reorganization plan, with related topics and preliminary matters covered first, notably methods for addressing potential roadblocks to effective bankruptcy implementation. This theme was developed by using three hypothetical case studies focused on (i) case filing issues, (ii) preliminary proceedings issues, and (iii) establishment of indebtedness/insolvency issues. These hypothetical situations drew upon the "lessons learned" in FILE's pilot case activities (see below).

These preliminary hypotheticals also served as a prelude to subsequent presentations and discussions focused on the (i) legal provisions governing preparation of the plan of reorganization, (ii) financial indicators relevant to the feasibility of reorganization, and (iii) a culminating case study about a financially-distressed company with a complex debt structure but good reorganization prospects.

The culminating session was led by Judge Kishel, playing the role of the "trustee" and proponent of a plan of reorganization for the company. This session included role-playing by the judges, divided into workshops, and a lively question and answer session. This exercise was well-received and accomplished its purpose of preparing the judges for this phase of a bankruptcy proceeding, provoking them to pay attention to its complexity and the critical matter of classifying creditors into groups for plan purposes, in particular.

Training for Trustees. No formal trustee training took place during this quarter. However, planning went forward for a training session in October, paralleling the topics taught in judicial training sessions; and assistance in the form of special consultations was given to several individual trustees involved in pilot cases (see below) and other specific, watched cases. The upcoming trustee training, planned for October 14th in Sarajevo, will be aimed at an audience of approximately 25 trustees or future trustees from the Sarajevo, Gorazde and Sokolac areas.

World Learning Participant Training Program in Slovenia and Croatia. Another notably significant advance in judge and trustee training took place during this quarter, when World Learning sponsored a training program on the “Effective Implementation of Bankruptcy Laws in Bosnia and Herzegovina.” The program, which took place in Slovenia and Croatia, was aimed at improving the understanding of BiH bankruptcy professionals by exposing them to the experiences and practices of their counterparts in other countries. The program was attended by seven bankruptcy judges (six of whom had attended the previously described seminar) and four trustees, all of whom had been recommended for participation by FILE. A BiH journalist and two bankruptcy team members also attended as observers. By all accounts this program was of very high-quality and well-received.

Resource Materials. In prior reporting periods, FILE provided USAID with various draft bankruptcy law resource materials, such as a “Checklist for Managers of Companies in or About to Enter Bankruptcy Proceedings,” a “Checklist for Creditors of Companies in or About to Enter Bankruptcy Proceedings,” and a “Guidebook for Appraisers.” During this quarter, the bankruptcy team systematically sought out the comments and suggestions of local partners, i.e., vetting the materials, by letters, telephone calls and meetings.

The creditor’s and manager’s checklists were circulated to thirty-five bankruptcy trustees and general managers. Eight trustees provided extensive written comments, some of which were very useful to the process of analyzing and improving the thoroughness, focus, and accessibility of the checklists. The checklists were revised accordingly, based on the most incisive comments of these local professionals. Additional comments received later, for example, from participants in FILE’s upcoming training events, also will be taken into account and helpful suggestions will be noted. If appropriate, revisions will be made and “second editions” of the checklists will be published and circulated.

A similar vetting process also took place with respect to the Guidebook for Appraisers, which was circulated among a small group of practicing appraisers. In this case, the number of comments received was limited, and few practitioners offered any in-depth comments. This was due in large part to the fact that there is only a small number of practicing appraisers in BiH, as the profession is still generally under-developed.

However, the need for market valuation and similar appraisal techniques is compelling. The bankruptcy team was able to obtain valuable assistance from the Authorized Evaluators Association of the RS and the Economic Institute, an appraisal-providing concern located in Doboje. Based on useful comments from these organizations, the Guidebook for Appraisers

was revised and improved.

After completing the vetting and revision process described above, the revised checklists and Appraisers Guidebook were presented to USAID as reference material deliverables. They will be distributed to local partners shortly.

FILE also fielded a short-term bankruptcy expert, Gleb Glinka, to finalize a trustees' manual and related bankruptcy forms. Drafts of these materials, suitable for vetting with local partners, are expected to be in circulation early next quarter.

Pilot Bankruptcy Cases. In prior months, FILE and USAID spent significant time and effort conducting due diligence on companies that could serve as potential pilot cases for demonstrating the efficiency of BiH's new bankruptcy system. This due diligence included extensive financial reviews and meetings with creditors, company managers, labor representatives, government officials and potential investors in many companies. FILE also formally presented a comprehensive Pilot Case informational, "decision" brief, including power point slides, to USAID.

FILE's efforts culminated in the filing of two pilot bankruptcy cases during this quarter.

- **UNIS TADIV.** Unis Tadv, a state-owned machine tool and fastener manufacturing concern located in Konjic, was filed for bankruptcy in the Commercial Division of the Mostar Municipal Court on September 10, 2004 (Case No. 14/04). The filing was made by the attorney representing workers and occurred after 140 of approximately 150 labor union members voted in favor of bankruptcy.

After reviewing the filing with and based on input from FILE staff, the judge appointed an interim trustee on September 28th. The judge further ruled that, within thirty days, the trustee must submit reports on: preservation of bankruptcy estate; determination of a valid reason to open bankruptcy proceedings (i.e., confirmation that the company was insolvent due to its failure to pay debts within thirty days of their due date); whether debtor operations can continue in bankruptcy; and whether the bankruptcy estate can cover bankruptcy costs. FILE has already performed this analysis for the trustee, and will work with him to complete the process. The hearing to officially open the bankruptcy case should take place on October 28th, absent delays or appeals.

The lead-up to this filing was challenging, and included numerous meetings with interested parties. A tentative agreement was reached among the lead supplier, the workers and company management, by which the company's operations would continue while it reorganized in bankruptcy. Pursuant to this understanding, the supplier and workers will acquire ownership of the company in a debt/equity swap. The supplier will continue to supply raw materials to the company so it can continue its operations while details of the reorganization can be worked out.

As the month went on, the bankruptcy team remained in daily contact with the

parties in interest, seeking to resolve problems and further shepherd the case. For example, team members intervened to clear up a misunderstanding concerning the effect of the bankruptcy stay on creditors maintaining enforcement actions in the Konjic Municipal Court.

- **LIVNICA.** Livnica, a state-owned metal foundry located in Sarajevo, was filed for bankruptcy in the Commercial Division of the Sarajevo Municipal Court on September 15, 2004 (Case No. 33/04). The actual filing was submitted by the Federation Public Attorney's Office, based on a claim of the Federation Tax Administration.

Unlike Unis Tativ, Livnica's bankruptcy was not pre-packaged. Both the relevant labor union and government ministries supported the filing, and discussions with interested parties have provided two leading options. The first option is that the company may be sold to an Austrian investor – Strebel, a specialized steel equipment manufacturer. The second option is to have the workers take ownership through a debt/equity swap, with subsequent sale to Strebel or another interested investor. FILE will continue to work with the parties to explore these and other options, and remained in close contact with the parties in interest throughout September, seeking to resolve problems and further shepherd the case.

Other Activities during the Quarter:

- *IMF Privatization Strategy.* USAID and FILE continued their 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. During this quarter, team members participated in high-level planning meetings with the World Bank, the IMF, and representatives of the US Embassy, relevant to bankruptcy implementation and related concerns of the World Bank and IMF. Additionally, FILE provided comments on the World Bank's proposed Enterprise Restructuring Programmatic Development Policy Credit Program Agenda Matrix.
- *Federation Bankruptcy Roundtable.* During this quarter, team members participated in a roundtable with Federation bankruptcy judges concerning legal interpretation and implementation issues raised by recent amendments to the Federation bankruptcy law. The conclusions reached may be distributed to all Federation bankruptcy judges to serve as guidelines for handling these amendments.
- *Website Development.* As indicated above, FILE's collateral law team continued to coordinate with its Public Education and Communication Specialist and the bankruptcy team concerning the accession or development of an appropriate project website. Upon USAID's recommendation, FILE is re-exploring the option of partnering with local institutions.
- *Trustee Certification Training.* Minister of Justice Kristo requested that FILE conduct a two-day certification-specific training session in September for trustees

that are now provisionally certified within the Federation (approximately 240 persons). FILE, after consultation with USAID, informed the Minister that, at this time, its resources and other priorities (as well as the practical difficulties associated with assembling such a large group of trustees and trustee candidates) made it impractical to do so. FILE further informed the Minister that it had prepared various training and resource materials for trustees and had conducted five seminars for smaller groups – approximately 20 to 40 – of trustees and trustee candidates, and that another session was scheduled for October.

Minister Kristo also indicated that the Federation Ministry of Justice would like to develop its own certification testing program in harmonization with that of the RS. In that regard and in accordance with the Minister's request, FILE provided an electronic copy of the implementing regulation governing the certification testing program in the RS and related materials.

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

Development of Integrated Case Management System Software. FILE has been asked by the international community to take a leading role in the development of integrated case management system (ICMS) software for the Federation and RS. With standing commitments from the European Commission and ICITAP to provide computer hardware and peripherals to BiH's courts and prosecutors, USAID, FILE and the High Judicial and Prosecutorial Council (HJPC) agreed that FILE should take the lead in software development.

During this quarter, FILE fielded three short-term experts from the United States Federal Judiciary - Phil McKinney, Ralph DeLoach and David Egar - to begin developing (1) a roll-out strategy for the distribution and installation of hardware and software throughout BiH's 70 first and second instance courts, (2) a Request for Information (RFI) intended for potential software developers, and (3) a Request for Proposal (RFP) for procurement of ICMS software. Messrs. McKinney and DeLoach provided assistance on a pro bono basis, continuing FILE's strategy of providing value-added services to meet specific needs.

Drafting efforts were well underway as of the end of the quarter, with plans to present draft "deliverables" to USAID and HJPC representatives for their review and comment during October. The roll-out plan will set forth timelines and responsibilities for the various steps in automation, such as: developing communication strategies; equipment delivery, installation and user training; developing an RFI; developing functional requirements for software; developing an RFP; developing and acceptance testing of software; selecting and preparing beta courts; training users on software modules; and similar matters. Once vetted

and accepted, and approved by USAID, the plan will help set realistic expectations and goals for all parties involved in the automation process.

Automation Activities in Brcko. The Brcko Judicial Commission and its contractor, Optima OR, continued their efforts toward the development of ICMS software for Brcko's courts and prosecutors. In accordance with USAID's previous direction, FILE maintained a presence in Brcko to help ensure that the ICMS product developed meets or exceeds the needs of Brcko's judicial institutions and is potentially useable in other justice sector environments.

On August 23rd and 24th, FILE staff traveled to Brcko to assist the court with the creation of the coded events and tables that underlie ICMS software. FILE recommended the creation of design teams comprised of prosecutors, judges and registry staff in order to achieve: (a) a comprehensive, quality data dictionary of event and party codes, tables, etc.; (b) the involvement of representatives of all sectors of the justice environment in the development of software to facilitate both design and implementation and ensure commitment to the use of the final product; and (c) an understanding of how software functions so that ideas or suggestions for improvements or modifications can come eventually from the end users. FILE made an extended effort to explain the purpose and meaning of computer coding and how software enhances the work of judges, law associates, court secretaries and registry clerks.

USAID and FILE continue to reassess FILE's involvement in Brcko. The lessons FILE has learned in assisting Brcko automation efforts can likely be applied in the Federation and RS. Such benefits must be weighed in light of: the court administration team's limited capacity to intervene in Brcko while other efforts – development of the RFP and roll-out strategy, as well as workflow and caseflow analyses in several courts (see below) – are ongoing; and Optima's likely intention to bid on the RFP.

Caseflow and Workflow Analysis. FILE continued its efforts to analyze workflow and caseflow in BiH's courts 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 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.

Workplan development. On July 23rd, FILE submitted a draft court administration workplan for USAID's review and comment. The workplan spanned the twelve-month period ending June 30, 2005, and was consistent with the ongoing development of a framework for court administration reforms and discussions with HJPC and USAID's Justice Sector Development Project (JSDP).

In August, FILE was informed that ongoing discussions between USAID's Democracy and Economic Restructuring offices would require significant revisions to its draft workplan. FILE was subsequently requested to resubmit a workplan focusing on workflow and caseflow analyses, as well as other precursor activities to automation. [Workflow is an examination of operational procedures (analyzing steps in the clerical processing of a case from filing to disposition), the goal of which is to improve the efficiency of manual processes before they are automated. A case flow management study will identify how cases are assigned, how cases are scheduled, the number of continuances, the time between events, etc.] A revised draft workplan for the six-month period ending December 31, 2004 was completed and delivered to USAID on August 31, 2004.

FILE previously completed its civil and commercial workflow analysis in June 2004. During September, FILE began in earnest its efforts to complete analyses of bankruptcy, enforcement and criminal case workflow in four courts – Mostar, Sarajevo, Banja Luka and Zenica. The court administration team will work closely with staff from the bankruptcy team and the collateral law team to accomplish this objective.

Other Activities during the Quarter:

- *Coordination Meetings.* The court administration team continued efforts to collaborate with JSDP, the HJPC and other international donor organizations and coordinate matters of court administration from a single perspective. This activity developed along two principle tracks: internal discussions with and within USAID regarding the importance of effective collaboration, communication and cooperation between FILE and JSDP; and discussions of various court administration issues under the “umbrella” of HJPC.

At the request of HJPC, FILE met with the HJPC and JSDP representatives several times during the quarter to discuss and develop project descriptions for five “projects”: common case file numbering conventions; workflow analyses; manual case handling procedures; judicial productivity quotas; and automation.

- *Deliverables.* Prior to revising and resubmitting the draft workplan on August 31st, FILE continued to work on activities and deliverables described in the prior draft. Accordingly, FILE produced the following deliverables that were identified in the prior draft: the “Report Regarding Accessibility of the Integrated Case Management System Software under Development for the Brcko Judicial Commission” (delivered on August 6th); a “Report Recommending a Common Case File Numbering Convention for Use by All BiH Courts” (delivered on August 6th); and “Comments Regarding Miscellaneous Recommended Changes to the Draft Book of Rules on the Internal Operations of the Courts (Federation and RS)” (delivered on August 12th).

- *Model Court – Terminal Digit Filing.* In proceeding with efforts to transform the Mostar Municipal Court into a model court, FILE held introductory discussions with the Mostar Municipal Court president and secretary on August 5th and 6th. ICITAP participated in the visit to assess Mostar’s hardware needs and JSDP joined, as well, to introduce its project and learn more about Mostar court operations.

FILE’s workplans for September 2003 through June 2004, as well as earlier versions of the current draft workplan, included the introduction of a color-coded, terminal digit filing system to the commercial divisions. FILE introduced the concept to potential model courts in June 2004, with a presentation that included samples of both current and new case files and a demonstration of how each is currently, or could be, used with existing registry books and various calendar options. Several courts, Brcko and Mostar in particular, expressed interest in implementing the new filing system.

Introducing a new filing system was one of the initial activities that FILE intended to conduct in the model courts. FILE understands, however, that JSDP will implement a terminal digit filing system in the courts. Accordingly, FILE has removed related activities from its draft workplan. FILE will make available its materials and research relating to terminal digit filing systems at JSDP’s request, and will provide appropriate support to ensure a smooth transition of work.

- *Workflow Analyses – Civil/Commercial, Criminal, Enforcement and Bankruptcy.* During the majority of September, FILE’s court administration team focused its energies on interviewing judges and court staff and developing flowcharts of existing workflow. These discussions and charts will be used to analyze the procedures used by the courts to process civil/commercial, criminal, enforcement and bankruptcy cases. Once the analyses have been completed, written recommendations will be prepared which can be used to further improve procedural aspects of the courts’ operations while providing incentive to pursue longer range legislative change.

To date, FILE has completed workflow analyses in Mostar Municipal Court and Banja Luka Basic Court. During the next quarter, this work will continue in the Sarajevo and Zenica municipal courts.

The court administration team has observed several courts starting to implement FILE’s recommended improvements in workflow. For example, both Mostar Municipal Court and Sarajevo Municipal Court have begun using law associates to screen incoming civil cases to determine whether there is an appropriately framed legal question and whether the complaint is properly submitted. This eliminates the need for a judge to see these cases prior to the preparatory hearing, which saves judicial resources and minimizes the movement of case files between the registry office and the judges’ offices, a potentially huge savings of time and work.

- *Clarification and Transfer of Responsibilities.* After discussions with and between USAID’s Democracy and Economic Restructuring offices, it has been determined

that FILE will focus on the development of ICMS software and the completion of workflow and caseflow analyses in selected first instance courts. The successful efforts made early on by FILE to introduce courts to the concept of color-coded, terminal digit filing systems were transferred to the JSDP for implementation. Similarly, FILE has been informed that JSDP will take the lead in developing random case assignment mechanisms.

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

Personnel Summary

LOCAL PROFESSIONALS

- *Chief of Party and Task Leader for ANAR: Liviu Ionescu*
- *Assistant to the Chief of Party: Ionut Dobre*
- *Task Leader for EMS/P2: Andreea Milea*
- *Assistant to the Task Leader for EMS/P2: Ioana Stanescu*
- *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*

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 Perine*
- *Environmental Specialist/Engineer: Phil Brown*
- *Environmental Specialist/Engineer: Paul Dax*
- *Environmental Specialist/Engineer: Daene McKinney*
- *Alarm Systems Specialist: Mary Ann Zimmerman*

HOME OFFICE PROJECT MANAGEMENT

- *Senior Manager: Avrom Bendavid-Val*
- *Deputy Project Manager: Chris Perine*
- *Project Administrator: Kale Driemeier*
- *Assistant Project Administrator: Ginger Elsea*

Component B: EMS&P2

IMPLEMENTATION PROGRESS

- Launching ceremonies at RA APA Braila, Promex Braila, Alprom Pitesti and APA CANAL 2000 Pitesti conducted
- Workshop for water facilities conducted
- All monitoring and process equipment for Alprom Pitesti, APA CANAL 2000, RA APA Braila and Promex delivered
- Procedures for monitoring the effluents and EMPs drafted
- Representatives of water facilities in Braila and Pitesti trained in using the biological analyzer. Training conducted by the supplier.
- Representatives of all partner enterprises, excepting Novatex Pitesti, trained in using monitoring equipment
- Preliminary agenda and PP Presentations for the training of industry associations organized by the MEWM drafted
- EMS&P2 Work plan for the second project year drafted
- EMS&P2 Website drafted and submitted to MEWM
- Discussed with Mr. Florea – MEWM possible additional SEPIC assistance to the ministry related to EMS and P2.

IMPLEMENTATION PROBLEMS

- Promex requested sophisticated equipment for controlling the chromium plating bath. According to the technical literature, such equipment is not used in plating operations. AM prepared an answer regarding this issue, including references from internet survey (both in Romanian and English). The written answer and reference documents will be submitted to the General Manager of Promex, during AM's visit to Braila, in early October.
- Novatex's assets were bought by a Romanian Industrial Group. In September the plant was closed and most of the personnel fired. After the transaction, Novatex changed name to "NOVA TEXTILE BUMBAC SRL". According to the representative of the management board of the owner, the activity shall re-start-up in the first week of October. The above issues delays our schedule, including delivery of equipment. We need to sign another MoU with the new manager of the new company once it starts operating again., and resume implementation after that. In

light of this, Considering the actual situation, AM stopped the equipment delivery to Novatex . If Novatex remains closed, we can replace it with AGOFLORIS, the slaughterhouse that is already included in the P2 Action Group. Since the EMS&P2 team's visit in Pitesti at the end of September, we have not been able to contact the management of Novatex. AM will visit them and meet the new management in the second or third week of October.

IMPLEMENTATION NEXT STEPS

- Support MEWM to plan and conduct the training for the industry associations in October and subsequently
- Continue P2 program implementation in all partner enterprises
- Monitoring environmental and financial results in all partner enterprises
- Plan and prepare training session for judges in Pitesti
- Plan and prepare the first implementation seminar in November
- Working with MEWM to upload onto their website material we've provided
- Conduct discussions with MEWM about possible additional SEPIC assistance to the ministry concerning promoting EMS and related topics

Component C: TAIWAT

IMPLEMENTATION PROGRESS

- All activities were progressing within the WP schedule and with the necessary adjustments to both the MWEM and USAID requirements, along this implementation period.
- **Sub-Contractors:** all subs (UTCb, Interactive and AquaProiect) have submitted their due reports, which have been reviewed, accepted, and paid; renewed SOWs, in view of the next series of contracts for the second set of six month have been drafted and negotiated with UTCb and AquaProiect; Interactive shall follow in October, 2004;
- **US Consultants:** MAZ has provided all sorts of useful briefing and info data with respect to where and what reference materials may be found on the US experience related to AS and RRC; DCM has made two (correlated) trips, especially as to work with the local ITs, in order to prepare the DSS model application for the demonstration in Oct.;
- **Project staff:** has prepared, or reviewed, and submitted to HO and STA, for in-puts, the drafts for the Task 1.1 – water resources, 1.2 – legal and 1.3 – institutional overviews of the current situation in Romania, related to waters management; Task 2.1 - DSS international, and 2.2 – DSS Romanian applications; there also is compiled the Task 1.4 – Hydro-technical works in Romania, and the Task3.1 – Mini WP for pilot activities, plus; **Project staff:** has submitted to all project SC members, and HO

and STA, all the Final Reports for the Tasks 1.1 – water resources, 1.2 – legal and policy framework, 1.3 – institutional overviews of the current situation in Romania, 1.4 – Hydro-technical works in Romania; 2.1 - DSS international, and 2.2 – DSS Romanian applications; and 3.1 – Mini WP for pilot activities, including a proposal for the equipments in the pilot area, and a Synthesis of all these (both in Romanian and in English), plus many additional conjugated efforts in gathering and processing data (from ANAR, INHGA, DAAV, Hydrocentrale – Arges) for the DSS model filling-in, and many additional related presentation materials, in view of formal meetings; has submitted to GA some in-puts for designing the potential Study Tour proposal; also, lots of data for the DSS model have been processed and transmitted to DCM, especially on rules at the reservoirs (of our piloting interest); and, it has been initiated the process of data and in-puts collection for the Alarm System pilot activity;

- **Work-Plan docs:** in view of the annual revision of the project WP, we have reviewed all three docs related to TAIWAT – Workflow/Timetable, the Narrative WP, and the Success Indicators;
- **DSS Workshop:** the WATMAN workshop on models and preliminary cost estimates for equipments has been established for Oct. 13, to be held at MWEM;
- **Field Trips:** several technical inspection and documentary trips have been organized, in order to more realistically and concretely set up the needs of equipments for the pilot area; on the occasion, lots of useful reference documentation and data has been gathered;
- **Romanian Consultants in-puts:** AMM has submitted a report on “Pollution Sources in Arges Basin” and several related docs on RRC; ITs have developed DSS model applications based for the demonstration at the workshop; RS has provided reference docs, documentary materials and field data for the Alarm System – technical aspects and equipments specifications;
- **Coordination with TDA:** one week in early August, three reps have joined the work in our office, along with DCM’s trip; meanwhile, they are supposed to collect and provide data on equipments.
- **Equipments Procurement:** four sets of Technical Specifications/TORs have been designed, and a List of possible local Suppliers/ Vendors in Romania, was initiated;
- **Others:** with the identification of a crucial need for technical assistance from an automatizations engineer, the procedures to purchase such a professional service have been initiated.

IMPLEMENTATION PROBLEMS

- No special problems other than the continuing excessive amount of work for the available staff, and the regularly changing demands, especially in terms of deadlines, of the MEWM.

IMPLEMENTATION NEXT STEPS

- With the Technical Workshop event on Oct 13, 2004, all US consultants, HO reps and TDA team will come on TDYs, and then further work on drafting the Cost-Benefits analysis for the WATMAN implementation (Investment Strategy);

- Then, there will start the equipments acquisition and the piloting activities in the field;
- And, in Early December, 2004 it shall be a Study Tour to US organizing.

Component D: ANAR

IMPLEMENTATION PROGRESS

- ANAR Work plan for the second project year finalized, based on discussions with ANAR top management
- Hired economist and initiated work on water tariffs and pollution charges (“contributions,” according to new Water Law)
- Coordinated efforts with Arcadis, implementer of an EU-financed Project
- Hired Assistant COP/Task Leader
- First report, describing pilot river basin directorates and laying the ground for designing new contributions was drafted. The report incorporates findings of field trips to pilot river basins and is based on data collected from the pilot river basin directorates
- Data collection for the ability to pay study initiated
- Following specific requests formulated by ANAR top management, potential externalization projects were assessed during field trips. Two opportunities were explored, both replicable in other river basins:
 - Externalization of a water preparation system, including distribution and storage capacities and turn the system from a loss maker into a profit making company, for Buzau Directorate;
 - Externalization of the repair and maintenance activity in Arges (Pitesti) Directorate, by establishing an independent company
- Content of the TA for public participation was defined and agreed upon with ANAR top management

IMPLEMENTATION PROBLEMS

- Property of the water preparation system assets to be externalized is in dispute between the Buzau Directorate and Prahova Judet Council. Hopefully, this issue will be straightened out once the Government Ordinance setting up ANAR according to new Water Law will be adopted

IMPLEMENTATION NEXT STEPS

- Finalize report describing pilot directorates and obtain ANAR’s concurrence on its findings
- Process collected data and develop ability to pay study

- Initiate work on new tariffs and pollution charges. Visit the pilot river basin directorates and talk to ANAR to detail approach
- Closely cooperate with ANAR in the development of tariffs
- Begin work on externalization and support for development of public consultation procedures

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.

Full quarterly report will be produced as soon as it becomes available.

I. Columbia Forestry, TO#824

Start Date: August 11, 2003

End Date: August 10, 2006

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

I. 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.

II. Executive Summary

This quarter marked the one-year anniversary of CFDP. The three-month period yielded several salient accomplishments. CFDP summarized its advances and challenges during its first year of operations in presentations to USAID and its *Consejo Consultivo*.

- CFDP finalized its evaluation of linkages to Plan Colombia’s *Familias Guardabosques* Program and fielded a team of consultants to pursue these opportunities.
- Based on experiences to date, CFDP developed a budget modification



Melina plantations in Bajo Magdalena.

designed to increase LOE and transfer funds from grants to subcontracts. USAID rejected the modification. As a result, CFDP is currently drafting a new budget modification and developed an IQC mechanism designed to field short-term assistance to several key areas.

- CFDP developed its co-investment strategy for plantations and processing facilities and vetted it with key partners.
- CFDP awarded its first grant to Corpourabá to work with natural forest communities in Vigía del Fuerte.
- CFDP partners made good progress in completing the forest inventories although delays were experienced in start-up and community involvement.
- Workshops further consolidated team unity and integrated new consultants and staff.

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

- Finalize its co-investment strategy and receive expressions of interest.
- Select IQC implementer and begin using mechanism.
- Submit revised budget modification.
- Submit revised work plan based on approved budget modification.
- Finalize all forest inventories.

III. Improved Forest Policy

A. Forestry Law

The legislative process related to the development of a new forestry law has become increasingly intensive over recent months. The Government of Colombia (GOC) pushed hard for the submission of a new bill at the beginning of the most recent Congressional session (July 20, 2004). In August, USAID and CFDP briefed the new Vice Minister, Carmen Elena Arévalo, on the program's ongoing efforts to support the policy development and regulatory reform process. It quickly became clear that the new Vice Minister was highly interested in ensuring the success of these efforts, based on commitment at the highest levels of the GOC toward the goal of having a new forestry law passed by late 2004/early 2005 timeframe. Once the bill is officially submitted and the first debate takes place, there are maximum periods of time within which changes can be developed and subsequent debates and final conciliation effected.

In an effort to foster interest on the bill, CFDP supported a two-day tour of Carton de Colombia's regional plantation and sawmill located in Yumbó, Valle del Cauca from September 2-3. Participants included Congresspersons, representatives of the Ministry of Environment, the National Planning Department, Fedemaderas and the private sector.

CFDP also developed a comparative study on the legal and institutional forestry frameworks of Bolivia, Costa Rica, Chile and Ecuador and contrasted them with Colombia's current forestry law. The study was presented to a varied group of representatives from the public and private sector and was well received.

B. Consejo Consultivo

CFDP's quarterly Consejo Consultivo meeting took place on August 12th. CFDP summarized its advances during its first year of operations and focused on the topics of communications and policy.

C. Institutional strengthening of CARs

During September, CFDP consultant Preston Pattie met with representatives of several *Corporaciones Regionales Autónomas* to begin designing an institutional strengthening program for them, with their active participation and the support of the Ministry of Environment. During the next quarter, Pattie will hold a workshop and reach an agreement with the CARs on the program to be implemented.

IV. Support to Plan Colombia

CFDP consultants Greg Minnick and Octavio López finalized their evaluation of Familias Guardabosques and recommended certain opportunities for CFDP. They recommended CFDP implement pilot projects in three FGB nuclei: Urabá – Necoclí and Turbo, Santa Marta and Sur de Bolívar – Cantagallo and San Pablo. CFDP support will be targeted towards technical assistance in forestry activities, training in technical topics

and enterprise development, marketing and product promotion, direct investment and fostering linkages to the private sector.

The report recommended contracting five CFDP-FGB consultants to coordinate closely with Plan Colombia actors and develop CFDP assistance in each nucleus. The expected impacts of the program include 4,000 families benefited, 100 new jobs created, 3,000 hectares of plantations established, 3,000 hectares of natural forest under management and 6,100 hectares of agro-forestry systems established.

V. Improving Forest Products Production Chains

A. National

1. Co-Investment Strategy

In our technical proposal, Chemonics stated that we would develop the necessary administrative instruments to creatively co-invest in the forestry sector within its first 18 months of operation. During the quarter, CFDP began developing its co-investment strategy and has vetted it with key partners such as CONIF. The strategy will develop new financing models for forestry plantations based on practical case studies. CFDP hopes that recipients of co-investment funds will include associations of several land owners who are integrated with industries and able to leverage private investment.

The strategy includes several steps:

1. Request for Expressions of Interest
2. Development of Business Plan
3. Feasibility Study
4. Development of Financial Package

CFDP will continue to define its strategy early in the next quarter and will begin presenting it to possible investors in the four regions. According to a tentative timeline, CFDP hopes to receive expressions of interest by the end of the next quarter.



FGB leader plants teak seedling in Necocli.

2. IQC Mechanism

CFDP developed a new contracting mechanism, an ordering agreement targeted to supply short-term consultants and support in three key areas: forestry, business and finance and policy and institutional strengthening. The IQC will help CFDP overcome key staffing shortages and provide key short-term support to critical activities such as the co-investment strategy and support to Fedemaderas.

The request for proposals was published and a bidders' conference will be held early in

the next quarter. CFDP hopes to choose this key sub-contractor by the end of October.

3. Manual for Structural Colombian Pine

In order to foment the use of pine in construction, Colombia must develop resistance norms for locally-grown pine. The resistance of wood is determined by local factors such as soil, growth rates and water. CFDP sub-contractor Silvotécnica has begun designing a sampling plan for three common species of Colombian pine. The national sampling plan has been finalized (pine from all areas must be included taking the total number of samples to be tested to 9,560) and CFDP is attempting to finalize the budget.

However, the *Universidad Nacional - Sede Medellín* is the only local entity with the necessary facilities for conducting the tests. The University is accustomed to doing small-scale samples and has adopted a rate geared towards its normal customers. CFDP's project is large scale and would occupy their laboratories for an extended period of time. The University has been reluctant to adopt a discounted rate per test and CFDP is reluctant to pay the high rates proposed. Negotiations continue and will hopefully be resolved during the next quarter.

4. New Product Development

CFDP has developed terms of reference for physical-mechanical and drying tests on several local species. These tests, which establish characteristics such as resistance to impact, workability and retention of nails, help producers to identify markets and uses for their wood. Species to be tested include four local species of eucalyptus, melina, teak and natural forest varieties. CFDP has contacted local entities capable of conducting the tests, such as the *Universidad Distrital* and the *Universidad del Tolima*, and plans to award the contract during the next quarter.

5. GIS Mapping Contract

CFDP consultant Alvaro Castañeda finished his mapping of Plan Colombia nuclei. The information has been forwarded to FGB for use in its program and to the CFDP FGB consultants.

6. Environmental Assessment

The Environmental Assessment was submitted to USAID on July 29th and approval was received on August 5. CFDP plans to socialize the EA during the next quarter, once the Spanish translation is finalized.

7. Chile Trip - Construction

From August 29 – September 6, CFDP Deputy Chief of Party and Marketing Manager Vicente Molinos traveled to Chile with three Colombian transformation professionals to learn more about the use of structural wood in construction and the technical

specifications needed. They have developed two presentations as a result of the trip, one oriented towards policy makers detailing the impacts wood construction could have on the forestry and construction sectors and another oriented towards familiarizing lumber producers and builders with the technical aspects of wood construction. They also made valuable contacts with Chilean specialists that can provide technical assistance to Colombian companies.

8. Atlanta Trip – IWF

CFDP Transformation and Processing Manager Alfonso Uribe traveled to Atlanta, Georgia to attend the International Wood Fair and visit possible consultants on August 24 – September 5. The trip allowed him to identify international consultants on the topics of immunization and wood construction. During the next quarter, proposals from these consultants should be received. CFDP expects proposals dealing with technology transfers in immunization and joint ventures in wood construction.

9. Wood Properties and Uses Marketing Database

CFDP has contracted Sinchi to provide botanical and taxonomical information on species for the database. During the next quarter, CFDP will begin integrating the information into the International Tropical Timber Organization (ITTO) database.

B. Bajo Atrato – Urabá

1. Organización Indígena de Antioquia (OIA) / PRODES



OIA representatives with CFDP Manager Alfonso Uribe during OIA-Prodes exchange.

During the quarter, OIA and Prodes have consolidated their relationship through additional meetings and the signing of an *Acuerdo de Voluntades*. The *acuerdo* commits them to further exploring associating themselves in a joint venture sawmill project. CFDP has developed terms of reference to explore the financial and legal aspects of such an arrangement that will be filled by consults hired through the IQC.

In the area of forest management, OIA has completed the fieldwork for its informative inventory. During the next quarter they will complete the analysis and have the inventory completed. The OIA area contains 124,000 hectares of forest and will potentially benefit 650 families.

2. Corpourabá

The Corpourabá grant was signed on August 27th in Medellín. Since the signing

Corpourabá has contracted its technical and social staff, signed an agreement with SENA for technical and business training and chosen Cocomacia, a community council and *campesino* association, to provide the social accompaniment. The Corpourabá grant covers 80,000 hectares and will benefit an estimated 1,100 families.

3. Regional Office

Given the extensive activities taking place in the region, CFDP decided to set up a regional office in Apartadó. Roberto Castaño was hired as the regional coordinator. The office and administrative assistant will be contracted next quarter.

C. Pacific Coast of Nariño and Guapi

1. CONIF – Bajo Mira, Satinga and Sanquianga

Socialization and inventory activities continue in Nariño. During the quarter CONIF completed the field work for the inventories in Bajo Mira. The analysis will be completed during the next quarter. The two areas of Satinga and Sanquianga have been zoned and inventories will commence during the next quarter. Once the areas are proven to contain sufficient forest resources, they will contribute 23,000 hectares and some 2,500 families benefited.

2. WWF – Guapi

WWF has completed 50% of the field work for the informative inventory and, with the community, has advanced in completing the internal regulations relating to forest resources required by *Ley 70*. The Alto Guapi area contains 63,000 hectares and will benefit an estimated 450 families.

CFDP managers visited the region to conduct an analysis of the forestry chain and meet with the community. They found that, due to the steep slopes, new harvesting techniques, such as cables and rafts, will need to be used. In addition, sawmills in the area are obsolete, waste large percentages of wood and suffer from low prices.

D. Bajo Magdalena

1. Firewood Bundles

CFDP continues to explore the firewood bundles market for Bajo Magdalena. Firewood bundles provide a needed outlet for smaller timbers resulting from plantation stand thinnings. Pre-feasibility studies on economic and regulatory grounds continue to be encouraging. Samples have been sent to a US distributor who showed significant interest. This seasonal market, if successful, will provide important employment impacts, probably in eucalyptus plantations in Bajo Magdalena, in years to come and enhance returns on forestry plantations.

2. Co-investment Efforts

In Bajo Magdalena CFDP has decided to reorient CONIF's activities to support the new co-investment strategy. CFDP met with regional actors to foster interest in the co-investment mechanism, planned to be marketed to interested parties during the next quarter. During visits to discuss firewood bundles and log grading with regional actors, CFDP managers have suggested different investment options and motivated them to invest in industrial processes with up-to-date technological packages. These efforts should yield expressions of interest during the next quarter.

E. Northeastern Antioquia

CFDP hopes to support a regional investment in pine plantations and a processing plant in NE Antioquia. To that end, CFDP consultants from *Servicios y Consultorías* (SyC) finished a quality diagnostic of three species of pine in plantations throughout NE Antioquia. Participants included *Reforestadora Doña María*, *Reforestadora el Guasimo* and *Empresas Públicas de Medellín*. SyC also conducted a zoning of the entire region to estimate the hectares available and apt for additional pine plantations. They discovered approximately 240,000 hectares with forestry aptitude and an additional 140,000 with minor restrictions for plantations (lands with relatively steep slopes).

SyC also conducted a sawmill test on the three species of pine with specimens from sampled plantations. Three hundred samples were processed and classified. They found that oocarpa pine has the best quality for sawmills, in contrast to the pátula which is more widely grown in the region.

The next step for the nucleus is to develop a business plan for a joint venture. CFDP will contract with consultants to develop this plan through the new IQC mechanism. Given the scale of the project, CFDP hopes to leverage DCA guarantees for local actors.

VI. Commercial Forestry Development Fund

CFDP sub-contractor Gamboa y Acevedo completed their diagnostic of Fedemaderas' needs. They identified severe staffing shortages and a lack of outreach and client services. CFDP plans to address these needs through its IQC mechanism during the next quarter.

CFDP also sponsored several Fedemaderas events in Bogotá and Medellín targeted towards raising awareness of Fedemaderas' services and increasing its membership. The events were successful and resulted in many new affiliations.

With CFDP funding, representatives from



Plantation worker removes bark from pátula pine in Antioquia.

Fedemaderas traveled to Peru to attend the *Ronda de Lima* trade talks. They represented the forestry sector, made key contacts with other regional actors and shared information on the future agreement with their members.

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VII. Progress toward SO2 Goals

During the quarter CFDP activities generated 918 workdays for a cumulative total of 1,076 to date.

During the next quarter CFDP will have a significant number of natural forest hectares to report, as the informative inventories verify their inclusion in the program. The following chart shows the hectares in each area and potential beneficiaries:

Potential Natural Forest Indicators

Operator	Hectares	Families
CONIF	23,000	2,500
WWF	187,000	1,100
Corpourab á	80,000	1,100
TOTAL	290,000	4,700

Indicators related to plantations will be generated through the co-investment strategy.

VIII. Program Management and Support Activities

A. Grants and Contracts

CFDP finalized the Spanish version of its grants manual on September 30.

CFDP signed the Corpourabá grant on August 27th, prepared the RESS grant for signature, developed a modification to the CONIF Time and Materials Contract and prepared the IQC for publication.

During the quarter the technical committee reviewed 17 proposals from two cycles of the *convocatoria* but did not approve any.

B. Budget Modification and Work Plan

During the quarter USAID denied a proposed budget modification. CFDP expects to send a revised budget modification to USAID in October.

CFDP expects to send it is Revised LOP Work Plan to USAID for approval once the budget modification has been approved and the resources available have been clearly defined.

C. Monitoring and Evaluation

The M&E database was drafted and updated indicator sheets were sent to implementers. International and local consultants verified the existing information in the three forest areas in Nariño and decided that a socio-economic diagnostic was not necessary given

the wealth of information.

D. Communications

CFDP sub-contractors held several workshops relating to community socialization and program orientation. They also developed critical communications materials such as a draft newsletter, program briefers and communications manuals.

E. Personnel

CFDP established a new traveling accountant position and hired Julian Arias to fill it. CFDP also hired María Luisa Ochoa to fill the second administrative assistant position, although she resigned towards the end of the quarter. Office Administrator Silvia Arbelaez was terminated early and her replacement has not yet been obtained. Roberto Castaño also began working as the Regional Coordinator for Bajo Atrato/Uriabá.

I. Paraguay Poverty Reduction, TO#825

Start Date: August 15, 2003

End Date: August 15, 2006

Amount of Delivery Order: \$3,989,507.00

A. Summary

This report covers the 2004 year and discusses the following achievements towards the targets accomplishments for the first year (for details please see work plan 2003/2004 and Q3 Report):

- Increased sales of \$ 900,000
- Increased exports of \$ 300.000 (may be included in sales)
- Increased investments of \$100,000 and
- Increased employment of 75,000 person days

The results provided by the Monitoring Unit of the program are as follows (for details please see section C of this report):

- Increased sales of \$ 837,781
- Increased exports of \$ 189,224 (may be included in sales)
- Increased investments of \$ 778.229 and
- Increased employment of 29,269 person days

B. Business Development

B1. Subcontracting Organizations

During the first year of operations, the project awarded four local subcontracts, for the three economic centres and the commercial facilitation centre, in addition to an international subcontract

with a firm based in Europe to successfully implement the project. All of the centres were fully functional by the third quarter and have since then identified strong business partners. The northern centre has had some set backs in finding their niche in the north, but continues to persevere in finding creative ways to expand promote businesses in the north.

B2. Technical Assistance

During the Q4 the focus of the project was to consolidate the assistance to the current clients and to accurately select the most prominent new cases. Additionally, we continued mentoring the CSE key personnel in how to implement the project assistance method.

A revision of the current clients was conducted so as to “rank” the companies according to the importance of each case. The companies were ranked with the following grades: **A= Strategic cases.** Resources and time must be primarily dedicated to this group of companies. The intervention of foreign advisors will be fully focused in this group. **B=Normal Cases.** This group is not going to receive the same dedication of the prior group, but will be considered as attractive cases. **C=Declining cases.** This group will receive minimal attention. Some of these cases are from the early stages of the project and the results expectation is not challenging. They will remain in our files as “active clients” but no major efforts will be directed to them: **D=Termination.** No activities or data collection will result from these clients. Paraguay Vende will formally inform them of the termination of the assistance.

Table 1
Firms of Paraguay Vende’s Assistance

Nro.	Company	Product	Assistance Provided By	Rating
1	Aceitera San Salvador	Crude oil and pellets from cotton seeds	CSE Corredor Centro	A
2	BOSQUES DE ASUNCION	Honey	CSE Corredor Centro	A
3	BRAVIEW	Recycled Monitors	CSE Corredor Este	A
4	CONF. CATEDRAL	Hand embroidered blouses and shirts	CSE Corredor Norte	A
5	Coop. YEGROS	Alcohol for gasoline mix.	CSE Corredor Centro	A
6	DALAZEN	Driver’s cabins for tractors y agriculture equipments	CSE Corredor Este	A
7	DTP	Eco-tourism.	CSE Corredor Norte	A
8	EL AGRICULTOR	Mate tea	CSE Corredor Centro	B
9	ERSA	Flour and animal food	CSE Corredor Centro	B
10	ESTANCIAS FD	Mate tea	CSE Corredor Este	A
11	Fibrac	Fiber glass products.	CSE Corredor Centro	A
12	GRANJA AIDA	Tilapia beef.	CSE Corredor Norte	A
13	HIERBAPAR	Teas and infusions.	CSE Corredor Norte	B
14	IND. CASERA	Hand embroidered blouses and shirts	CSE Corredor Centro	A
15	ITACUER	Natural leather	CSE Corredor Norte	A
16	JAMES MAY	Stevia products	CSE Corredor Norte	A
17	JOSE COHELO	Charcoal	CSE Corredor Norte	B
18	KEMAGRO	Sesame	CSE Corredor Norte	A
19	KTC	Frozen fruits.	CSE Corredor Este	A

20	LA LECHUZA	Printing services.	CSE Corredor Norte	B
21	LA TRINIDAD	Coffee	CSE Corredor Norte	B
22	MAGRO PLAN	Herbs	CSE Corredor Centro	C
23	METALFORTE	Driver's cabins for tractors y agriculture equipments	CSE Corredor Este	A
24	NATURIT	Teas and infusions.	CSE Corredor Norte	A
25	ORO VERDE	Mate tea	CSE Corredor Centro	B
26	POMBERO	Hand embroidered blouses and shirts	CSE Corredor Norte	A
27	Shirosawa Company	Sesame	CSE Corredor Centro	A
28	TELNET	Stevia products	CSE Corredor Norte	A
29	TRANSTRADE	Services for logistics and tax free manufacturing	CSE Corredor Este	C
30	UPISA	Swine meet for export.	CSE Corredor Este	A
31	XTREME	Pine moldings	CSE Corredor Este	A

It is fair to mention that this list includes all the companies that were selected by the project and informed to USAID. The agreements or "convenios" were signed with the majority of them, based on the approval of USAID of each particular case. We are now in the process of signing the Business Plans. These documents are ready and we are scheduling with each company the date for the BP signature. It is expected that during the month of November, all BPs will be signed.

During this quarter, the participation in trade shows and regional ferias was a key factor to promote client products and to explore new opportunities for them and for the project. The ExpoCruz in Santa Cruz, Bolivia, was an opportunity to measure this fast growing market and to identify opportunities for our clients. The results were positive and we expect to achieve results in the short term.

In the case of regional ferias, we participated in the; Amambay and Concepcion Expos. Both were important for several key strategic factors; the analysis of departments potential, the identification of new clients, the support of our clients in the commercialization of their products and the promotion of the project, among the local business community. Some our clients were invited to present a stand with an exposition of their products.

The eastern corridor was focused in providing direct support to Dalazen and Estancias FD. These two companies are showing great results and the expectation for the coming months is high. In the other hand, Xtreme was incapable to produce significant results during this quarter, due to technical problems with the equipments which are in the process of being solved.

The center corridor was involved with Aceitera San Salvador and Cooperativa Yegros. At the end of the quarter, Aceitera was the most important client and Cooperativa was the major promise for the coming month.

In the case of the North, the dedication was to support the consolidation of the Stevia activities and to identify new clients. Additionally, all the cases that were supported directly by the central office of the project were transferred to them. Currently this center is the larger in quantity of clients and we expect to have higher results in the coming quarter.

The comprehensive analysis of the international market for Paraguayan Stevia, which includes information regarding the regulatory constraints and market opportunities in various countries, was presented publicly on September 13, 2004 in Asuncion. The attendance included approximately 180 guests from both the public and private sector, and to date, almost all of the 480 copies have been distributed. Upon request the project may print additional copies. Despite all of the attention the project has given to the Stevia market, this year's harvest actually decreased in all of Paraguay. The associated firms, such as Telnet have not received the results they were hoping for, due to the decrease in production. However, the thrust of the harvest will be in the upcoming spring months, and the firm is still hopeful to at least break even.

C. Monitoring the Results

Of the thirty one firms associated with Paraguay Vende, thirteen are already demonstrating results. Nine companies had started to implement their business plans and demonstrated a measurable impact in the previous quarters and the remaining four began to show a significant impact during this last period.

The information reported in 3rd quarter regarding employment did not measure indirect employment, in accordance with USAID's request; we corrected this and hired a consultant, Silvio Galeano, to develop new *employment coefficients*. The new coefficient measures the amount of work, expressed in person days. Once this multiplier is applied to the increased sales, the result calculates the increased work in person days attributable to the assistance of the project.

In addition to focusing on developing the new employment coefficients, the Monitoring Unit verified the information received from the CSEs through visits to the associated businesses, and completed the environmental and social check lists, in addition to reviewing potential ways to measure the information and data by gender.

Table 1
Q4 Results
In Guaranies and Dollars

Nº	COMPANY	CSE	Additional Exports US\$	Additional Exports Gs	Additional Sales q4 US\$	Additional Sales q4 Gs	Additional Employment q4 in person days	Investment q4 US\$
1	BRAVIEW	CDE			96.876,00	569.579.767	5.880	0
2	DALAZEN	CDE			70.533,84	414.267.522	285	0
3	METAL FORTE	CDE			0,00	0	0	
4	XTREME	CDE	33.150,00	194.576.080			1.923	
5	UPISA	CDE	103.784,51	611.250.812			3.223	
6	ESTANCIAS FD	CDE			63.022,54	362.016.718	4.581	
7	ACEITERA EL SALVADOR (Delfin Ruiz)	CO			114.467,53	668.434.602	3.184	
8	MAGRO PLAN	CO			1.576,50	8.556.195	102	
9	FIBRAC	CO			21.258,77	123.764.406	160	
10	LA LECHUZA	YY			13.006,97	76.396.896	360	
11	HIERBAPAR	YY			1.848,87	7.392.821	120	

Nº	COMPANY	CSE	Additional Exports US\$	Additional Exports Gs	Additional Sales q4 US\$	Additional Sales q4 Gs	Additional Employment q4 in person days	Investment q4 US\$
12	DTP	YY			6.161,30	36.068.206	343	
13	TELNET	YY			0,00		0	5.858
Total			136.935	805.826.891	388.752	2.266.477.132	20.160	5.857,77

Total Sales 525.687

Table 2
2004 Results
 In Guaranies and Dollars

Nº	COMPANY	CSE	Additional Exports 2004 US\$	Additional Exports 2004 Gs	Additional Sales 2004 US\$	Additional Sales 2004 Gs	Additional Employment 2004 in person days	Investment 2004 US\$
1	BRAVIEW	CDE			126.126	742.094.950	7.655	0
2	DALAZEN	CDE			155.401	896.862.588	628	0
3	METAL FORTE	CDE			10.296	53.417.398	42	0
4	XTREME	CDE	85.439	502.976.873	0	0	4.957	735.418
5	UPISA	CDE	103.785	611.250.812	0	0	3.223	0
6	ESTANCIAS FD	CDE			63.023	362.016.718	4.581	0
7	ACEITERA EL SALVADOR (Delfin Ruiz)	CO			245.808	1.440.649.541	6.837	0
8	MAGRO PLAN	CO			5.627	30.256.619	364	0
9	FIBRAC	CO			21.259	123.764.406	160	0
10	SOJA RICA (*)	CO			0	0	0	0
11	LA LECHUZA	YY			13.007	76.396.896	360	0
12	HIERBAPAR	YY			1.849	7.392.821	120	0
13	DTP	YY			6.161	36.068.206	343	0
14	TELNET	YY					0	42.811
Total			189.224	1.114.227.685	648.557	3.768.920.144	29.269,00	778.228,71

Total Sales 837.781

(*)Braview case was reported in quarterly 3 as export case, but actually is about sales in the local market.

(**)We corrected the information from the Soja Rica Company because the increased sales were negative and we are reporting only additional sales over the base line established. In the cases that we have a negative impact we use zero because there is no increased sale.

D. Business Environment

The assistance of the Trade Policy Unit has been centered on three clients firms, which are Telnet, Braview and Xtreme. In the case of Telnet, the unit first focused on improving the regulations but the effort since then has been focused on finding a use for the Stevia leaves of lower quality and residuals of the plant, which do not have a market at this moment. The residuals are about 50% of the crop and in countries like Japan, they are used integrally as a soil fertilizer and ingredient of animal food. The lack of a market, or demand within Paraguay is considered the main restriction for expanding the cultivation of Stevia in Paraguay. For this reason, the Trade Policy Unit has dedicated large parts of their effort in forming a strategic alliance with animal food producers, and other donors like GTZ, JICA and the IDB. The result is that at this moment Paraguay Vende is signing an MOU with two new firms dedicated to the trading of second quality Stevia, one of whom has a strategic alliance with Telnet, which is the client firm of the Trade Policy Unit.

In the case of Braview, the unit was engaged for lifting the restrictive import regulations for information and telecommunication goods which had a negative impact on the investment plans of the firm Braview. Finally, the government issued a regulation but this was far below the expectation of Braview and the other firms trading IT and telecom goods in Ciudad del Este. They are demanding a new policy of the government for promoting assembling of these goods because the simple trade in its modality of re-export is not rentable anymore. Brazil is competing strong against the traders of Ciudad del Este and for this, the entrepreneurs are in favor of a new policy, canceling the present tax called 'Regimen de Turismo' and adopting a tax structured on added value. The Trade Policy Unit is preparing a presentation on this issue which will be launched during the 'Foro the Comeptitividad del Alto Pararná' in November of this year.

The firm Xtreme is exporting pine molds to the United States and operates within the maquila tax structure, importing pine wood from Argentina and processing it into molds. The main restriction for expanding this highly profitable activity in Paraguay is that it is almost unknown. Most firms in the wood industry are focused on native wood and do not consider the import of reforested wood for processing and re-export. For this reason, the unit launched a pre-feasibility study and is promoting new investments in this sector.

E. Administration of the Project

Table 3.1

Level of Effort

Work Day Category	Total LOE Budgeted	Total LOE Under Contract	Total LOE Invoiced to Date	LOE Remaining To Invoice	% LOE Spent
LT Local Professionals	3,787.00	3,787.00	1,058.00	2,729.00	28%
ST Expat Specialists	310.00	95.45	70.98	239.02	23%
ST TCN Professional	106.00	48.00	30.01	75.99	28%
ST Local Professional	491.00	361.00	255.66	235.34	52%
HO Technical and Management Support	116.00	116.00	35.26	80.74	30%

TOTAL LOE	4,810.00	4,407.45	1,449.91	3,360.09	30%
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Table 3.2

Financial Summary

Line Items	Contract Budget	Invoiced Through Fourth Quarter 2004	Contract Funds Remaining
Work Days Ordered	\$1,835,627.00	\$528,904.46	\$1,306,722.54
Other Direct Costs	\$2,300,189.00	\$467,901.54	\$1,832,287.46
G & A	\$116,492.00	\$22,394.05	\$94,097.95
Total	\$4,252,308.00	\$1,019,200.05	\$3,233,107.95

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

The WEF has submitted the finalized Competitive Analysis/Review report.

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, Settatt, 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 Settatt, 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 fourth and final Quarterly Report of the Nicaraguan 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 month of October as part of the Task Order close-out process. Deliverables and reports generated by the project during the reporting period are included as Annex A, Economic Incentives, Assessment and Recommendation Report, submitted to USAID on July 31, 2004; Annex B, Economic Analysis/Recommendation Paper #3: DR-CAFTA Quantitative Impacts and Determinants of Competitiveness; and Annex C, Minutes on Private Sector Meetings held during the reporting period.

A. Introduction and Project Overview

Since Chemonics began its operations in Nicaragua, it has been providing 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 strategies and economic reforms to stimulate the Nicaraguan economy and increase trade and investment. Through this task order, and in coordination with the GON, USAID and private sector stakeholders, Chemonics has been working to create an adequate environment for increased trade and investment and to improve economic incentives and Nicaragua's economic competitiveness.

Technical assistance builds on a wide range of existing initiatives, rather than creating new mechanisms. A great deal of effort has been devoted to enhance SECEP coordinating work with the various ministries within the productive sector, including: The Ministry of Development, Industry and Trade (MIFIC), the Agency for Promoting Investment, Pro-Nicaragua, and the Ministry of Agriculture and Forestry. Likewise, an important role has been played in help the GON coordinate its efforts with the key private sector organizations including COSEP, AMCHAM, and CONPES. 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

This section outlines the main results and activities carried out during the third quarter (July, August and September) of the year 2004.

B1. Administrative Tasks

Chemonics' home office project management unit continued to provide administrative support to the task order. Ms. Amanda Fonseca's contract was extended through October 29th to ensure a proper close out process. Ms. Marina Paz, who has been providing back-stopping support to the GBTI Task Force, from the Headquarters, was added as communication specialist to support the close out process of the Task Order.

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

B2.1 Completion of the NDP-Operative Version

During this reporting period the Project has continued to provide technical assistance to SECEP in the completion of the country's National Development Plan-Operative Version (NDP-O), which serve as a "Second Generation Poverty Reduction Strategy" for Nicaragua. The Final NDP-O has now been delivered to the donor community and the broader civil society for their inputs and is scheduled to enter in operation in January 2005. The NDP-O has also served as a basis for the preparation of the 2005 Budget Request, which was sent to the National Assembly by October 15th, 2004.

The elaboration of the National Development Plan and its subsequent Operative version finalized during this reporting period, has taken an important portion of the effort of the present Task Order over the entire year. Both the NDP and the NDP-O have entailed complex consultation processes involving the various Government ministries and public agencies, the private sector and the civil society. Dr. Laureano assistance has been key in helping the GON maintaining a sense of direction as to where Nicaragua should direct its limited resources to promote strong and sustainable economic growth, which could result in a significant decrease in poverty levels over the next few years.

Assistance for this reporting period has focused on providing assistance to SECEP in the process of elaborating a new NDP-O document which corresponds to the detailed operational matrices. Together with another SECEP technical staffer, Dr. Laureano supervises the re-writing and the technical coordination efforts for the productive and competitiveness chapter of the NDP-O. After several discussions with the technical team and Dr. Mario De Franco, Secretary for the SECEP, Dr. Laureano suggested to change the structure of the productive and competitiveness chapter of the document into two chapters:

Chapter 3: Building a Competitive Environment: This chapter includes the following sections:

- Business Regulatory Framework (Administrative Simplification, Competition Law and Quality Control Systems)
- Property Rights
- Access to Finance
- SMEs' Market Linkages
- Export Promotion
- Foreign Direct Investment Attraction
- Rural Development
- Environmental Sustainability
- Supporting Infrastructure

Chapter 4: Support to Selected Productive Clusters: This chapter has been re-written to better relate the document to the specific objectives, actions and initiatives describe in the

various productive matrices corresponding to (1) selected Food and Natural Resources clusters: Coffee, Meat and Dairy, Shrimp, and Forestry and Wood Products; (2) Light Manufacturing (textile and apparel); and (3) Tourism.

This re-organization allowed for grouping together all the constraints and crosscutting issues that affect the policy/regulatory and physical environment within which firms in Nicaragua have to operate. The NDP-O was handed to the donor community and the civil society on September 22, 2004. A subsequent meeting was conducted on October 18, 2004 to receive donors' comments and for the GON to share its priorities and strategies to implement the plan as scheduled.

B2.2 Coordination of Irish Technical Mission to Nicaragua

As a follow-up activity of the Strategic Investment and Competitiveness Workshop held in Ireland from June 12th through June 24th, 2004 attended by a Nicaraguan delegation, including Dr. Laureano (Outlined in the 3rd Quarterly Report); the GON decided to bring a two person technical team from Ireland to explain their experience to the Nicaraguan decision makers. Mr. David Lovegrove and Mr. John Magill came to Nicaragua from September 7 to 10th, 2004.

The Technical Assistance was financed by the Policy Component of the USAID/IICA program. However, Dr. Laureano was asked by SECEP and IICA to assist in the coordination of this visit to ensure a positive outcome. Dr. Laureano suggested the conformation of a Technical Coordination Team including Dr. Horacio Rose from CESEP, Dr. Marino Chanlatte from IICA, Ms. Maria Rivas from Pro-Nicaragua and Dr. Laureano from Chemonics. During the Irish team visit, meetings were schedule with the National Assembly, MIFIC, Pro-Nicaragua, CONPES, PROVIA, IICA, and SECEP. The visit ended with a three-hour session with the entire Government Cabinet headed by President Bolaños. President Bolaños, the Cabinet members and key Congress persons, showed a very positive disposition to the Irish message.

Throughout the various meetings there were some Key points made clear by the visiting team, which are worth mentioned:

- The level of jobs and opportunities sought by the population can not be met by the local private sector—the country needs to turn to FDI as a central economic driver.
- Nicaragua cannot move forward without a “Partnership Agreement” that brings all the key interest groups together (i.e. GON, National Assembly, Labor groups, Private sector, and the population). The GON has to provide the necessary leadership to place the country's interests above that of individual groups.
- Country resources are limited; one needs to invest them where the country can obtain the highest return. Social expenditures are good, but if the country cannot grow faster, these expenditures are not sustainable;
- Education and the Enterprise Sector should take first priority in order to promote accelerated growth in Nicaragua.

- Nicaragua needs to establish itself as the “best” investment location in the region for certain areas—cannot compete in everything, everyone else is moving fast.
- And more importantly, Nicaragua cannot keep waiting for the perfect plan and the perfect solution, it will never come.
- Take a practical and pro-active approach—shift to implementation, and learn from your mistakes; just do it!
- Communicate strategy, action plans and results to the population.
- The donor community, EU and USAID, played an important role in supporting Ireland’s vision and economic transformation program. They could be very helpful to Nicaragua, but the GON has to provide leadership.

After listening to the Irish approach and economic transformation, President Bolaños personally explained to the Irish consultant the difficulties that Nicaragua faces including the need to bring everyone to the table for the good of the country. Mr. Lovegrove, acknowledged that the situation in Nicaragua could be worse than that of Ireland in 1987 when tough decisions were made to change the course of the country, but reminded everyone that the GON has to find the way to engage stakeholders and the broad population on specific discussions about specific problems and the most appropriate solutions.

Ireland’s practical approach has been mentioned as a model to follow by President Bolaños in several public appearances after the Irish Team visit. Several Ministers including Education and Finance want to learn more about this particular experience and its implication for the country. The Irish team also provided some useful assistance and feedback to the Pro-Nicaragua team. They were positively impressed with the quality of the people working at Pro-Nicaragua and believe that important results for the country can be obtained by strengthening their technical skills. However, the Team felt that more work is needed to strengthen the institutions and teams working on competitiveness in Nicaragua.

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

Two key assessments were conducted during the July-September period to identify barriers to trade and investment and provide appropriate recommendations. First an assessment was conducted to examine the country’s economic performance, the existing incentive regime and the principle to which Nicaragua should adhere to promote an accelerated growth process capable of generating employment and income opportunities for its citizens. This report was submitted to USAID on July 31, 2004. Second, an analysis was conducted to assess quantitative impacts of DR-CAFTA using recent data from the U.S. International Trade Commission and to assess the Nicaraguan firms’ competitiveness position in light of six determinants of competitiveness, being submitted in conjunction with the present Quarterly Report. Both of these reports have been included in full as Annexes to this Quarterly Report.

B3.1 Economic Incentives Assessment /Recommendations report due July 31st, 2004

Chemonics' assessment of Nicaragua's economic performance and the existing incentive framework for the productive sectors underscores, among other recommendations, the need to accelerate economic growth through:

- ❖ The consolidation of macroeconomic stability,
- ❖ An improved microeconomic incentive framework conducive to trade, business development, and investment, and
- ❖ An improved property rights regime.

Achieving these desirable results would require a strong shift from policy formulation to implementation in a series of fronts, including:

- ❖ A new rural development program to provide clear incentives and a framework to promote integrated rural development to farm and non-farm enterprises by linking high potential enterprises to markets through domestic and foreign direct investment opportunities;
- ❖ An aggressive property formalization program to eliminate one of the most serious impediments to growth in Nicaragua;
- ❖ A better articulated investment promotion program focused on high-potential sectors such as the food industry, agribusiness, electronics, vertically integrated textiles and apparel, internationally traded services, and tourism;
- ❖ The visualization and adaptation of existing transfer mechanisms as a basis for elaborating a broader equity policy in the country;
- ❖ Adoption of a more proactive cluster development strategy to link local productive capacity more directly to market opportunities, attract investment, and foster value-added initiatives.

The assessment points out the need to adhere to clear policy principles at the policy and competitiveness level in order to build on the strong macroeconomic stabilization program undertaken by the country in the last two years, and to support a more active private sector, both domestic and foreign, that is willing to access new markets and take advantage of new opportunities resulting from US-DR/Central America Free Trade Agreement (DR-CAFTA) and other recent trade agreements. These principles include:

At the Policy level:

- Managing the public finances in a way that ensures sustainable match between resources and expenditure and that avoids imposing an unfair burden on future generations;

- Within a sound budgetary framework, maintaining a high level of infrastructure investment focused on improving the productive capacity of the economy—that is investing scarce resources in areas where the country can obtain the highest possible returns;
- Promoting and maintaining competition across all sectors of the economy to ensure maximum efficiencies and lowest cost goods and services for the population;
- Ensuring that a proper balance between producer and consumer interests is at the center of policy making by promoting greater consultation and transparency in formulating legislation and regulation;
- Focusing on the quality and quantity of new and existing regulation (including enforcement) so as to minimize burdens, to reduce market entry barriers and to increase entrepreneurship and innovation.

At the Competitiveness Level:

- Regaining and sustaining Nicaragua’s competitiveness in its cost dimension and in all the other dimensions;
- Establishing appropriate regulatory arrangements for the economy which are designed to achieve competitiveness gains while safeguarding the public interest, in particular with regard to maintaining services of general interest and the need to ensure infrastructure investment;
- Addressing structural deficits and supply side weaknesses that limit the capacity to achieve strong economic growth and thereby sustain high employment;
- Taking account of the need to reduce pressure on the environment and respect Nicaraguan’s international obligations; and
- Focusing on what is necessary to enable the economy to create and expand high value-added economic activity, while accelerating jobs creation and economic diversification, especially in the rural areas of Nicaragua.

B3.2 Economic Incentives Assessment /Recommendations report

In terms of evaluating Nicaragua’s potential gains from DR-CAFTA as well as the actual competitiveness position of the Food and Natural Resources-based clusters, and analysis was conducted using recent data from the U.S. International Trade Commission and a draft Chemonics’ approach to consider firm’s competitiveness based on six key determinants. The analysis, which is included as Annex C, of this Quarterly Report, emphasized the following findings:

DR-CAFTA Quantitative Impacts:

1. After full implementation of the DR-CAFTA the USITC model predicts the following

broad results:

- U.S. imports from the CA/DR region will increase by US\$2.8 billion;
- U.S. exports to the region would increase by US\$2.7 billion.
- Accordingly, there will be an estimated trade increase of US\$5.5 billion as a direct result of the DR-CAFTA.

2. On the U.S. export side (CA/DR imports), winning sectors include:

- Textiles, apparel, and leather products (\$803 million), basically for DR/CA industry's inputs;
- Petroleum, coal, chemical, rubber, plastic products (\$406 million);
- Other machinery and equipment (\$401 million);
- Other manufactures (\$235 million);
- Grains (\$157 million); and,
- Motor vehicles (\$180 million).

3. On the CA/DR export side (U.S. imports), winning sectors include:

- Textiles, apparel, and leather products (\$3,067 million);
- Sugar manufacturing (\$113 million); and,
- Meat products (\$13 million).

4. On the CA/DR side, sectors showing a decrease in export include:

- Services (-\$100 million);
- Other machinery and equipment (-\$96 million);
- Electronic equipment (-\$56); and
- Vegetable, fruits and nuts (-\$31 million).

Materialization of the projected increase in textiles, apparel, and leather products, which account for more than the total net increase in exports to the U.S. of about \$2.8 billion, is likely to depend on the ability of CA/DR producers to adjust to an increase in competition in the U.S. market from Asian suppliers following quota elimination in 2005.

Given the lower labor cost of Nicaragua, the trainability of the labor force and the preferential treatment obtained under the agreement for the textile and apparel sector, however, provides Nicaragua with a strong competitive edge for the next ten years, over its regional neighbors. On the other hand, projected decreases in export for other sectors might reflect the fact that the model does not project a significant inflow of Foreign Direct Investment into the CA/DR region as a result of the agreement.

The USITC results underscore the need for Nicaragua to improve competitiveness both at the country level—through the establishment of a sound policy and regulatory framework conducive to business development, trade and investment, which for the most part has been specified under the NDP-O—and at the firm level. Firms operating in Nicaragua,

especially within the food and natural resources-based industries need to undertake a competitiveness improving process that will allow them to take advantage of new economic opportunities made available to the country through the various free trade agreements being negotiated.

Accordingly, the analysis looks at competitiveness at the firm level in light of six determinants of competitiveness including: (i) sales and marketing, (ii) innovation, (iii) technology and production, (iv) management and leadership, (v) finance and accounting and (vi) human resource development. Firms could move up along each determinant into four stages of competitiveness—from low to high.

The report emphasized that firms located within the prioritized Food and Natural Resource-based Industries tends to exhibit a low level of competitiveness when measured through six key determinants of competitiveness. The analysis shows that most firms are located within competitiveness stages 1 and 2 for each of the selected determinants. Accordingly, efforts are needed in all six competitiveness function areas to guarantee that the country will take full advantage of new opportunities made available by the various trade agreements recently negotiated. The current state of competitiveness using six key determinants can be summarized as follows:

- Sales and Marketing. There are a handful of world class enterprises in Nicaragua, especially in the financial service sector. However, firms located within the food and natural resource-based industries have very little marketing or sale force, are not customer oriented and have little control over distribution. Brand development is incipient and there is still a broad disconnect with the final consumers.
- Innovation. Most firms are using basic applications and only the bigger players have some level of technology innovation in their production lines. Food and natural resource-based industries are engaged in high-volume, low value products and there is little movement along the value chains of the various products and activities.
- Technology/Production. Production processes are absolute and do not for the most part incorporate adequate quality controls. Very few firms count with quality certifications, while productivity remains low for most of the activities within the industries. Given Nicaragua prime land and central location within the region, there is some potential for a medium to high value added food industry to emerge. This would require significant direct investment flows into these activities.
- Management/Leadership. Most firms in Nicaragua are still run as family business and don't have an actual enterprise structure. Only a handful of small and medium enterprises actually follow a business plan and have written strategies with specified objectives and clear expected results. Attracting FDI into the food

and natural resources- based industries could be a good way to bring leadership and best practices into these sectors.

- Finance/Accounting. Small and medium firms in Nicaragua don't have auditable financial records in their operation, as a norm. Only few enterprises which leverage their financing in the local banking system have some sort of accounting records in place. Lack of credit resources undermine the potential for these industries to modernize and expand. This is particularly true for shrimp and forestry firms.
- Human Resources. A major impediment to quality, productivity and expansion is the overall lack of coherent training and skill development programs in the country. There are many efforts supported by the donor community which focus on developing skills in Nicaragua. However, these efforts are fragmented and for the most part uncoordinated. The tax levy imposed on business through the 2 percent given to INATEC, operates as a disincentive for firms to spent resources on training their labor force.

The analysis grouped recommendations in two categories:

Recommendation #1: In order to take full advantage of the DR-CAFTA and to attract the level of FDI that the country requires to create new economic opportunities for its citizens, it is necessary that:

- The GON allocation of the textile and apparel TPL, as well as sugar quotas, be guided by the principle of maximizing social impact.
- Nicaragua establish itself as a prime location for medium-value manufacturing in the region to attract U.S., Asian, Middle East and Central American investors who want to take advantage of the permanent benefits made available with this trade agreement.
- Becoming a prime location for medium-value manufacturing, though, requires a major mindset change. Foreign Direct Investment will not come to Nicaragua, in the amount required, unless the country can show that Nicaragua is a good location for doing business in a profitable manner.

Recommendation #2: In order to accelerate a change in mindset of the enterprise sector and further an improvement in the competitiveness position of firms operating in Nicaragua in a way that allows them to compete and success in the international market, it is recommended to:

- Establish a comprehensive business development assistance package—which could be based on the six determinants of competitiveness describe above—which allows for Nicaragua to make headway in its development process.

- Promote a concerted public-private effort to address these determinants at the industry and firm level which could result in significant improvement of the current competitiveness situation.
- Strengthen existing enterprise support programs aimed at improving the competitiveness position to focus on all determinants in order to spur a new entrepreneurship spirit within the local industries, especially with in the food and natural resources-based industries.
- Focusing on the above determinants for competitiveness and how to foster movements from low level to high level of performance need not to be in contradiction to the cluster approach being prioritized in Nicaragua.
- The status quo is not a viable option for Nicaragua as the rest of the region is moving fast to readjust their reality to the new market environment and the new opportunities emerging from the myriad of trade agreements that the region is getting itself into.

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

Over the reporting period, Dr. Laureano held key meetings 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;
- Completion of Chemonics assistance to USAID and the GON on the final Concept paper for OPORTUNIDAD and disengagement from further work associated with specific design issues beyond the overall concept idea.
- The importance of Nicaragua to have a realistic MCC proposal and the establishment of a broad consultation mechanism.

Dr. Laureano has participated in several 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:

- Discussing functions and coordination mechanisms under the program mandate of the OPORTUNIDAD Unit and the decision for Chemonics to disengage from any further work dealing with the actual design and/or Board selection process for the unit;

MCA:

- Participation with Juan Sebastian Chamorro, Nicaragua's MCC Point of Contact, in private sector meetings with groups such as COSEP and AMCHAM where the GON would share and discuss the country's draft proposal to the MCC;
- Support Dr. Juan Sebastian Chamorro in coordinating with technical personnel from Pro-Nicaragua, MIFIC and the CPC in preparing detail analysis for the MCC component dealing with promoting an "Industrial Park and an In-land Container Handling Facility (Dry Port) in the Chinandega-Leon region."

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 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 ensuring a proper Close out process by October 29, 2004

The home office assistant project administrator, Marina Paz, will travel to Managua to prepare for project close-out and to carry out an administrative audit of field office project files and electronic records and dispense of project commodities (office equipment and furniture, household furniture). She will work with Efrain Laureano, the Senior Economic Advisor, and Amanda Fonseca, Research Assistant, to ensure that project documentation is complete. Ms. Paz will also consult with the Mission on the quality of the work developed to date. She will consolidate achievements and assure USAID requirements are met.

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

EXECUTIVE SUMMARY

SCOPE, Strengthening the Competitiveness of Private Enterprise, is a three-year activity financed under a SEGIR GBTI Task Order. The contract for SCOPE implementation was signed between Chemonics International and USAID in mid-December 2003. Set-up activities began in Uganda almost immediately, and the first members of the project team were in place by early February 2004. As agreed with USAID/Uganda, this annual report covers the nine-month period between January and September 2004. It incorporates SCOPE's first monitoring report, carried out against

benchmarks and indicators agreed to between the Chemonics SCOPE team and USAID.

To set the tone and context for review of SCOPE's first year, the annual report begins with a summary of highlights of SCOPE activities over eight months of operation. Section I provides a general introduction to SCOPE: its purpose; its relationship to USAID/Uganda's Strategic Objective 7; its organization structure; and its Results Framework. Finally Section I summarizes the competitiveness prospects for each of SCOPE's target subsectors as of the end of the first work plan period. This summary provides a fitting preamble to the annual report, since, in many ways, SCOPE's major implementation partners are the sub sectors with which it works, and it is SCOPE's ability to use competitiveness principles to facilitate change in the coffee, cotton, horticulture, dairy, fisheries, oilseeds, grains and tourism sectors that will signify project success.

Since SCOPE is purely a technical assistance activity and has no grant funds with which to work, it was important for SCOPE to build demand for and to provide, from the outset of project operations, access to high-quality technical support of a type not readily available in Uganda. Section II provides an overview of SCOPE's technical approach to implementation of competitiveness initiatives and introduces some of the technical tools used by SCOPE to facilitate, for example, cluster development, business planning and private-public partnership design and implementation. Lessons learned to date by SCOPE as a result of Year I activity mark the end of the technical presentation.

Section III of this annual report documents progress made by SCOPE in each of the project's components and Key Result Areas (KRA) against the Year I benchmarks set for that KRA. A highlight or success story marks noteworthy achievements for each component. SCOPE reviews its performance in terms of each benchmark. As a general rule, SCOPE met over 80% of its first-year benchmarks and, in cases where benchmarks were not fully achieved, timing for benchmark achievement was not within SCOPE's manageable interest.

Monitoring and evaluation are critical aspects of all SCOPE activity. In Year I, SCOPE carried out strategic planning/baseline surveys in 6 out of 8 target sub sectors. None of these sub sectors had easily available data of the type needed to measure and monitor competitiveness, and SCOPE is still working to develop documentation in formats and categories that support appropriate monitoring for competitiveness. In Section IV, SCOPE summarizes Year I progress against Life of Activity Indicators (SCOPE indicates clearly the few cases where baselines are estimated and awaiting further clarification). Annexes to the report are provided to amplify various aspects of SCOPE operation and performance.

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SCOPE FIRST YEAR HIGHLIGHTS

- Private sector working groups formed in seven of eight target sub sectors, involving 84 business leaders
- Private sector leaders engaged in 850 aggregate hours (340 meetings at an average of 2.5 hours per meeting) of active dialogue in pursuit of sub sector transformation goals; at an average of four individuals attending each meeting, Uganda private sector leaders have spent a total of 3,400 business hours (or 425 person days) working with SCOPE
- Strategic planning assessments carried out in floriculture, cotton, coffee, dairy, fisheries, and maize
- Stages of Competitiveness tool designed to guide implementation
- Business planning tool developed to guide industry assessment and market identification activities carried out to inform cluster business plan development
- Agreement in principle between Private Sector Foundation Uganda and SCOPE re Memorandum of Cooperation
- Approach to restructuring Uganda's national competitiveness framework identified and under discussion with secretariat of Medium Term Competitiveness Strategy
- Coffee Production and Mapping Survey completed in support of national coffee strategy development
- Floriculture cluster business plan launched
- Release of Ushs 800,000,000 in VAT refunds to floriculture industry
- Matrix of policy, legal, and regulatory issues developed across sub sectors
- Six private-public partnership areas identified to address Policy, Legal and Regular (PLR) and other challenges affecting floriculture business strategy
- Communications competitiveness strategy developed and launched
- Media cluster formed to provide continual access to informed press
- Designs for **competeUganda!** website and newsletter developed for 10/04 launching
- National branding values campaign developed in cooperation with AGOA Country Response Office; waiting formal approval and launching by President Museveni

SECTION I

SCOPE OVERVIEW

Strengthening the Competitiveness of Private Enterprise (SCOPE) seeks to expand the competitiveness of targeted subsectors by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable private-public competitiveness dialogue, and supporting development of an enabling environment for broad-based economic growth through expanded trade. SCOPE facilitates the transformation of sub sectors into competitive national industries through formation of clusters which work to improve competitiveness in international, regional, and domestic markets. Through competitive and sustainable marketplace positioning, Uganda will increase volumes and values of exports, expand market share for selected products, and improve Uganda's overall trade positions.

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

As an activity within USAID's Strategic Objective 7 (SO7) portfolio, SCOPE efforts support achievement of results which contribute to, "Expanded Sustainable Economic Opportunity for Rural Sector Growth." Other activities within the SO7 portfolio (SPEED, APEP, PRIME/West, Land o' Lakes) carry out complementary efforts. As the USAID activity which works with private and public sector leaders to develop overall perspective and directions for expanded sub sector growth and competitiveness, SCOPE looks for opportunities to maximize complementarities among all SO 7 initiatives.

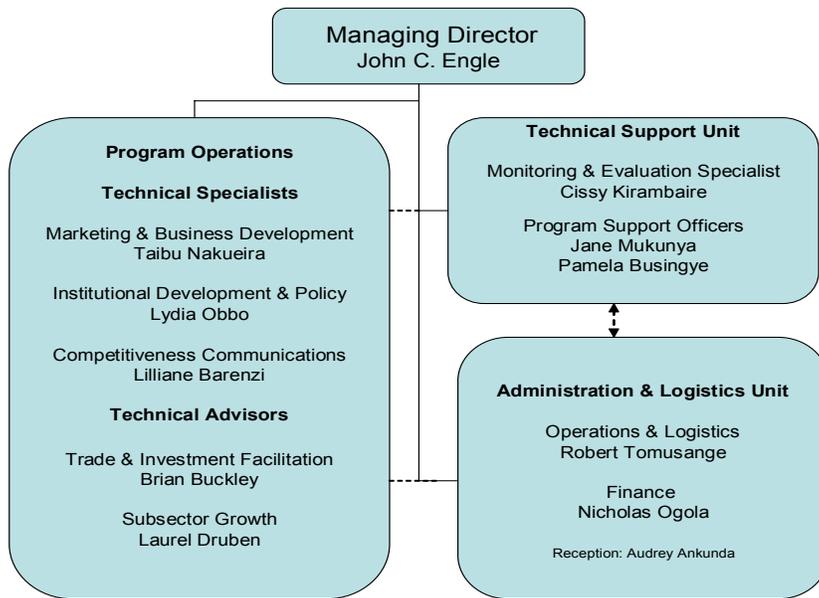
SCOPE activities support the Government of Uganda's poverty eradication goals as set forth in the Poverty Eradication Action Plan (PEAP), which makes a direct linkage between increased volumes and values (for export and domestic consumption) and the reduction of poverty. SCOPE activities respond also to the objectives of the Medium Term Competitiveness Strategy (MTCS), the document which operates as the implementing arm for the PEAP and guides Uganda's competitive growth initiatives.

SCOPE's target sub sectors (coffee, cotton, horticulture, dairy, fisheries, maize and beans, oilseeds and tourism) are directly in line with the GOU Strategic Export Program (SEP), and they provide a livelihood for an estimated 12 million Ugandans, the majority of whom live at subsistence levels in rural areas. Despite the fact that its share of GDP has continued to drop over the past five years, agriculture remains the major source of livelihood for 70% of Uganda's population, and increased agricultural output and productivity are needed to generate improved farm revenues that will lead to job (on farm and off farm) and enterprise creation. Enterprise expansion will then translate into increased government revenue, and, hopefully, into improved government ability to extend/provide social services. SCOPE addresses this cause and effect chain, which must be in place to move rural populations above the poverty line, within the context of the business plans put together to guide sub sector economic expansion.

B. Organizational Structure

Exhibit 1 shows the SCOPE organization structure. SCOPE is headed by a Managing Director who serves as Chief of Party and technical coordinator. The activity is implemented by a Uganda-based, multidisciplinary team that provides direct technical assistance to clusters and to participating organizations and implementing partners. A two-person expatriate technical team advises SCOPE in such areas as strategic business planning, institutional development and trade and investment facilitation.

Exhibit 1: SCOPE Organization Structure



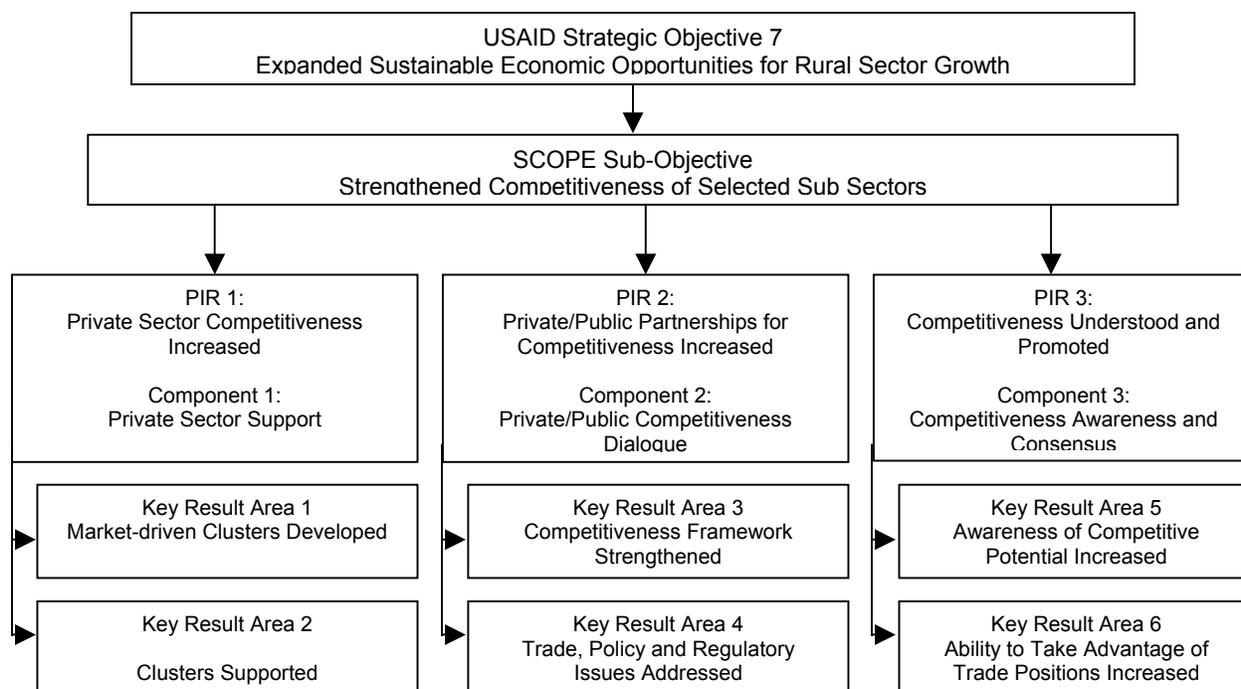
C. SCOPE Results Framework

SCOPE contributes to USAID Strategic Objective 7 through the SCOPE sub-objective, “Strengthened Competitiveness of Selected Sub Sectors.” To achieve this sub objective, SCOPE works through three components:

- Private Sector Competitiveness Increased
- Private/Public Partnerships for Competitiveness Increased
- Competitiveness Understood and Promoted

Each SCOPE component is supported by two Key Result Areas (KRAs), which guide the selection of activities upon which the component focuses. The Results Framework, which is presented as Exhibit 2 on following page, provides a visual overview of the SCOPE approach to implementation.

Exhibit II: SCOPE Results Framework



D. Overview of Prospects for Competitiveness

At the time of SCOPE startup, none of the SCOPE target areas had a competitiveness initiative of any type underway. Today, as a result of work done by the SCOPE technical team and private sector business leaders, each SCOPE target sub sector presents different competitiveness possibilities. The sketches provided in the following paragraphs represent sub sector status after eight months of SCOPE activity.

Coffee: Coffee remains Uganda's largest foreign exchange earner, even though its contribution to total exports dropped to 21% in 2003, from a figure of 60% as recently as 1999. Coffee affects the lives of 500,000 farmers and sustains 5-6 million livelihoods. The EU is the traditional market for Uganda's green bean exports, with only small amounts of Ugandan coffee moving into US and other markets. Uganda's Robusta coffee constitutes 90% of exports; only 10% of Uganda's coffee is Arabica. Some Ugandan production is currently targeted to specialty segments within Robusta and Arabica marketplaces, but Uganda's ability to reestablish coffee exports will be built on a strategy that calls for installing sustainable approaches to production, expanding Uganda's share of existing markets, and developing new product and market opportunities. The national business plan being developed by the coffee cluster will set an initial production target of 4.5 million bags, an increase of over 2 million bags from current levels.

Cotton: Cotton is Uganda's 8th largest export earner. Cotton affects the lives of 12 million Ugandans living in 33 districts. Most of Uganda's cotton is exported as lint to the United Kingdom, Switzerland, United Arab Emirates, Kenya, Singapore and South Africa. Only 5% of Uganda's cotton production goes to support expansion of the domestic textile industry. Revitalization of the cotton industry is of major strategic importance to Ugandan industrialization prospects, with cotton production having a major role to play in further development of the spinning, textile, oilseed, and animal feed industries. The cotton cluster will follow a strategy that calls for full utilization of the installed capacity of existing ginneries, increases in the production of cotton lint from the current 200,000 bales to 700,000 bales by 2010, installing sustainable approaches to production and increasing the technical capacity of both farmers and ginneries.

Dairy: Uganda's dairy sub sector is largely oriented to the domestic market, but some exports of UHT products and Ghee are made to regional markets. SCOPE will work with the industry, through the Dairy Processors' Association, to build the domestic market for value-added products and develop expanded export opportunities through the region and into other African markets, including Nigeria. One constraint to sub sector development is lack of dependable milk supply throughout the year. Building industry competitiveness requires introduction of strategies for dealing with this issue and moving ahead to expand product mix and quality in ways that will result in increased demand for products in both domestic and regional markets, while at the same time building an internal market for milk that will encourage and support production expansion.

Fisheries: Uganda's fisheries sub sector is currently the 2nd most important export earner for Uganda, with exports led by sale of chilled and frozen Nile perch fillets into European markets. Currently fisheries exports contribute 17% of Uganda's total export revenues (up from 5% as recently as 1999). Industry growth, however, has been based to date on the capture of live fish from Lake Victoria (some wild tilapia in addition to Nile perch) and led by fish processors, who are now running at an average of 40% installed capacity. Demand for fish products in Uganda and throughout the region is high, but supply to meet this demand from aquaculture is not yet effectively organized, while levels of raw material from the lake are unreliable. Members of the fisheries cluster plan to develop a strategy that calls for, among other things, expanding the range of processed fish products flowing into markets, developing new products using the byproducts of fish processing, stemming the flow of Uganda fish through processors in Kenya, and investing in and developing aquaculture potential (including subsistence aquaculture).

Floriculture: Floriculture is Uganda's 7th most important foreign exchange earner. Working with SCOPE, Uganda's flower growers prepared and launched a national business plan that calls for expanding the industry from export earnings projected at \$30 million for 2004 to at least \$80 million by 2010. The flower growers are following a business strategy that calls for 50% of growth to come from new investment (Uganda's climate makes it ideal for certain types of flowers); 30% from expansion into new areas and new products; 20% from innovations in technology. This strategy is accompanied by plans to expand existing markets and enter new markets with both existing and new products. Separate industry support programs will be implemented through six targeted private-public partnerships facilitated by SCOPE. The Uganda Flower Exporters Association will provide critical support services in ways that build a sustainable future for the association.

Grains: Maize and beans are currently seen largely as food security crops. However, approximately 15% of Uganda's crop is exported to the region, mostly informally through Kenya, and the World Food Program continues to be a major buyer. Uganda has potential to both grow and export more maize and beans to regional markets, while Kenya, for example, will provide a ready market for much of Uganda's product. The grains cluster, consisting of a group of maize and bean traders, would like to see Uganda as the "provider of quality food products to the region." A major part of the strategy to achieve this vision will call for developing and installing quality standards which govern purchase and sale within Uganda, as well as regional commerce activities.

Oil seeds: This category can include cotton, soya bean, sunflower, sesame and palm oil seeds. Current oil seed production is exported to the European Union, Singapore, Sudan and Kenya. Sales into the domestic market are small, although there is installed processing capacity and willingness to process and market far more than is currently available. Constraints to growth of the sub sector are largely supply-sided. SCOPE's initial strategy for this sub sector will be to build on work done by APEP, SCOPE's SO7 partner, to build a cluster that works with and around a lead investor operating as a focal point and focuses on development of a sunflower (with potential for others) cluster in three economic development zones in the northern part of Uganda. The cluster will include farmers as active participants and develop and incorporate models for sustainable production.

Tourism: Uganda has yet to realize its tourism potential. Industry professionals estimate that only 8,000 to 10,000 “real” tourists come to Uganda (this figure does not include those who come for business, to visit relatives, etc.). Tourism has been considered part of the Services Sector. There are as many as 10 tourism-related associations, some of which barely interact with each other. The Uganda Tourist Association lacks capacity to handle the myriad of issues and challenges. SCOPE strategy calls for positioning tourism, which has significant growth potential, as a separate sector and for developing a private sector-driven, national tourism business plan in concert with representatives of all associations.

SECTION II

SCOPE'S APPROACH TO COMPETITIVENESS IN UGANDA

A. Building Clusters

Increased sustainable market share is a key indicator of competitiveness. Sustaining presence in target markets depends upon achieving increases in productivity, efficiencies throughout the commodity value chain, and innovation in response to market demands. Uganda's competitiveness framework is embedded in three main policy documents; namely; the Poverty Eradication Plan (PEAP), the Medium Term Competitiveness Strategy (MTCS) and the Program for the Modernisation of Agriculture (PMA). Uganda's policy framework calls for the formation and promotion of clusters as effective tools for building competitiveness.

SCOPE develops and supports clusters in target sub sectors to identify challenges and constraints to competitiveness, to set targets for alleviating them, and to create sustainable mechanisms for implementation. SCOPE-supported clusters, under the direction of business leaders, develop plans to expand and maintain presence in the target markets.

Clusters

are groups of private and public sector entities (companies, suppliers, service providers and associated institutions, line ministries and regulatory bodies) which work collaboratively to set and achieve business targets

With cluster business leaders, SCOPE identifies major constraints to sub sector growth and develops strategies that will address constraints and lead to introduction of diversified, value added and/or branded products which have higher potential for sustainability in target markets. SCOPE facilitates the ability of clusters to look beyond traditional products and markets, to identify new markets and products, and to design approaches to realizing market opportunity.

B. Progressing through Stages of Competitiveness

Table 1: Subsector Transformation: Year I Progress and Year II Targets

Subsector	Stage 1 Subsector positions defined	Stage 2 Business Plans developed	Stage 3 Cluster action plans developed	Stage 4 Cluster Action Plans Implemented	Stage 5 Clusters Sustained
Floriculture					YEAR II Activity
Fish			YEAR II Activity	YEAR II Activity	
Coffee			YEAR II Activity	YEAR II Activity	
Cotton		YEAR II Activity	YEAR II Activity	YEAR II Activity	
Maize		YEAR II Activity	YEAR II Activity	YEAR II Activity	
Dairy		YEAR II Activity	YEAR II Activity		
Tourism		YEAR II Activity			
Oil Seeds		YEAR II Activity			

*Note: Orange shaded area shows progress made in Year I. The blue shows the targeted stage in Year II, while the blank ones show targets for Year III

SCOPE defines 5 stages for competitiveness that must occur for sub sector transformation to take place. Table 1 above shows the progress made by SCOPE target sub sectors during Year I. All eight SCOPE sub

sectors completed all or most Stage 1 activities by September 2004. Three sub sectors went through into Stage 2, and floriculture had reached the point where it was implementing both Stage 3 and 4 activities at the same time.

To support sustainability for sub sector initiatives, SCOPE also identified five stages to institutional framework competitiveness. In Year I, SCOPE began work with selected institutions, the Medium Term Competitiveness Secretariat (MTCS), the Private Sector Foundation Uganda (PSFU), and relevant sub sector associations to put needed changes in place. SCOPE developed and submitted to the MTCS an outline for revising the competitiveness framework to focus on the productive sectors of the economy (see Annex D), drafted a Memorandum of Cooperation with the PSFU, and began work with three sub sector associations to produce Industry Development Support Programs (IDSP). SCOPE completed Stage 1 and Stage 2 competitiveness framework activities in Year I; Year II focus will be on Stages 3 and 4.

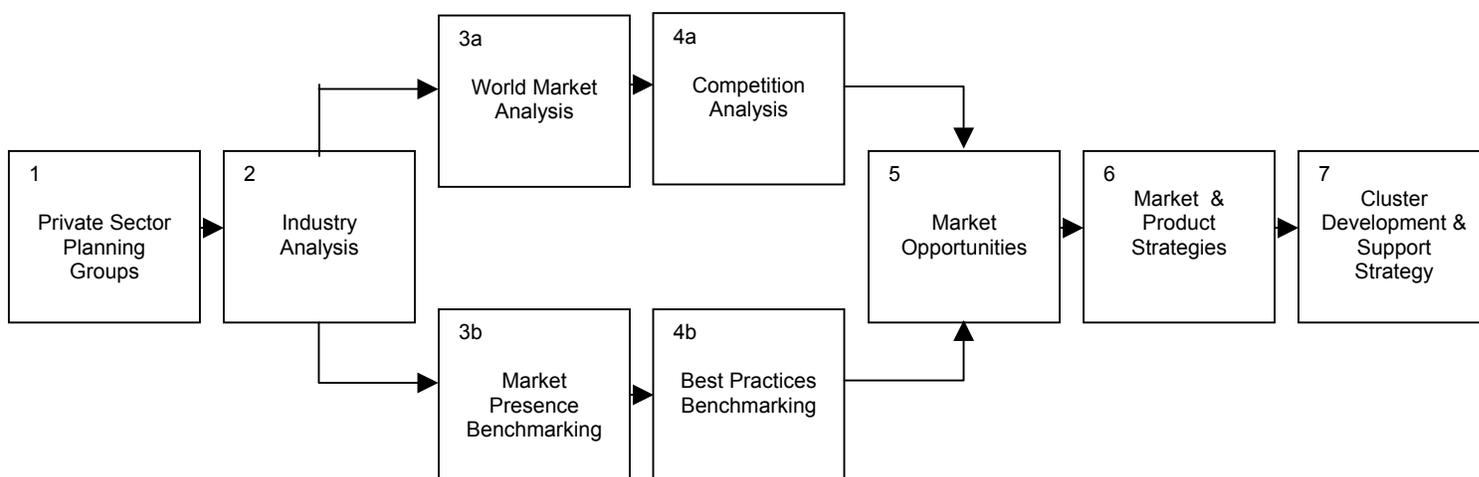
Table 2: Institutional Framework for Competitiveness: Year I Progress and Year II Targets

Stage 1 Framework Assessed	Stage 2 Framework Strategy Developed	Stage 3 Capacities Expanded	Stage 4 Framework Strengthened	Stage 5 Framework Sustained
Completed in Year I	Completed in Year I	Year II Activity	Year II Activity	Year III Activity

C. Business Planning and Cluster Development Technology

SCOPE introduced a seven-step process, shown below in Exhibit 3, to pave the way for development of cluster business plans. Private sector working groups, who are selected by cluster members/leaders to spearhead the planning process, progress through the steps shown below with support from the SCOPE team. The process and the discussion yield the elements of the business plan, as well as agreement on and commitment to these elements.

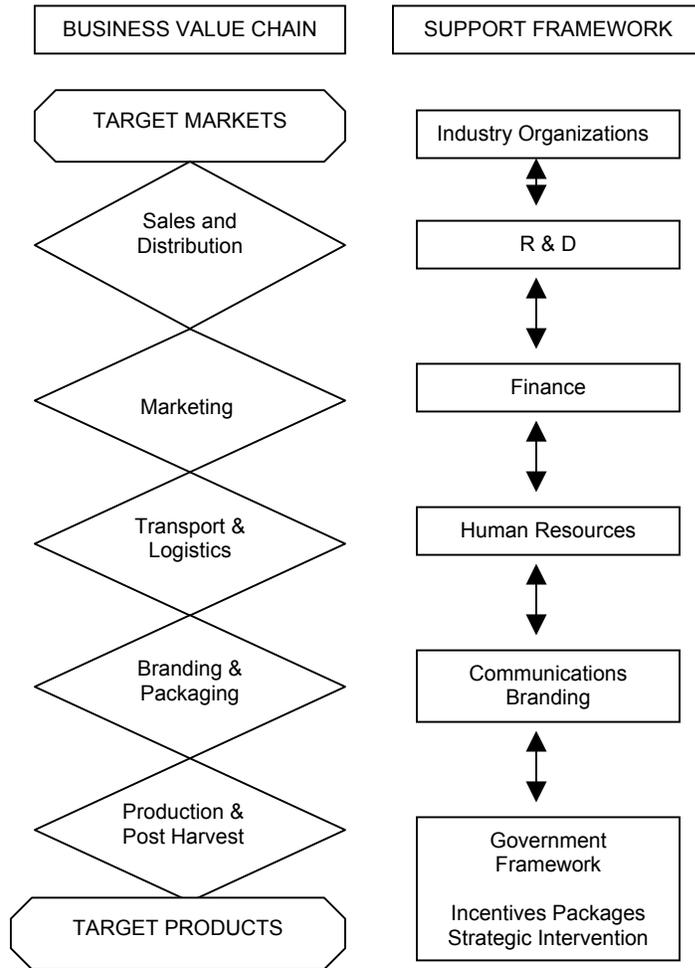
Exhibit 3: Steps to Business Plan Development and Cluster Formation



Another major SCOPE tool is a sub sector-specific model of the business value chain and the support framework needed to assist entities within the business value chain to function efficiently. This model facilitates the ability of both private and public sector industry cluster members to understand the business functions (and cost structure) involved in industry development and to identify the areas within the chain

where efficiencies can be created. At the same time, the model enables identification of support functions and the ways in which they work together and in interaction with business functions to provide support to industry initiatives. The example shown in Exhibit 4 below is specific to the floriculture industry and is part of the cluster business plan.

Exhibit 4: The Business Value Chain and Support Framework



D. Improving the Business Environment

Competitive economies are characterized by responsive business environments. SCOPE works in three ways to support evolution of a responsive business environment:

- SCOPE assists business leaders to define the policy, legal, regulatory, and institutional areas of the business environment where constraints exist to industry development.

- SCOPE works with strategic alliance partners (MTCS, PSFU, and sub sector associations) to identify the ways in which each can support emergence more appropriate environment for competitiveness.
- SCOPE assists cluster members to identify the type of private-private and private-public partnerships needed to address business environment issues, whether these are policy, legal, regulatory, or institutional nature. At the end of Year I, such partnerships had been identified for Year II focus.

Addressing the Business Environment

A Handy Guide to Differentiating Policy, Legal, Regulatory and Institutional Issues

Policy Issues – Occur at various levels, e.g., national, institutional, organizational; may be written or unwritten; “hard” issues that require changes in legal framework (however may not constrain immediate action)

Legal Issues – Arise from interpretation and application of policy through laws and regulations; may be real but are often perceived; sometimes solvable through dialogue

Regulatory Issues – Tend to flow from inconsistencies in arrangements for institutional oversight of laws and policies; “soft” issues, many of which can be addressed through partnership mechanisms and dialogue

Institutional Issues – Caused when organizations fail to identify and play appropriate roles; often caused when public sector entities take on roles better done within the private sector – often to fill vacuums left by weak private sector institutions

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SCOPE determined that one major constraint to emergence of a responsive business environment is the inability to define issues in ways that facilitate the right kind of action to address them. To facilitate action, SCOPE separated issues into categories (see box above) and developed a policy, legal, regulatory, and institutional issues matrix that looks at both cross-cutting and sub sector-specific issues. (See Annex E)

E. Communicating Competitiveness

Table 3: SCOPE Communications Strategy

Constituency	Interaction Modalities
Media	Media Cluster Special Briefings
Strategic Alliance Partners (MTCS, PSFU, Subsector Associations)	Communication Assessments Website and Newsletter Special Media Activities
Sub Sector Clusters	Media Cluster Interactions Press Releases Special Coverage Arrangements
Civil Society	Secondary Students – Branding Values University Students – Competitiveness Clubs Farmers – Rural Radio
Government	Website and Newsletter Press Releases

The SCOPE communications strategy, reflected in Table 3 on the previous page, encompasses activities undertaken with and on behalf of relevant constituencies and builds awareness for competitiveness among

organizations that are responsible for dissemination of messages.

F. Lessons Learned

- Individuals within SCOPE private and public sector constituency groups see the world through different lenses, or development paradigms; the ability to understand these difference and the reasons for them is the starting point for meaningful cluster interactions, business development, and change;
- Sub sector strategies developed prior to SCOPE were based on inadequate, and in some cases, incorrect, diagnosis of business/market challenges and competitiveness possibilities, with resulting inability to identify and address the real issues constraining sub sector growth and competitiveness;
- The failure to diagnose issues from business perspective, for example, to work with business leaders to focus on identifying adequate responses to inefficiencies within commodity value chains, has resulted in failure to allocate private, pubic and donor resources effectively and efficiently;
- The influence of donors on both private and public sector thinking is significant; the “donor” becomes a feature in the room even when business leaders are discussing possibilities; special care is needed to get business planners to focus first on design rather than finance.
- Related to the above, while access to financing and terms of finance may be major considerations in development of sub sector growth strategies, closer analysis suggests that the ways in which sub sector ventures and activities are packaged can have a major impact on sub sector ability to attract and leverage funds from both private and public sources;
- Traditional actors in the private-public dialogue have become so used to interacting with each other that they often don’t communicate; in fact, the dialogue process becomes an exercise to get the appearance of “buy-in,” often with negative results; opportunities for meaningful dialogue and communications are lost, and the majority of private sector individuals find it difficult to justify time for more meetings;
- Any initial difficulties faced by SCOPE with regard to getting businesses to work together, or to “Cooperate to Compete,” are overshadowed by challenges associated with getting businesses to realize that they can make a difference in the way the public sector conducts its activities; overcoming the depth of private sector disillusion with the business environment and the feeling of powerlessness that accompanies this have been a major challenge for SCOPE.

SECTION III

ACTIVITY IMMEDIATE RESULT LEVEL: YEAR I PROGRESS

The SCOPE results framework defines 3 Activity Immediate Results (AIRs). Each AIR has its respective KRAs, and these in turn have specific benchmarks. Year I performance against AIRs and KRAs is reviewed in this section.

A. AIR 1: Private Sector Competitiveness Increased

SCOPE Year I strategy called for beginning the process of cluster development by de-linking private and public sector dialogue. Business targets, SCOPE reasoned, were best set by those qualified to deliver results in the marketplace. With targets set and defined, it would then be possible to expand the clusters to include the full range of private and public sector actors. The component was split into two KRAs, each focusing on different aspects of the stages of competitiveness.

Floriculture Business Plan Launched

The SCOPE-facilitated National Floriculture Business Plan was launched in mid-September 2004 at a ceremony sponsored by MTCS, PSFU and SCOPE and attended by representatives of relevant ministries, public sector agencies, the financial community. The plan was presented by the Executive Directors of UFEA, the growers' association, and supported by representatives of specific industry firms, all of which were represented. Under this plan, the industry, which currently employs over 5,000 and exports \$30 million a year projects export sales of at least \$80 million and employment of 14,000 by 2010.

KRA 1: Market – Driven Clusters Developed

Strategy: Catalyze private sector-driven cluster formation by facilitating the ability of selected business leaders to identify and set market targets, to develop business plans, and to promote the formation of clusters as vehicles for achieving them.

Resources: SCOPE TA, STTA, business leaders, cluster participants

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

100% completed. Economic baselines were drafted to inform business planning activities and provide a framework for tracking progress of indicators during implementation. In Year II, all economic baselines will be completed, reviewed and update as publishable documents

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

60% achieved. Floriculture business plan was developed and launched. Business plan strategies were developed for fisheries, coffee and cotton, with planning well underway; status represents a breakthrough in three of the most important and complicated sub sectors.

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

100% completed. The floriculture action plan was developed as part of the business plan, pending full implementation during the second year of implementation

**KRA
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egy: Provide services that support the ability of clusters to drive institutional change, leverage required resources, and achieve market results.

Resources. SCOPE TA, STTA, CIF, PSFU, sub sector associations

Strat

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

100% completed. This system will be upgraded in 2005 to increase potential to track and monitor work of private-public partnerships and action plans in support of business plan implementation.

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

100% completed. SCOPE and PSFU agreed to collaborate in the areas of trade agreement participation and sub sector advocacy through use of the PSFU task forces.

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

100% achieved. Initial programs defined and in draft form for Uganda Flower Exporters Association, Uganda Coffee Trade Federation (UCTF), and Uganda Fish Processors and Exporters Association (UFPEA).

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

210% achieved. SCOPE works with 84 business leaders as follows (cotton-8, coffee-126, grain -13, floriculture - 18, dairy - 18, fish -11, tourism-2 and oil seeds-2. Numbers continue to grow as work proceeds.

B. AIR 2: Private/Public Partnerships for Competitiveness

To support national competitiveness objectives, private and public sector actors must operate as strategic allies within partnerships to address constraints. SCOPE assists business leaders to develop partnerships with both public and private sector organizations to strengthen competitiveness dialogue and advocacy and to strengthen the framework for competitiveness at national level.

KRA 3: Competitiveness Framework Strengthened

Strategy: Strengthen and support the MTCS as a national competitiveness framework.

Resources: SCOPE TA, STTA, MTCS Management Committee, Steering Committee and Secretariat

A New Approach to Uganda's Competitiveness Framework

SCOPE assessed the Government of Uganda's competitiveness framework put into place under the Poverty Eradication Action Plan and the Medium Term Competitiveness Strategy. The framework lacked market focus and failed to link Uganda's wealth creation goals, those based on competitiveness concepts, with poverty eradication, or social welfare goals. Guidelines for a revamped framework drafted by SCOPE and showing how both of these important national goals can be linked within sub sector cluster activities is now providing the basis for revision of GOU documents and approaches.

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

100% completed. 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.

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, when completed in early 2005, will be benchmarked to Global Competitiveness Indicators.

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

100% done. General agreement on the way forward regarding revision of MTCS framework 2005-2010 is in place.

KRA 4: Trade, Policy, and Regulatory Issues Addressed

Strategy: Expand the capacity of business leaders their support organizations carry out effective trade, policy, and regulatory advocacy in support of cluster initiatives.

Resources:
SCOPE TA, STTA, MTCS, PSFU, UIA, UEPB, UCDA, DDA

SCOPE’s Multi-pronged Approach to solving Cluster-constraining Issues

- Facilitating release of VAT refunds for UFEA members
- Defining and analyzing different aspects of issues across sub sectors; for example, taxation (import duty on key inputs, VAT refunds, withholding tax and duty drawback)
- Resolving soft issues quickly through enhanced informal private – public partnerships
- Working with support organizations to address hard issues – policy and other issues which require formal advocacy and

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Benchmark 4.1: Eight (8) trade, policy and regulatory issues identified and addressed by 9/30/04:
100% identified. Issues have been identified across the 8 sub sectors and addressed on at least an introductory level (capacity- building to develop advocacy platforms is underway).

Benchmark 4.2: Two (2) issue papers developed in support of cluster action plan implementation by 9/30/04.
100% done. Two issue papers were prepared: one on VAT refunds and import duty on inputs on behalf of UFEA; one to guide discussions with MAAIF regarding PLR issues affecting all SCOPE commodity sub sectors.

Benchmark 4.3: One (1) association advocacy program developed in support of cluster operations by 9/30/04.
100% done. SCOPE worked with the floriculture industry to develop an Industry Development Support Program (IDSP); the UFEA policy and advocacy program is a major core program within the industry IDSP.

C. AIR 3: Competitiveness Understood and Promoted

Harnessing Media Power

The SCOPE-established media cluster provided important outreach and lent added depth to SCOPE Year I activities. Fifteen members of the Ugandan media worked with SCOPE to develop in-depth understanding of and perspective on competitiveness. Periodic meetings between the media cluster and members of sub sector clusters highlighted the economic contributions of SCOPE sub sectors and facilitated reportage on existing and planned activities, including the launching of the national floriculture business plan. SCOPE’s media cluster activities will expand in Year II.

SCOPE views communication as a critical factor in competitiveness and targets a number of audiences, including the public sector, business, the general public, and the media. In Year I, SCOPE developed the concept for a competitiveness website www.competeUganda!, through which SCOPE will keep its various audiences informed about competitiveness. This website will be fully accessible during the second year of implementation. Groundwork was also done on the quarterly Competitiveness Newsletter, the first issue of which will be published in October 2004. AIR 3 performance benchmarks and progress targets are given below.

KRA 5: Awareness of Uganda’s Competitiveness Potential Increased

Strategy: Build national awareness and support by making competitiveness relevant to all Ugandans and by developing and installing ongoing communications activities.

Resources: SCOPE TA, STTA, MTCS, PSFU

Benchmark 5.1: Competitiveness Communications (CC) strategy developed by the 9/30/04:
100% complete. The CC draft strategy highlighted the importance of establishing a media cluster as key to increasing awareness of competitiveness.

Benchmark 5.2: Competitiveness data base designed by the 9/30/04:
100% completed. The data bank for daily media clippings on competitiveness and subsectors in which SCOPE operates is in place and updated periodically. The competitiveness website was developed and has been linked to various strategic sites for increased access. The competitiveness newsletter is also in the process. Media briefings have been an on going process throughout the year.

Benchmark 5.3: Twenty five (25) cluster related communications carried out by 9/30/04:
27 communications were initiated during the first eight months of SCOPE implementation.

Benchmark 5.4: One (1) branding program identified by 9/30/04:
100% achieved. A campaign to "Brand Uganda" is in draft form and waiting launching by President Museveni.

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

Strategy: Clarify trade position potential and develop mechanisms for maximizing that potential.

Resources: SCOPE TA, STTA (OTF), PSFU, subsector associations

Benchmark 6.1: One (1) trade agreement subsector opportunity profile prepared and distributed by 9/30/04:
Postponed pending conclusion of subcontract arrangements.

Benchmark 6.2: Uganda trade agreement benchmarking report prepared and disseminated by 9/30/04:
Postponed pending conclusion of subcontract arrangements.

D. Program Management and Administration

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

KRA 7: Resources in Support of Competitiveness Leveraged

Strategy: Set up and use a CIF for the purpose of leveraging resources from other sources and/or jumpstart initiatives that will in turn leverage additional participation and resources.

Resources: SCOPE TA, USAID CTO, Chemonics home office contracts department

Benchmark 7.1: CIF policies and procedures manual developed and submitted to USAID for review by 5/30/04:
100% done. Document was submitted to USAID. The manual establishes the process under which the fund can be accessed, and provides guidelines for reporting and monitoring on activities financed by the fund.

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

KRA 8: Effective Monitoring and Evaluation System Developed and Maintained

Strategy: The SCOPE M&E system provides the foundation for tracking the activity's delivery of expected outputs and quantitative impacts to measure progress, as well as support USAID's M&E needs by providing input to the mission's SO7 and associated IR indicators.

Resources: SCOPE TA, USAID M&E, Chemonics home office, M&E specialist

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

100% completed. Draft PMP was submitted on 26th April 2004.

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

100% done. Updating is an ongoing process.

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

100% Submitted on 21st October 2004

KRA9: Effective Contract Administration Provided

Strategy: The home office PMU and the SCOPE team, under the direction of the chief of party, work effectively to provide seamless support to the set up and smooth implementation of SCOPE offices and systems, including all financial and contract reporting.

Resources: SCOPE, MD, administrative staff, home office PMU

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

SCOPE office build out on Plot 17 Yusuf Lule Road completed as scheduled. All necessary office furnishings, equipment and systems installed and are fully operational.

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

Policy and Procedures manual completed, disseminated to all staff and is fully operational. Staff oriented on SCOPE policy and procedures.

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

Monthly financial reports/invoices and LOE employed status reports for the months of January 2004 through August 2004 submitted to USAID Uganda by the 20th of the month following the reporting month.

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

Property report submitted as at September 30, 2004 submitted to USAID Uganda on October 11, 2004.

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

Property report submitted as at September 30, 2004 submitted to USAID Uganda on October 11, 2004.

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

Work plan completed and submitted.

SECTION IV

SCOPE LIFE OF ACTIVITY INDICATORS: YEAR I PROGRESS

This section captures the progress made by the various indicators at the goal, sub-objective and Immediate Result (IR) levels towards strengthening private sector competitiveness. Table 4 gives a summary of SCOPE Life of Activity (LOA) indicators, the targets and the outcomes for Year I.

Table 4. Summary of SCOPE LOA Indicators: Year I Targets & Progress

Indicator	Indicator Name	LOA Target	Target 9/30/04	Outcome 9/30/04
3	Number of on- and off-farm jobs created	100,000	1,000	0
4	Number of on- and off-farm enterprises created	10,000	100	0
S1	Percent change in value of targeted commodities marketed	40%	0%	0%
S2	Percent change in volume of targeted commodities marketed	30%	0%	0%
1.1	Percent change in cluster share of targeted markets	50%	0%	0%
1.2	Percent change in gross cluster revenue	35%	0%	0%
1.3	Percent change in investment in clusters	15%	0%	0%
1.1.1	Number of cluster action plans developed	8	1	1
1.1.2	Percent change in cluster membership	100%	20%	56%
1.2.1	Number of cluster action plans implemented	8	0	0
1.2.2	Percent change in business participation in clusters	150%	0%	0%
2.1	Amount of resources leveraged through private/public partnerships	\$8,000,000	\$ 100,000	\$1,629,108
2.1.1	Focal point for competitiveness established	Yes	Yes	Yes
2.1.2	Number of clusters achieving sustainability	6	0	0
2.2.1	Number of key policy and regulatory constraints alleviated	15	3	3
2.2.2	Number of key policy and regulatory constraints addressed	30	8	34
3.1	Change in cluster business leaders rating of business environment	10%	0%	0
3.2	Number of clusters formed outside SCOPE	4	0	0
3.1.1	Number of Uganda brands in target markets	4	1	0
3.1.2	Number of competitiveness communications	160	25	27
3.2.1	Percent change in trade volume within selected agreements	10%	0%	0%

Note: Where the target and outcome are 0%, it implies that no change was envisaged and made. The LOA target is hence split between years II and III.

A. S07 Goal Indicators

Indicator 3: Number of On and Off-farm Jobs created

LOA Target: 100,000
Period target: 1,000
Achievement: 0

This indicator captures all jobs created as a result of SCOPE intervention. Below is a presentation of the current level of jobs in SCOPE's target areas. In floriculture, male employment is higher in the off-farm category, while on-farm jobs are a female domain. This information will provide a basis for tracking progress on this indicator. More jobs will be created during Years II and Year III as subsectors implement their business expansion plans

Subsector	Off farm				On farm			
	Male	Female	Total	% Female	Male	Female	Total	% Female
Coffee	1,312	848	2,160	39%				
Cotton	2,529	1,239	3,768	33%				
Floriculture	7	3	10	30%	2,413	3,356	5,769	58%
Dairy	564	139	703	20%				
Fish	2,438	932	3,370	28%				
Grain	393	266	659	40%				
Oil seeds	N/A	N/A	N/A	N/A				
Tourism	N/A	N/A	N/A	N/A				
Total	7,243	3,427	10,670	32%				

Note: *These figures do not indicate total employment in the subsector but rather in the clusters/working groups that SCOPE is working with. No numbers have been given for oil seed and Tourism as SCOPE is yet to define the working groups/cluster members for these areas.

Indicator 4: Number of On and Off-farm enterprises created

LOA Target: 10,000
Period Target: 100
Achievement: 0

New, revitalized and restructured enterprises carrying out business with SCOPE supported businesses are covered under this area. No new enterprises have been created so far. Progress is expected during the second year of implementation.

B. Sub-objective Indicators

At the sub-objective level SCOPE works towards increasing competitiveness at the international, regional, and domestic levels. SCOPE works with the selected subsectors to increase the volumes and values of commodities.

Indicator S 1: Percent change in value of targeted commodities exported

LOA target: 40%
Period target: 0% (LOA target split between Year II and III)
Achieved: 0%

An increase in total value of commodities sold by the sub sectors is an important step towards increasing rural income. It also reflects the country's ability to compete by accessing markets that can avail higher prices for the products. Baseline data against which progress will be measured is presented below. SCOPE

subsectors contribute 48% of the national export earnings.

Subsector	Value in USD million	Volume in tones
Coffee	100.23	146,299
Cotton	17.75	16,762
Cut flowers	26.53	5,636
Dairy	0.81	599
Fish	87.48	26,301
Grain (maize & beans)*	18.96	62,105
Oil seeds	2.18	4,108
Tourism	N/A	N/A
Total SCOPE Subsectors	253.945	261,810
Others	273.04	
National Total Value	522.54	
Share of SCOPE's subsectors to National Total	48%	

Note: This is the value and volume of exported items in the base year. These are subsector totals as SCOPE works with all exporters.

* 72% of the value is for maize while 18% goes to beans, 97% of the volume is maize and only 3% accounts for beans.

Source: Uganda Flowers Exporters' Association (UFEA), Uganda Exports Promotions Board.

S 2: Percent Change in volume of targeted commodities marketed

LOA target: 30%

Period target: 0% (*LOA target split between Year II and III*)

Achieved: 0%

The total volume of goods marketed signifies competitiveness. Given that Uganda is an agricultural country, these increased volumes (assuming the price is right) imply increasing revenues to the farmers and hence it is an important step towards increasing rural income. Baseline information on the volume marketed in SCOPE's targeted areas is shown above. Coffee, cotton, fish and floriculture mainly target the export market while the dairy and grain subsectors mainly target the domestic market.

C. AIR 1 Indicators

Indicator 1.1: Percent Change in Subsector Share of Targeted Markets

LOA target: 50%

Period target: 0% (*LOA target split between Year II and III*)

Achieved: 0%

Growth in a country's commodity market share is an indicator of improved ability to compete. A summary of the baseline of Uganda's market share in the world with regard to SCOPE subsectors is shown below.

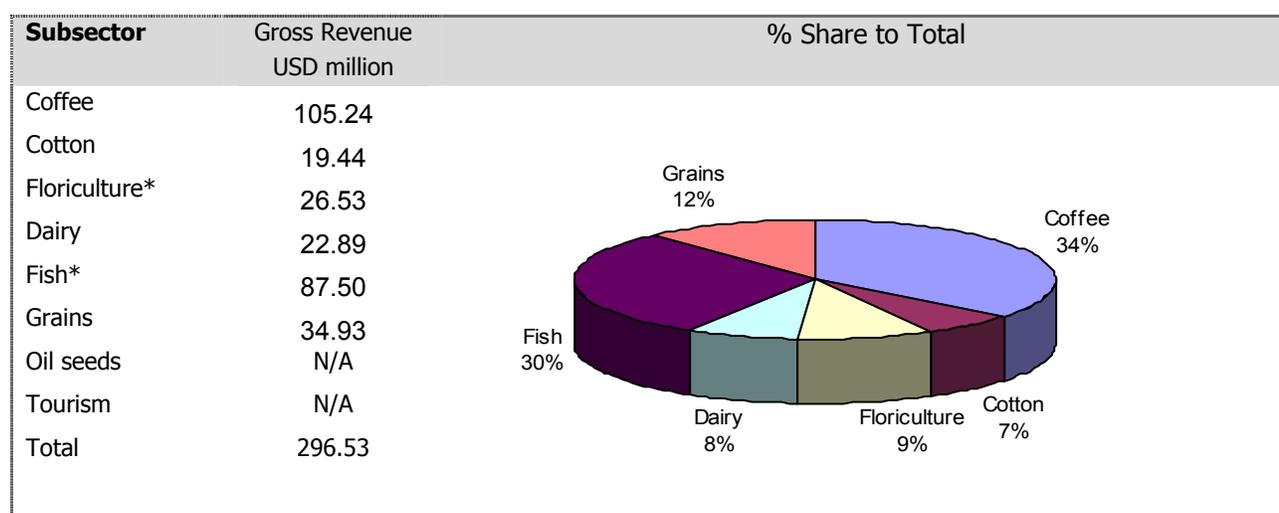
Subsector	Market Share in the World*	Ranking among World Exporters	Ranking among African Exporters	Major markets
Coffee	1%	19 th	2 nd	Switzerland, United Kingdom, Spain, Singapore, Sudan
Cotton	3%	7 th	3 rd	United Kingdom, Switzerland, United Arab Emirates, Kenya, South Africa
Dairy	0.003%	76 th	5 th	Eritrea, Kenya, DR Congo
Fish	1%	21 st	3 rd	Netherlands, Belgium, Japan, United States of America, Kenya, Australia, U.A.E Italy Egypt
Floriculture	0.3%	29 th	5 th	Netherlands, Germany, United Kingdom, Norway, Belgium.
Grain (Maize)	0.3%	33 rd	3 rd	Zambia, Kenya, Zimbabwe, Sudan, Burundi, Rwanda
Oil seeds	0.09%	66 th	16 th	Singapore, Netherlands, France, United Kingdom, Switzerland
Tourism	N/A			

Note: This market share and positioning is based on International Trade Centre (ITC) data

Indicator 1.2: Percent change in gross cluster revenue

LOA target: 40%
Period target: 0% (LOA target split between Year II and III)
Achieved: 0%

This is the change in gross receipts from the sales of products. Base year gross revenue against which progress will be tracked is given below. The coffee subsector has the largest amount of gross revenue, an indicator of the great relevance of coffee to Uganda's economy.



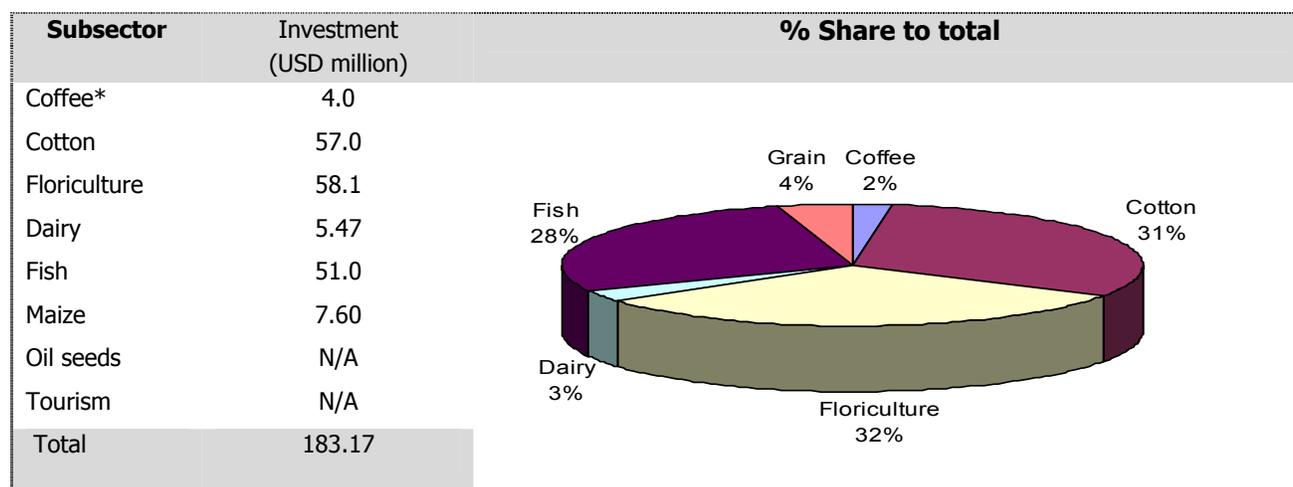
*same as their export revenue since they export nearly 100% of their production; the rest include domestic sales

Indicator 1.3: Percent Change in Investment in Clusters

LOA target: 15%

Period target: 0% (LOA target split between Year II and III)
Achieved: 0%

This covers both foreign and domestic investment. As competitiveness and gross revenue increase, the enterprises become more attractive to investors. In addition, the enterprises themselves increase their level of investments to cope with increasing international and local demand. Baseline data on level of investment indicates that a total of USD 144 million is invested in the subsectors, with floriculture presenting the biggest level of investment. Although coffee is the biggest foreign exchange earner, it requires the smallest level of investment among the subsectors.



Note: Coffee investment is still an estimate

Indicator 1.1.1: Number of Cluster Action Plans developed

LOA target: 8
Period target: 1
Achieved: 1

SCOPE assists clusters to develop cluster action plans. An action plan is essential to become organized and effective and drive the business plan forward. The target was to develop one action plan during the first year. This was developed for the floriculture subsector as a key component of the floriculture business plan which was launched September 21, 2004. The action plan outlines strategies and targets for attaining increased volumes and higher values for the floriculture products. It defines, among other things; new markets to the United States of America and the Middle East, a creation of 10,000 jobs by 2007, increased local and foreign investment, improved use of technology, improved quality and branding.

Indicator 1.1.2: Percent change in Cluster Membership

LOA target: 100%
Period target: 20%
Achieved: 56% (Number of members at 09/30/04: 84)

Cluster development is expected to be reflected in increasing numbers of members to the cluster as the implementation of SCOPE activity continues. To compute a change SCOPE used the end June 2004 working group/cluster sizes as the baseline to obtain a change by the end of September 2004. (See below) It is evident that the membership has grown by 56% from 54 in June to 84 members in September 2004. A number of subsectors show increased participation as a result of SCOPE's efforts to work with more diversified composition of clusters.

Subsector	Members June 2004	Members September 2004	Categories involved
Coffee	6	12	Traders/Exporters/Farmers
Cotton	8	8	Lead ginners/Farmers
Dairy	10	18	Dairy processors (various products)/Farmers
Fish	2	11	Processors/Exporters/Aquaculture
Floriculture	18	18	18 Growers/Exporters
Grain (Maize)	6	13	Traders/Millers/Exporters
Oil seeds	2	2	Oil Manufacturers
Tourism	2	2	Tour and travel, airlines rep
Total	54	84	Percent growth 56%

Indicator 1.2.1: Number of action plans implemented

<i>LOA target:</i>	<i>8</i>
<i>Period target:</i>	<i>0</i>
<i>Achieved:</i>	<i>0</i>

As part of the Floriculture business plan, an action plan was developed and preliminary ground for implementation started during Year I. Full implementation (completion of Stage 4) will take place during the second year of implementation.

Indicator 1.2.2: Percent change in business participation in clusters

<i>LOA target:</i>	<i>150%</i>
<i>Period target:</i>	<i>0% (identify supporting businesses by subsector)</i>
<i>Achieved:</i>	<i>(16 supporting businesses identified-mostly cross cutting)</i>

This indicator captures business participation from the supporting businesses that provide services and value addition to the SCOPE subsectors. 19 businesses have been identified in the areas of packaging, financing/banks, transport and input suppliers and they cut across all subsectors. (See list below) As part of SCOPE work plan for 2005, a packaging cluster will be formed to address packaging issues for all the subsectors.

<p>Packaging</p> <ol style="list-style-type: none"> Mulbox Maaks packaging Packaging Products Uganda Reiley Industries 	<p>Input suppliers</p> <ol style="list-style-type: none"> Uchumi Commodities Balton Uganda Limited Lipsun (Uganda) Limited Promaco (for cheese/dairy inputs) Greenhouse Ltd (for flowers)
<p>Finance</p> <ol style="list-style-type: none"> Standard Chartered Bank Ltd Stanbic Bank (U) Ltd Crane Bank (U) Ltd Centenary Rural Development Bank Barclays Bank Uganda Limited 	<p>Transportation</p> <ol style="list-style-type: none"> Interfreight Uganda Limited Transami Uganda Ltd

D. AIR2 Indicators

Indicator 2.1: Amount of Resources leveraged through private/public partnerships

LOA Target: USD 8,000,000

Period Target: USD 100,000

Achieved: USD 1,629,108

This covers all resources, both cash and in kind that are leveraged through private/public and private/private partnerships supported by SCOPE. It includes money that was availed to the subsectors or redeemed for the subsectors due to SCOPE Technical Assistance and use of the Competitiveness Incentive Fund (CIF). Against a period target of USD 100,000, SCOPE's first year leverage amount totaled USD 1.63 million thereby overshooting that target and registering an achievement rate of 1629%. The details are given below:

1. Ushs 2.1 billion (USD 1.2 million) through private – public partnerships. This money is to be used for the expansion of the cold storage facility at Entebbe. SCOPE's input was USD 700 to cover the launch and dialogue facilitation expenses. The process for accessing these funds is underway.
2. Ushs 772 million (approx 0.43 million) worth of overdue VAT refunds for the floriculture subsector. The sub sector had made several attempts at obtaining these refunds in vain. SCOPE's input was SCOPE technical staff time. These resources were leveraged in support of competitiveness as more money was made available to the subsector for investment into increasing volumes and values of their products.

Indicator 2.1.1: Focal Point for Competitiveness established

LOA Target: Yes

Period Target: Yes

Achieved: Yes

This defines a clearly established and functional national focal point for competitiveness dialogue, consensus and action. During the year, SCOPE worked closely with the PSFU and the MTCS as national bodies to provide the anchor for competitiveness both during and at the end of SCOPE activity. The focal point for competitiveness was hence established early in Activity implementation.

Indicator 2.1.2: Number of Clusters attaining sustainability

LOA Target: 6

Period Target: 0

Achieved: 0

Clusters should be able to achieve competitiveness goals without external assistance. This is measured by their sustainability plans (Stage 5 of the stages to Ugandan Competitiveness). The floriculture subsector is targeted to proceed to Stage 5 during Year II.

Indicator 2.2.1: Number of Key Policy, Legal and Regulatory Constraints alleviated

LOA Target: 15

Period Target: 3

Achieved: 3

SCOPE works towards identifying and alleviating constraints to competitiveness. This is intended to improve the policy, regulatory and business environment for competitiveness to flourish. During the year, three issues were alleviated as follows:

1. VAT refund arrears of Ushs 772 million to the floriculture cluster was redeemed due to SCOPE intervention.
2. Coir pith (cocus peat) a soil substitute for flower growing, originally classified as a petroleum product attracting import duty is now being reclassified due to SCOPE intervention.
3. A floriculture incentive package drafted to relieve policy and regulatory constraints to investment is now in active negotiation. Preliminary agreement has already been obtained on tax holiday/concessions for development of new areas.

Indicator 2.2.2: Number of Key Policy and Regulatory Issues addressed

LOA Target: 30
Period Target: 8
Achieved: 34

This indicator operates within the confines of a data bank of policy, regulatory and institutional constraints to be addressed by SCOPE and partners. By the end of the year, 34 issues had been identified and categorized into cross-cutting and subsector-specific issues as indicated in Annex D. SCOPE's efforts to address the issues commenced in Year I and alleviation will be the main focus during years II and III as some are policy issues and hence take longer to alleviate. New issues keep emerging during implementation and this list will therefore be updated continuously.

E. AIR 3 Indicators

3.1. Change in Cluster Business Leaders rating of the Business Environment

LOA Target: 10%
Period Target: Baseline Survey
Achieved: Baseline Survey

To obtain the baseline rating of Uganda's Business environment, SCOPE used a sample of 5 business leaders in each of the 8 subsectors, (a sample of 40 respondents, although only 16 responded and the findings are based on these 16 responses- See Annex E). SCOPE administered a questionnaire based on the Executive Opinion Survey as used by the World Economic Forum. SCOPE targets to see an improvement of 10% in the rating by 2006. The findings from the survey indicate that Uganda's has an overall score of 3.4; and therefore a 10% change will imply an overall score of 3.7 in 2006. This overall score is based on scores of the three GCI components as shown below.

Technology

Technology is key to economic growth and hence competitiveness. The technology index covers innovation and technology transfer. Uganda is classified as a non-core innovator as it is in the category of those countries that mainly imitate technology. Imitators can score highly on this index if they readily attract FDI. Basing on the findings of the survey, Uganda scored 3.2³. The United States of America which takes the first position in the world has a score of 6.3 (GCI Report 2003)

³ The GCI maximum is 7 for the best and 1 for the worst. The score of 3.2 puts Uganda below average (average is 3.5). A 10% improvement implies that the Technology Index will move from 3.2 to 3.5 in 2006.

Macro Economic Environment

A stable and conducive macro economic environment is also crucial to competitiveness. The business leaders rated Uganda's economy to be good and growing. The survey data shows that Uganda scored 4.24 (above average) in this area. Singapore which is the world leader in this category had a score of 5.7 (GCI report 2003)

Public Institutions

Public institutions offer support to the various sectors and their role therefore becomes crucial as they carry out policy formulation and regulatory functions. Denmark is reported to have the best public institutions with a rating of 6.56. Uganda's business leaders gave Uganda a rate of 2.8 **5** in this area, an indicator that Uganda's public institutions are neither supportive nor responsive to private sector needs.

Constraints to Competitiveness

The survey revealed that the five most crucial constraints are:

1. Access to finance
2. Inadequate infrastructure
3. Government bureaucracy
4. Tax administration
5. Corruption

Indicator 3.2: Number of Clusters formed outside SCOPE

<i>LOA Target:</i>	<i>4</i>
<i>Period Target:</i>	<i>0</i>
<i>Achieved:</i>	<i>0</i>

This indicator captures the number of clusters formed independent of SCOPE. It is expected that as SCOPE activity increases, imitation would take place and four (4) clusters would form in different areas, taking SCOPE as the example. The PSFU is working on the establishment of clusters under the four main arms; i.e. the manufacturing, services, tourism and the agriculture clusters. Implementation will take place during Year II.

Indicator 3.1.1: Number of Uganda Brands in Target Markets

<i>LOA Target:</i>	<i>4</i>
<i>Period Target:</i>	<i>1</i>
<i>Achieved:</i>	<i>0</i>

Name recognition is a crucial factor to increasing competitiveness and vice versa. It is a target therefore to see 4 new Ugandan brands during the lifespan of SCOPE activity. During the year, SCOPE worked on a new strategy of "**Branding Uganda**" to cover all Ugandan goods and services. The branding program will be launched during the second year of implementation.

4 A 10% improvement in the Macro economic Index will imply a change from 4.2 to 4.6.

5 , A 10% improvement on the Public Institutions Index will imply a change from 2.8 to 3.1.

Indicator 3.1.2: Number of Competitiveness Communications

<i>LOA Target:</i>	<i>160</i>
<i>Period Target:</i>	<i>25</i>
<i>Achieved:</i>	<i>27</i>

Media coverage is an effective means of propagating knowledge and awareness of competitiveness potential. The communications activities during the period included articles on competitiveness in newspapers, press briefings and talk shows on radio. The target for the first year was to carry out 25 communications. During the period, a total of 27 competitiveness communications were carried out. (Details in Annex F). This represents an 8% performance above target.

Indicator 3.2.1: Percent change in Trade Volume within Selected Agreements

<i>LOA target:</i>	<i>10%</i>
<i>Period Target:</i>	<i>2%</i>
<i>Achieved:</i>	<i>0%</i>

SCOPE enables cluster members to understand the various trade agreements and opportunities that are available for them. These trade agreements include African Growth Opportunity Act (AGOA), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). The EAC presents Uganda an opportunity to access a market of 85 million people while the COMESA market guarantees member states a market of 367 million people from the 20 member countries. The EAC and COMESA together currently provide a market for 10%6 of Uganda's trade in the SCOPE subsectors. AGOA offers Ugandans opportunities for coffee, dairy (different types of Cheese, butter, cream etc) and oil seeds particularly those that can be used for the manufacture of vegetable oil and peanut oils.

Although a target of 2% increase was set for 2004, no change was recorded during the first year. The first steps included identifying the possible potential for SCOPE subsectors, and informing the subsectors of the existing opportunities under these agreements. Progress is expected in Years II and III.

ANNEX A

SCOPE Full 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

ANNEX B

COMPETITIVENESS FRAMEWORK FOCUSING ON PRODUCTIVE SECTORS

PRODUCTIVE SECTORS (and Subsector Strategies)	POLICY FRAMEWORK	BUSINESS ENVIRONMENT
<p>AGRICULTURE -- Floriculture -- Vanilla -- Coffee -- Cotton -- Dairy -- Fisheries -- Grains and Beans -- Oilseeds -- Organic</p> <p>MANUFACTURING/INDUSTRY -- Textiles/ Apparel -- Agri-processing -- Construction -- Packaging (paper and printing) -- Minerals and Mining -- MSME Development</p> <p>TOURISM -- Business tourism -- Ecotourism -- Safari tourism -- Youth tourism -- Cultural & community tourism</p> <p>SERVICES -- ICT -- Finance -- Transport -- Import/Export -- Advertising/Public Relations</p> <hr/> <p>APEX ASSOCIATIONS SUBSECTOR ASSOCIATIONS PRODUCER ORGANIZATIONS MSME OPPORTUNITIES</p>	<p>ECONOMIC POLICY</p> <p>TAX REGIME</p> <p>SECTOR POLICIES</p> <p>INVESTMENT POLICY</p> <p>TRADE POLICY FRAMEWORK - WTO - EACU - COMESA - EU/ACP - -AGO</p> <p>SCIENCE AND TECHNOLOGY -Research - Standards</p> <p>ENVIRONMENTAL</p> <p>HEALTH POLICY</p> <p>LABOUR/IMMIGRATION</p> <p>LAND POLICY</p> <p>ENERGY</p> <p>TRANSPORT - Rail - -Road - -Air</p> <hr/> <p>LINE MINISTRIES</p>	<p>FINANCE- access/delivery</p> <p>TAX ADMINISTRATION --Corporate --Import/Export</p> <p>SECTOR-SPECIFIC INCENTIVES</p> <p>INFRASTRUCTURE --Access to land - -Roads - -Water - -Energy</p> <p>STANDARDS</p> <p>RESEARCH & DEVELOPMENT</p> <p>LEGAL & REGULATORY - -Commercial Justice - -Intellectual Property</p> <p>GOVERNANCE -- Anti corruption --Transparency</p> <p>HEALTH</p> <p>LABOUR</p> <p>EDUCATION</p> <p>ENVIRONMENT</p> <hr/> <p>STATUTORY /REGULATORY --Research --Education --Training</p>

ANNEX C

LIST OF MEETINGS

Sector	March –June 2004	July – Sept 2004	Total 2004
Coffee	36	18	54
Cotton	16	11	27
Cut Flowers	45	13	58
Maize/Beans	11	14	25
Oil Seeds	4	1	5
Fisheries	9	14	23
Dairy	6	14	20
Tourism	13	11	24
General	44	37	81
Sister Activities	10	6	16
Other Donors	2	5	7
Total	196	144	340

ANNEX D

BUSINESS ENVIRONMENT FOR COMPETITIVENESS

An Overview of Policy, Legal, Regulatory and Institutional Issues

Sub Sector	Business Environment Issues	Remarks
Cross-Cutting	<ol style="list-style-type: none"> 1. Strategic export concept inadequately defined to guide decision-making 2. Separation of agriculture from competitiveness framework, into PMA, weakens the MAAIF as major line ministry and agric sector focal point 3. Agricultural financing polices and facilities are inadequate to support industry requirements 4. Investment policies and programs lack targeted, sub sector focus 5. Sub sector policy frameworks are either non-existent, or where in place, fail to provide adequate support for effective private-public partnership 6. Failure to clearly spell out authorities and responsibilities among various public sector agencies with regard to sub sector requirements 7. Resources for research and extension are public sector-driven and programmed to put existing facilities to work rather than to support industry growth 	<p>In a competitive economy, the business environment is responsive to private sector initiative, and public and private sector actors work together to support the ability of the private sector to generate wealth and create jobs. Business environment issues are policy, legal, regulatory, and institutional constraints to effective private/public partnerships.</p>
Floriculture	<ol style="list-style-type: none"> 1. Incentives package inadequate to support industry growth targets 2. Inconsistent application of VAT Statute and Tax Policy resulting in un favorable tax regime 3. Lack of infrastructure support policy for new investment areas 4. Need to change the unwritten "policy" that support for foreign investors translates into lack of support for local investors 	<p>The floriculture business plan identifies six areas of private-public partnership that will address issues highlighted here. Work on the UIA and URA partnership is underway.</p>
Coffee	<ol style="list-style-type: none"> 1. VAT and Duty Drawback "receivables" carried by coffee exporters are compounding hardships faced by farmers 2. Involvement of UCDA in replanting and distribution, both functions better handled by the private sector, has created major systemic inefficiencies 3. Current division of roles between UCDA and private sector (e.g., UCTF) creates distortions in sub sector management and development 4. Inadequate producer organization support policy 	<p>The UCTF is reexamining its roles in light of strategic directions for the industry and is investigating potential for the association to take on more industry support functions</p>
Cotton	<ol style="list-style-type: none"> 1. VAT and Duty Drawback receivables carried by cotton ginner/exporters are compounding hardships faced by farmers 2. Inadequate producer organization support policy 3. Lack of favorable tax regime, e.g., providing for tax-free inputs such as spare parts for ginneries 4. Need for investment policy and program focused specifically on adding value to installed capacity 5. Unclear roles between the CDO and UGCEA result in inefficiencies and distortions within the business value chain. 	<p>UGCEA is not perceived as an entity separate from the CDO, and, therefore, is not an effective voice for private sector concerns. Addressing issues effectively will require de-linking CDO and UGCEA.</p>

Sub Sector	Business Environment Issues	Remarks
Dairy	<ol style="list-style-type: none"> 1. Delayed privatization of the Uganda Dairy Corporation affecting growth in the industry. 2. Diversion of Extension Services into NAADS has not supported sub- sector requirements. 3. Product development facilities inadequate to support expanded commercialization 4. Import duty and VAT charged on key inputs making them costly and out of reach, e.g. cattle feeds 5. Land policy implemented selectively and often to the detriment of investors in the sub sector, e.g., the case of Paramount Dairies 	Demand for milk products continues to grow in Kampala and the region; the supply of milk, however, is inadequate, both in terms of volume and quality. The Uganda Dairy Processors Association must find a way to address this situation within the context of the organization's emerging strategic plan.
Fisheries	<ol style="list-style-type: none"> 1. The proposed Fisheries Authority lacks private sector focus and is likely to have the same weaknesses as the CDO and UCDA. 2. Unfavorable tax regime (<i>taxes and duty are levied on inputs used in the production of fish for export-- e.g. import duty (7%), VAT (17%), excise duty (10%), withholding tax (6%), and import license commission (2%) are charged on solid board boxes used for export packaging. Charges total 42% and equal 50% of value of given consignment (e.g., a consignment that costs 69,472,471/= will attract a total of 31,755,169/= in taxes). No consistency in application of Excise duty, e.g., excise duty assessed on imported boxes for which there is no local manufacturer.</i>) 3. Duty drawback system does not allow for partial refund of import duty 4. Failure to control leakage of Uganda fisheries resources into Kenya 5. Lack of fisheries-appropriate investment package 	Issues facing the capture fisheries and aquaculture industries have different aspects: the Uganda Fish Processors and Exporters Association (UFPEA), the Uganda Commercial Fish Farmers Association (UCFFA), and the Uganda Fish Farmers Association (UFFA) must find ways to merge the interests of various constituencies in order to come up with an integrated plan.
Grains(Maize and Beans)	<ol style="list-style-type: none"> 1. Lack of post liberalization regulation and policy has led to erratic term of trade for producers 2. Poor rural physical and financial infrastructure. 3. Lack of mechanisms for enforcement of quality standards 4. Lack of financial package to support production and marketing of grain. 	Industry aware of need to develop and maintain a regional trading system based on jointly accepted quality system.; needs a strong association support program.

ANNEX E

Summary of Findings from Executive Opinion Leaders Survey

Subject	Summary of General Opinion/Perception of Uganda's Business leaders on the Executive Survey
The Ugandan Economy	The Ugandan economy is growing and is likely to continue growing. However, efforts to improve competitiveness were mostly non-existent in Uganda. The threat of terrorism to business is insignificant.
Technology	Uganda lags behind in terms of technology advancement and companies are not able to absorb technology. Companies do not value and hence carry out R&D and Internet services are very rare. FDI is an important source of new technology.
Government & Public Sector	The public spending is wasteful and does not provide the necessary infrastructure services. The system is generally burdensome; taxes limit the incentive to work and invest. Customs is slow and inefficient.
Public Institutions	The legal framework is inefficient and subject to manipulation. Police is unreliable and corruption is rampant.
Infrastructure	It is generally wanting, poorly developed and inefficient, costly and unreliable.
Human Resources	Productivity in Uganda is low as are the wages. Women are marginalized in terms of employment positions and wages. Maternity laws also do not favour employment of women.
Finance and Openness	Financial markets are not sophisticated. Banks are unhealthy and obtaining a loan is complicated, getting worse, requires a good business plan and collateral.
Domestic competition	There is limited competition and imports are major competitors. Market dominance is by a few big enterprises and local suppliers are few and unreliable.
Prevalence of Clusters	Clusters are not common in Uganda.
Company Operations and Strategy	Uganda's competitiveness advantage is due to low prices. Customers are generally treated badly. There is hence need to train business leaders companies about the importance of customer care.
Environmental and social responsibility	Uganda's laws on environment are generally lax.
International Institutions	The World Bank and the IMF are generally not doing their work effectively in poverty alleviation and creating a pro investment climate. The African Development Bank was quoted by a few as a more effective body.
General Questions	<p>Out of the list of 15 possible constraints to competitiveness, the five most problematic factors (in descending order of importance) were defined as:</p> <ol style="list-style-type: none"> 1. Access to Finance 2. Inadequate infrastructure 3. Government Bureaucracy 4. Tax administration 5. Corruption

ANNEX F

COMPETITIVENESS COMMUNICATIONS IN YEAR I

No	Date	Article Title/Topic	Origin	Source	Major points
1	14/07/04	News Article – USAID to boost Exports	Media Cluster	The New Vision pg 41	SCOPE profile
2	15/07/04	Executive Talk – Competitiveness: to swim or sink	Media Cluster + SCOPE	The New Vision, pg 31	Competitiveness in practice
3	21/07/04	Editorial – Look Out For the Farmers	Media Cluster + SCOPE	The New Vision, pg 10 (Editorial)	Price fluctuations and the effect on competitiveness
4	23/07/04	Competitiveness	Media cluster	Monitor FM – 8:30pm, Business News	Competitiveness and Sector strategies
5	27/07/04	Learn Tigers’ lesson	Media Cluster	The New Vision pg 10 (Editorial)	Uganda should emulate Asian competitiveness
6	03/08/04	Africa’s Chance to Trade	Media Cluster	The New Vision pg 10	Impact of subsidies on agriculture and trade
7	04/08/04	Free Markets, Now What?	Media Cluster	The New Vision, pg 10 (Editorial)	Need national strategies to take advantage of markets
8	06/08/04	Media/flower clusters interaction	Media cluster	Media cluster/SCOPE	Flower sector requires targeted incentives to expand
8	09/08/04	US eyes Uganda Flowers	Media Cluster	Procurement News, Pg 1	New markets targeted through SCOPE
9	10/08/04	Flower Exporters warn of death for lack of incentives	Media Cluster	The Monitor, pg 17	Sub-sector growth report
10	11/08/04	Congo Railway/Policy reversal	Media Cluster	NV, pg 10	Public sector driven economic policy useless without input from private sector
11	11/08/04	A lousy Editorial on Subsidies	General public	NV, pg 11, Letters	Subsidies are only an excuse for low production
12	12/08/04	Incentives, labor policy a must for successful EPZ	Media	NV, pg 19	Interview with Brian Buckley on EPZ
13	12/08/04	Targeted incentives	Media	NV, pg 20	Incentives should be targeted and monitored in order to be effective
14	20/08/04	Flower sector to get incentives	Media Cluster	NV, pg 42	UIA creating special incentive packages for flower sector
15	26/08/04	Commit now, not later	Media cluster	NV, pg 20	Commitment to export-led growth should include support to productive sectors
16	02/09/04	Mbarara \$500m Dairy investment hits snag	Media cluster	NV, pg 19	Paramount dairy investment frustrated, threatened
17	02/09/04	Unwelcome Flip	Media cluster	NV, pg 20 (Biz	Policy flip flops threaten

No	Date	Article Title/Topic	Origin	Source	Major points
18	02/09/04	Flops Andrew Mwenda Live	Media	editorial) Monitor FM, Talk Show featuring Brian Buckley	investment and investors Impact of currency devaluation on exports
19	03/09/04	Media/coffee clusters interaction	Media cluster	Interaction at SCOPE	Production organization in the coffee sector
20	05/09/04	Rwanda does it better than Uganda	Media cluster	The Sunday Monitor Op-ed	Rwanda engaging in profitable private-public partnerships
21	16/09/04	Strong shilling dents economic performance	Media cluster	New Vision, pg, 20	Currency devaluation and exports
22	20/09/04	Coffee Sector should expand	Media Cluster	Procurement News, pg, 19	Sustainable coffee
23	22/09/04	Flower exports to reap \$2m	Media	NV, pg 37	Royal Van Zanten projects exports
24	24/09/04	Flower Sector in Major Expansion Drive	Media	New Vision, pg, 17	Launch of Floriculture strategy
25	24/09/04	UDB to be sold by the end of 2004	Media cluster	New Vision, pg, 49	Floriculture strategy launch
26	25/09/04	Floriculture	Media cluster	New Vision, pg 32	Flower earnings to hit USD 80 million in 2010
27	27/09/04	\$21m flower investments lost	Media	New Vision, pg, 50	Floriculture investments lost to Ethiopia

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.

ACTIVITIES FOR THE REPORTING PERIOD

The team will assessed the current state of planning for several large infrastructure and public services projects in Senegal and determined which have potential for execution using PPP mechanisms. They analyzed the type of obstacles and risks (legal, fiduciary, administrative, etc.) relevant to new PPP investments, outlined approaches to manage identified risks in the Senegalese context, and recommend any specific actions required to overcome major obstacles. The end

product was a report documenting the findings, conclusions and recommendations of the team.

The team completed the following tasks:

- Interviewed principal GOS and donor officials currently involved in planning PPP projects in Senegal
- Provided a brief description of those projects which are deemed most likely to benefit from a PPP approach
- Reviewed and assessed the recently passed BOT law for purposes of supporting PPP mechanisms
- Assessed the capacity of Senegalese financial and regulatory institutions to support PPP mechanisms such as bond issuance, guarantee funds and dispute arbitration
- Identified and assessed the potential market for PPP instruments such as special bond issues that are feasible in the Senegal context
- Outlined the main fiduciary risk concerns for PPP type projects in Senegal
- Identified obstacles or constraints to PPP investments
- Developed and proposed approaches for structuring management oversight mechanisms to address fiduciary risk.
- Developed 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.

O. Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development, TO #807

Start Date: August 15, 2004

Completion Date: December 31, 2004

Amount of Delivery Order: \$339,664

Background

On August 11, 2004, under the Umbrella GBTI IQC Contract, USAID awarded a sole-source task order contract to Chemonics for the *Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development* project. As stated in the task order contract, the overall objective of the project is to “support the new Government of Guatemala’s Planning Ministry (SEGEPLAN) and the Ministry of Agriculture (MAGA) in the production of a series of discrete, short-term deliverables that will help advance the general

business and investment climate of Guatemala.” Under the terms of performance, the task order calls for the completion of a website and a series of business manuals and database deliverables that will support the Internet business center initiatives of Guatemala by September 30. A series of maps for the Candelaria River Cave system must also be completed by September 30. All other deliverables will be completed by the completion date of the task order.

The period of performance for this task order is August 11, 2004 – December 31, 2004.

Quarterly Overview

The task order was launched during the reporting period – on August 11. Following is an overview of the key activities that took place during the reporting period:

- The task order was signed on August 11.
- Received authorization from the USAID Executive Officer to incur pre-contract expenses related to a local fixed price subcontract with the *Universidad Rafael Landivar* to carry out a socioeconomic evaluation of recently titled communities (Task 2b.).
- A preliminary work plan as well as a final work plan detailing all of the activities required under the task order were prepared and submitted to USAID. USAID has approved the work plan.
- As part of the project’s support to the Government of Guatemala (GOG) Rural Development Policy, key technical assistance was provided through a one-day seminar on September 30th, 2004 to discuss rural development issues and to identify specific recommendations for the development of an action plan (Task 3a.)
- Completion of the www.visitichisec.com website designed to attract more tourism to Chisec and the surrounding areas. As detailed below, several databases in support of tourism in Guatemala were also developed (Task 4).
- Completion of a series of maps and guides for the Candelaria River Cave system in support of an adventure cave tourism initiative (Task 5).

Below we further highlight the main activities which took place during the reporting period from July 1, 2004 to September 30, 2004. The technical assistance provided under this task order is being coordinated by the in-country project director, Ricardo Frohmader, with assistance from Guatemala-based staff, Raam Thakrar and Evelyn Escobar. The Chemonics home office based project management unit consists of Christian Kolar, project manager, Sandra Rosenbaum, project administrator, and Tawni Stetson, assistant project administrator.

Technical Activities

Support to GOG Rural Development Policy – Seminar (Task 3a.)

As part of its efforts to build national consensus in its rural development policies, the new GOG administration (which came to office in January 2004), through its Planning Ministry (SEGEPLAN) requested technical assistance for a rural development seminar. The one-day seminar was held in Guatemala City September 30th, 2004.

To provide the required expertise to assist the GOG in its design of a rural development policy and strategy, Chemonics provided two senior technical specialists – Dr. James Riordan and Dr. John Mellor. Dr. Mellor was provided through a fixed price subcontract with his employer, Abt. Associates.

Both technical specialists gave presentations to the assembled inter-agency donor group, speaking about their various experiences in rural development. Both talks were well received, and prompted lively interest in the lessons-learned that both consultants shared. Based on these presentations, a follow-on presentation by Dr. James Riordan has been officially requested by the GOG. This presentation is scheduled to take place at the end of October 2004.

Small Business Support (Task 4)

In an effort to increase the visibility and marketing of Guatemala's tourism products, Chemonics issued a fixed price subcontract to New Development Solutions to develop the following deliverables:

- a website designed to attract more tourism to Chisec and the surrounding areas (visit the website at www.visitchisec.com);
- databases which provide a directory of hotels, restaurants, NGOs, and Internet Service Providers in Guatemala;
- development of a best practices manual/guide for use by managers of Internet Centers in Guatemala;
- a manual/guide to be used by managers of Internet Centers to understand WIFI Technology and its usefulness in Internet Centers.

The USAID funding for this activity required that it be completed by September 30th, 2004. It was completed on schedule.

Next steps involve working with USAID/Guatemala to determine who and when to present these products to the Government of Guatemala.

Cave Tourism (Task 5)

As with the activity immediately above, the task order required that this activity too, be completed by September 30. It was completed ahead of schedule. The Vanderbilt Institute of Mesoamerican Studies was contracted by Chemonics (through a fixed-price subcontract) to develop a series of usage maps and guides for the Candelaria River Cave System. These maps and guides are intended to help the community better understand the caves, the damage that has already been inflicted upon them and to know where tourists can be shown sites of particular interest (including geographical features and Mayan archeological sites). Recognizing the quality of the caves in the region, Guatemala is well positioned to become a leader in offering adventure cave tourism as well as cave river trips.

Next steps involve working with USAID/Guatemala to determine who and when to present these products to the Government of Guatemala.

II. Proposal Activity

A. Proposals Won

1. Senegal Analysis of PPP Potential
2. 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).

B. Proposals Lost

1. American Technical and Training Support to ASEAN Program (This activity was subsequently cancelled).
2. South Africa: Assistance Support for Economic Growth and Analysis and Mandela Economics Scholars Program.

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. Export Sector Analysis for the Dominican Republic

III. Contract Quarterly Financial Report

This information is included in Annex A of the report.

IV. Technical Reports and Deliverables

Increasing the Development Impact of Economic Growth Paradigms, TO #14

- World Economic Forum Deliverable 5- individual draft analysis reports for Macedonia, Malawi, Mozambique and Serbia and Montenegro.
- World Economic Forum Deliverable 6- Final analysis reports for Macedonia, Malawi, Mozambique and Serbia and Montenegro, and details on How Country Profiles Work.

ANNEX A

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	\$1,269,265.92	\$83,170.08.00	12/31/2004	N/A	173.39
TO #811 Ukraine Land Systems Initiative	\$19,262,604.00	\$12,622,050.37	\$6,640,553.63	9/20/2005	N/A	35,754.00
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	\$4,147,805.50	\$3,585,752.33.83	\$562,053.17	12/31/2004	N/A	464.00
TO #820 Bolivia Trade and Competitiveness Hub	\$6,997,251.00	\$5,166,365.97	\$1,830,886.00	12/31/2004	N/A	3,887.00
TO #821 Bosnia FILE	\$7,900,000.00	\$2,986,623.96	\$4,913,376.04	8/12/2006	N/A	7,391.00

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	\$2,060,000.00	\$1,102,286.00	\$957,714.00	8/13/2006	N/A	3,900.00
TO #823 Kosovo KEK	\$1,160,376.00	\$985,175.58	\$175,200.42	7/31/2004	N/A	300.00
TO #824 Columbia Forestry	\$14,700,000.00	\$3,475,280.30	\$11,224,719.70	8/10/2006	N/A	5,969.00
TO #825 Paraguay Poverty Reduction	\$2,415,000.000	\$1,109,200.05	\$1,305,799.95	8/1/2006	N/A	3,120.00
TO #826 Morroco: Assistance for Regional Investment Centers and Investment Promotion	\$2,195,463.00	\$814,145.48	\$1,459,198.97	12/31/2005	N/A	1,122.37
TO#827 Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua	\$424,672.00	\$357,362.75	\$67,309.25	10/29/2004	N/A	34.06
TO#828 Uganda SCOPE	\$2,036,600.00	\$1,459,140.00	\$577,460.00	12/31/2006	N/A	5,551.04

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	\$95,530.00	\$2,266.00	8/13/04	N/A	2.5
TO #14 Increasing the Development Impact of Economic Growth Paradigms	\$383,099.00	\$274,498.21	\$108,600.79	9/30/2004	N/A	67.58
TO# 807 Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development	\$339,664.00	\$66,317.00	\$273,347.00	12/31/04	N/A	282.00
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-Year Strategic Plan	\$35,700.00	\$35,700.00	\$0.00		11/3/2000	N/A
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 &	\$63,246.00	\$59,739.62	\$3,506.38		9/30/2001	N/A

Textile						
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

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