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BOLIVIAN TRADE AND BUSINESS COMPETITIVENESS: BTBC

USAID/Bolivia
Economic Opportunities Strategic Objective Team (EO SOT)
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SECTION I

Introduction

This is the sixth 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 essentially completed, with the presentation to USAID/B - in Q5 - of the BTBC Phase II Conceptualization Paper. We will continue, however, to work with USAID in analyses and, where appropriate, pilot efforts that may shed light on future USAID interventions in the area of trade and competitiveness.

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” Communications Campaign Launched: Helping to Generate a National Economic Consensus

A significant achievement during the quarter was approval of the creative mass media pieces of the campaign on May 24. The campaign is being implemented in coordination with and in support of the chambers of exporters, and is one of several key activities supported by the project to generate a national consciousness regarding the importance of exports, and especially how Bolivian SMEs and their workers benefit from international trade.

On May 28 the Export Chamber of La Paz (CAMEX) and our implementing subcontractor, Tironi and Associates, presented the mass media component of the campaign to Minister of Economic Development Horst Grebe and, at the request of the Minister, we also presented the campaign to the Communications Department of the Presidency, in order to preclude any possible conflict with the intense public relations campaign over the Referendum on Hydrocarbons Policies. On May 30, the mass media component was launched nationwide with TV spots, newspaper ads and radio spots.

All stakeholders reviewing the campaign materials praised its clear, concise message and professionalism. An important side benefit of the campaign included the cooperation that it generated between the CAMEX, the National Chamber of Exporters (CANEB), and the other four regional chambers (Santa Cruz, Cochabamba, Oruro and Cadexnor). Their desire to collaborate together on the campaign – in contrast to previous regional disputes – resulted in all chambers agreeing to subscribe to the campaign and having their logos appear in all the creative pieces, including TV spots and newspaper ads. This process was also instrumental in motivating the CAMEX to rejoin the national chamber.

A.2. Economic Studies Completed: Better Understanding of FTAA Impact

By the end of May, project consultants concluded studies on *FTAA Impact on the Bolivian Economy* and the *Impact of FTAA on the Soybean Sector*. Both studies shed light on the effects that FTAA will have on the Bolivian economy, identifying and suggesting ways to prepare for the opportunities and challenges it will face under a more open trade regime.

After review and editing, BTBC will disseminate the studies among public and private stakeholders to make them aware of the results and prepare them for a discussion process on free trade to be held next quarter, within the framework of the Communications Campaign.

A.3. Training Courses for Bolivian Negotiators: Strengthening Bolivia's Capacity to Negotiate Trade Agreements

On March 23, BTBC signed a subcontract with Florida International University (FIU) to carry out three courses in international negotiations training, as part of the project's trade capacity building objective. FIU led the first course, International Trade Negotiation Skills, from March 31 through April 7 in Cochabamba. We tailored the course to the needs expressed by the Bolivian Foreign Relations Ministry. The course, in which 32 Bolivians participated (twenty-one from the public sector and eleven from the private sector) provided 70 hours of formal instruction, negotiation practice, and document preparation over an eight-day period. The course was very well-received by participants.

The second course focused on market access and was implemented May 2-9, also in Cochabamba. Thirty-three participants took part in the course, most of them repeat assistants from the first workshop. The Market Access Workshop provided 60 hours of instruction and negotiation practice over a seven-day period.

The third and final course took place June 26 through July 2, focusing on Trade Agreement Impact Analysis. In order to accommodate a larger number of participants and special guest speakers, the venue of this course was transferred to the city of Sucre. Thirty-four Bolivians participated in the course.

The three course series was the first in its kind for Bolivia. They received considerable praise from both the Ministry of Foreign Relations and participating private organizations.

A.4. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia: Reforming the National Intellectual Property Service (SENAPI), and Helping to Leverage Resources

During the Quarter, the Vice Ministry of Industry, Commerce, and Exports concluded its review of our proposal for SENAPI's reform. The Vice Minister informed us that USAID efforts in supporting this initiative through the project have been timely, as it will assist them in meeting conditions precedent to an Inter-American Development Bank (IDB) policy-based loan under negotiation. The Vice Minister informed BTBC that they have initiated the reform process, which will assist Bolivia to more effectively implement IPR issues. In addition, consultants completed the final set of documents on IPR in Bolivia including: i) a conceptual, legal and institutional framework of IPR in the country; ii) a compilation of all applicable IPR norms; iii) a strategy to promote the protection of IPR; and, iv) a comparative analysis of the treatment of IPR in the Andean Community countries.

B. Activities to Stimulate Production and Exports

Continued technical assistance this quarter to a number of promising companies resulted in important gains in productivity, employment, production, and exports. Since its

inception the technical assistance program has been instrumental in generating over \$10 million in additional exports and over 1,200 new jobs.

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

<i>Companies</i>	<i>New Employees</i> *	<i>New Exports US\$</i> **	<i>New SMEs in export chains</i>
Textiles and Apparel	500	2,516,428	29
Fine Fibers	55	56,884	
Secondary Wood Products	632	1,571,953	13
Jewelry	108	5,576,631	0
Leather	129	434,048	24
TOTAL	1,424	10,155,944	66

*Beginning this quarter, 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 monthly figures of employment generation (or loss) are prorated by the number of months reported.¹

** Results may be underestimated because some companies presented results to May.

B.1 Textiles and Apparel

- BTBC consultants helped launch a new production scheme for Confecciones Record, whereby the company is spinning-off two new manufacturing operations to former employees from which it will outsource.
- The project and UPC jointly provided updated instructor training for approximately 300 people.
- BTBC financed the visit to Bolivia by renowned Peruvian textile and apparel trader, Daniel Abugatas, who is brokering yarn exports for Santa Monica Cotton.
- Project consultants played a key role in obtaining an order for Asea of 100,000 units from Ghim Li, a global trader of knit garments, which is also considering a possible investment in Asea's Santa Cruz plant.
- BTBC provided assistance to Jeshem to start-up their modern Gerber fabric cutting machine and to re-open their apparel manufacturing operations.
- The project helped Mitsuba obtain its first order to export shirts to Puerto Rico. The contact with Fierres Inc. was made through BTBC.

B.2 Secondary Wood Products

- BTBC began providing assistance to CIMAL/IMR, and has introduced a new wood drying technique that we believe will reduce drying times by 20%-30%.

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 average for the five months reported would be $120 / 5 = 24$ new jobs created.

- Through project-supported market linkages, we have assisted the Anaconda-Tecnipark group of Spain to identify suppliers in Bolivia and helped close export orders for these suppliers.
- BTBC has been involved in the due diligence for a \$1million investment by the Dutch Cooperation Agency in Mabet-Pacahuaras.
- The project is providing extensive technical assistance for the Pacahuaras expansion in northern Bolivia.
- BTBC helped several companies in the sector obtain finance for their activities.
- We catalyzed contacts between larger and smaller companies resulting in sub-contracts, production orders, and a more effective supply chain.

B.3 Fine Fibers, Leather and Jewelry

- BTBC provided assistance to three new companies in the fine fiber sector: Altifibers, Origenes Bolivia and Millma.
- The project provided assistance to FUNDES for the first export-oriented design workshop for fine fibers garments in La Paz and Santa Cruz.
- BTBC supported Minerales y Metales in the implementation of its new jewelry manufacturing plant, which has started to generate new jobs and production.
- Through project efforts Macaws (a large Cochabamba firm in the leather sector), is considering subcontracting with Ccical, a smaller firm in this sector, located in El Alto.

SECTION III

Detailed Quarterly Results

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

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

BTBC executed and USAID approved the subcontract with Tironi & Asociados SEC during the Quarter. We also approved the first and second deliverables, including the TV airing schedule and contracts (with five TV stations at least 80 times each); design and production of creative materials (including TV spots, radio jingles, posters, tool kit, banners and newspaper ads); design of a data room and monitoring and evaluation system; and reports of media training events.

On May 24 the Steering Committee (consisting of CAMEX, with input from BTBC, USAID/B, and Tironi) approved all creative pieces for the mass media campaign. The creative pieces consist of the following activities.

- A launching 45 second TV spot, showing different export activities from the most representative export sectors.
- Three TV testimonial spots of 30 seconds each, showing three medium-sized export entrepreneurs from La Paz, Santa Cruz, and Cochabamba. The testimonials, delivered inside their factories, tell Bolivians about how entrepreneurs achieved success. They aim to create a spirit of solidarity among all Bolivians for their productive endeavor. In essence, the objective is to make Bolivians understand that individuals “like them” benefit from exports and trade opportunities.
- One maintenance TV spot, presenting a collage of “export success stories” from nine exporters from a diversity of sectors, with a duration of 30 seconds.
- The respective posters for each of the TV spots, for distribution to all exporters chambers throughout the country and for use in all Campaign activities and seminars.
- The radio jingle, which will be aired on all national radio stations in Bolivia. The lyrics of the jingle are also used in the launching TV spot as well as on the posters, thus reiterating and emphasizing the message.
- A tool kit, consisting of a note pad, pencil, a booklet and a filing folder, with the logos and institutional information of the campaign.

The campaign logo is displayed in Figure 1 below. This final piece was approved by the Steering Committee after intense discussions and examination by a focus group. Accordingly, the colors, fonts and shapes of the logo are the results of a professional

investigation and design process which has also been applied in producing all other creative pieces. The logo depicts three containers—as the symbol of export activity—and the words *Bolivia Exporta Bolivia Crece*, (“Bolivia Exports, Bolivia Grows”) which is the central theme of the entire campaign. It captures the main theme of the campaign, which is to connect Bolivia’s economic growth to a vibrant export sector.

Figure No. 1
Communications Campaign’s Logo



Figure 2 in the following page illustrates the “Launching Poster,” incorporating the phrase *Cruzando fronteras, llegando más lejos* (“Crossing borders, reaching further”). This poster aims to address Bolivian insecurities about international competition, which were highlighted by focus groups in the design of the campaign. According to the findings of these groups, the anti-trade attitudes of many Bolivians are actually shaped by an engrained belief that Bolivians are simply not capable of competing successfully in the international market place. Accordingly, the poster (and recurrent campaign messages) seeks to engrain the idea that Bolivians can indeed export successfully and Bolivian products can and are sold internationally. The poster depicts an export-bound trailer. Attached to one of its sides is the logo of the National Chamber of Industries, which states “Made in Bolivia”. On the bottom of the poster are the logos of all the private export chambers which support the campaign.

Figure No.2
Communications Campaign Launching Poster

Cruzando fronteras, llegando más lejos.

Cuando un producto boliviano se exporta ganamos todos.

Bolivia Exporta
BOLIVIA CRECE
www.boliviaexporta.com

CANEB
Cámara Nacional de Exportadores de Bolivia

came
Cámara de Exportadores

CADEX
CÁMARA DE EXPORTADORES DE COLOMBIA

CADEXCO
CÁMARA DE EXPORTADORES DE COLOMBIA

ORDEXOR
Cámara de Exportadores de Oro

CADEXNOR

As highlighted in the Key Achievements section, the process of designing and lobbying for the Communication Program was instrumental in re-unifying the export sector. Its historical division along regional lines had been recently exacerbated, to the point that the chamber of La Paz (CAMEX) had abandoned the national chamber (CANEB). On this occasion, the CANEB and all five regional chambers rallied behind the **BOLIVIA EXPORTA, BOLIVIA CRECE** campaign and lent their logos to all the mass media materials.

On May 25, BTBC presented the mass media component of the campaign to the Board of the National Export Chamber, convening with all of its members in Cochabamba. The Board highly praised the campaign and considered that all regions and productive sectors were well represented in the creative pieces.

On May 28 we presented it to Minister of Economic Development Horst Grebe and Vice Minister Ana María Solares, to their complete support and satisfaction. At the request of Minister Grebe, we also presented it the same day to the public relations department of the GOB, in order to preclude possible conflicts with other public campaigns, particularly the one related to the referendum on hydrocarbons to be held on July 18. After seeing the TV spots, the GOB public relations team also congratulated CAMEX, USAID and BTBC for the quality and appropriateness of the messages, which they considered congruent with the government position.

Finally on Sunday May 30 we launched the mass media campaign with ads in the five major TV stations, radio jingles across the dial and entire page ads in the major newspapers. In order to have a rapid initial assessment of the impact of the campaign, our subcontractor was asked to perform a survey towards the third week in June. For this purpose, they interviewed forty-five people between 18 and 22 June. Thirty of these individuals were entrepreneurs and opinion leaders, and the balance reporters specialized in economics and finance.

Among the most noteworthy results of this survey are:

- 71% of the sample had seen or heard the campaign ads, demonstrating good penetration.
- Almost three quarters of those interviewed thought the ads and jingle established a connection between exports and national development.
- All those surveyed said they support Bolivian exports, but 31% said this conviction has been strengthened by the campaign.
- As desired, the campaign was not associated either with the government or with the FTAA.²

² See Quarterly Report No. 4 for a discussion on how this communication strategy was developed. In summary, it was the conclusion of Tironi (with USAID and Chemonics concurrence), that support for free trade could best be promoted through a focus on the advantages of exports by SMEs and not by direct linkage to a more “politicized” and specific trade agreement.

With respect to the “Data Room”, in consultation with USAID/B we decided to delegate its administration and operation to the Export Chamber of La Paz (CAMEX), given its appropriateness as a long term promotional and information tool. Accordingly, CAMEX has been incorporated into the process of designing and implementing the Data Room, which we expect to be operational next quarter.

With respect to monitoring and evaluation, our subcontractor is providing regular reports on the use of air time and newspaper ads, and we are keeping close track of financial expenditures and deliverables. The impact of the campaign will continue to be monitored by opinion polls such as the one mentioned above, and there will be a full-blown nationwide survey towards the end of the year in order to measure changes in attitude as a consequence of the program.

A.2. Economic Studies Completed: Better Understanding of FTAA Impact

Project consultants completed two major studies this quarter that will provide a greater understanding of the impact of trade initiatives on the Bolivian economy and, accordingly, provide a stronger base for dialogue and decision-making. After editing, both these report will be distributed to interested public and private institutions and will be discussed in the framework of the “Foreign Trade and National Development” Communication Campaign.

A.2.a Analysis of the Sectorial Impact of Bolivia’s Entry into FTAA

BTBC concluded this study in May, after a first draft was reviewed by a reading panel which made recommendations to clarify its content and make it more accessible to a variety of audiences. As noted in earlier reports, this study was produced by a highly qualified group of Argentinean and Bolivian specialists, and makes use of methodological and analytical tools employed in a similar study commissioned by the Argentinean Ministry of Foreign Relations in 2003.

The purpose of this study is to:

- contribute to a serious and informed debate on possible FTAA repercussions;
- improve conditions for participation in FTAA negotiations;
- anticipate problems with sectors that will be affected by the trade liberalization process;
- take advantage of opportunities for sectors benefited by FTAA; and,
- contribute to the formulation of public policy aimed at improving the competitiveness of Bolivian products.

Among the most relevant conclusions of the study are the following:

- The countries which will form part of the FTAA have annual imports equivalent to \$27 billion dollars of products that Bolivia can export, of which \$20 billion

correspond to the United States. Bolivia currently exports only \$100 million of these products.

- Simply taking advantage of products where Bolivia has tariff preferences in the continental markets, exports could be increased by approximately \$135 million.
- Bolivia has the potential to increase exports of oilseed products to Costa Rica and Canada; minerals and petroleum derivatives to Dominican Republic; jewelry to Brazil and Canada; tin to Brazil; wooden furniture to Argentina, and cotton shirts to the U.S., among others.
- One of the risks of FTAA is that foreign markets for certain Bolivian exports could be imperiled by new competitors, as current preferences are eroded. This could be the case of Bolivian garments and wooden doors in the Andean region and in the U.S., which would face increasing competition from other Andean countries and from the Mercosur.
- In the rest of the Andean region, Bolivian products would be subject to increased competition by NAFTA products, particularly soy oil and derivatives, sunflower and other vegetable oils, refined sugar and powdered milk.
- It is estimated that approximately 9% of the domestic market would be challenged by new imports, particularly from Mercosur countries.

In addition to the detailed statistical analysis we have mentioned above, the study includes the results of a specially designed survey applied to exporting companies, as well as insights from two focus groups with representatives from both the public and private sectors of Bolivia. The results garnered from both the survey and the focus groups provide a qualitative complement to the statistical results of the study and suggest the role that might be played by the different sectors in Bolivia as trade liberalization moves ahead. Here are some of these “qualitative” findings:

- Most exporters believe that information on trade negotiations is insufficient and difficult to come by. Almost 90% believe private participation in these negotiations is scarce and sporadic. There is no appropriate mechanism to coordinate and cooperate with the government in this field.
- The priority for most of the companies surveyed is the U.S. market, followed by the domestic market.
- The three most important factors for improving exports are the development of new markets (31%), an improvement in the political situation (20%), and obtaining trade preferences through international negotiations (18%).
- Most companies consider trade preferences important or indispensable for international competitiveness.
- By a two-to-one ratio, most entrepreneurs believe a bilateral trade negotiation with the United States would be more beneficial than the FTAA.
- The greatest strengths of Bolivian companies are considered to be product quality and low labor costs, and one of the major weaknesses, the lack of financing.

A.2.b Study on the Prospects of the Soybean Sector in the FTAA

The soybean industry accounts for 23% of exports in 2003. It is especially important geographically, forming the anchor of exports and economic activity in the Santa Cruz region. Accordingly, the impact of trade agreements on the sector is of key importance in determining Bolivia's position vis-à-vis these agreements. This study will provide Bolivia with a much needed analysis of the potential impact of trade liberalization on one of the country's leading export sectors.

The study describes in detail the characteristics of the sector, the structure of its exports and the preferences it receives in the various trade treaties signed by Bolivia. It then goes on to analyze the potential impact of trade liberalization on soy product competitiveness and to suggest public policies that might address the challenges ahead.

In essence, the study points out that Bolivia should try to preserve its tariff advantages in Andean markets as long as possible, but start working intensely on policies, programs and projects that will improve both agricultural and industrial efficiency and productivity, as well as on the search for new markets, particularly in Asia.

A.3. Training Courses for Bolivian Negotiators: Strengthening Bolivia's Capacity to Negotiate Trade Agreements

On March 23 BTBC signed a subcontract with Florida International University (FIU) to carry out three courses in international negotiations. Its objective was to strengthen the analytical and negotiating capacity of GOB and private sector representatives in order to improve their capacity to more effectively negotiate international trade agreements. FIU carried out the following courses: i) International Trade Negotiations Skills; ii) Market Access Workshop, and iii) Trade Agreement Impact Analysis Workshop.

The International Trade Negotiations Skills session was held from March 31 through April 7 in Cochabamba. The project tailored the course to the needs expressed by the Bolivian Foreign Relations Ministry and was successfully presented to 32 Bolivians: 21 from the public sector and 11 from the private sector. It provided 70 hours of formal instruction, negotiation practice, and document preparation over an eight-day period. The course included 25 class hours of preliminary briefings, lectures and instruction; 39 hours of simulated negotiations; and 6 hours of document and support material compilation and preparation. To provide a realistic and useful framework for learning, the preliminary negotiation practice exercise was based on the November 2003 Miami Trade Ministerial Declaration. The main problem case was a simulated negotiation based on actual 1993-95 negotiations among Brazil, Argentina, Paraguay and Uruguay, on the harmonization of MERCOSUR nations' pharmaceutical registries. The course was well-received by participants, who responded seriously and professionally to course methodology and content throughout the week. They expressed high levels of satisfaction at the final debriefing.

The Market Access Workshop was held May 2-9, also in Cochabamba. There were 33 participants in this course, most of them repeat participants. This was intentional, as one

of the purposes of this activity is to contribute to the creation of a solid group of Bolivian negotiators. Repeat participation was also evidence of the quality of the previous course, and of the interest it generated. The Market Access Workshop provided 60 hours of instruction and negotiation practice over a seven-day period. It consisted of 20 class hours of preliminary briefings and instruction and 40 hours of simulated negotiations based on the current bracketed text of the FTAA draft Chapter on Market Access. FIU provided background readings prior to the opening of the workshop. The negotiation problem case was based on the actual current bracketed text -- specially modified for exercise purposes -- of the Negotiating Group on Market Access (NGMA). The participants received the case at the outset of the Workshop and were requested to review and study it during the first two preparatory days of the Workshop. The Workshop developed well, despite the challenging nature and complexity of the subject matter of market access. In the negotiation phase, the course was successful in creating a real negotiating atmosphere as participants began to internalize the exercise and understand their roles.

The third and final FIU course was a Trade Agreement Impact Analysis workshop. In order to accommodate the 34 participants (plus instructors and special guest speakers), the venue of this course was transferred to Sucre, where it was held from June 26 through July 2. As this was the closing course, BTBC organized an Evaluation Workshop with the participation of Vice Minister of Foreign Relations Maidana and leaders of the participating private organizations. Vice Minister Maidana also provided attendees with an excellent briefing on the status of FTAA and other on-going regional negotiations.

The series of three courses is first in its kind for Bolivia. The Ministry of Foreign Relations deemed the courses outstanding, as did the participating private sector. In particular, Vice Minister Maidana highlighted the importance of the course in identifying and preparing new potential participants for Bolivia's negotiation teams.

Figure No. 3, shows the entire group of participants, faculty, USAID/Bolivia and BTBC officials, all attending the Market Access Workshop held in Cochabamba from May 2nd thru May 9th.

Figure No.3
Participants to the Market Access Workshop



A.4. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

The project continued to support several important initiatives to strengthen the IPR regime and implementation in Bolivia. This assistance is crucial in helping the country to engage in international trade agreements – including meeting conditions precedent to an Inter-American Development Bank (IDB) policy-based loan under negotiation. Consultants completed the final set of documents on IPR in Bolivia including: i) a conceptual, legal and institutional framework of IPR in the country; ii) a compilation of all applicable IPR norms; iii) a strategy to promote the protection of IPR; and, iv) a comparative analysis of the treatment of IPR in the Andean Community countries.

A.4.a SENAPI Institutional Reform

BTBC completed the SENAPI modular strengthening program assessment and presented it to Ana Maria Solares, Vice Minister of Industry, Commerce and Exports, for implementation. The BTBC proposal includes a reengineering plan that can be implemented modularly, given current budgetary constraints. It encompasses both an administrative and an operational reorganization, and the design of an institutionalization process of all posts, in the framework of Law 2027 “Public Employee Statute.”

Remaining steps are as follows:

- The GOB (probably with international cooperation) has to provide the resources necessary to establish the technological platform required to modernize the institution and make the SENAPI operative with a smaller staff.
- The Ministry of Economic Development has to present – and all ministers and the President have to sign – a Supreme Decree that approves the reform process. We expect this Supreme Decree to be enacted in the course of the next quarter.
- Once the Supreme Decree is approved, the Vice Ministry of Industry, Commerce and Exports (VICE) will request the financial budgetary support necessary to implement the reform.
- A critical number of key positions in SENAPI will be publicly bid.

A.4.b IPR Assessment

BTBC has completed the final set of documents on “Intellectual Property Rights in Bolivia,” including: i) a conceptual, legal and institutional framework of IPR in Bolivia; ii) a compilation of all applicable IPR norms; iii) the strategy to promote the protection of IPR; and, iv) a comparative analysis of the treatment of IPR in the Andean Community countries.

These documents are under final review. We will publish them once the Supreme Decree on the SENAPI reform is passed, since we expect this decree to clarify Bolivia’s commitment to m5505 391.08057 Tt3 the Suprem

- Design of the Supreme Decree to regulate and strengthen the financial fund for Maquicentros.
- Assistance in implementing the “Compro Boliviano” program.
- Assistance in preparing the National Program for Exports (PROMANEX).
- Identification and assistance to SMEs with export potential.
- Organization of a nationwide conference of the Centros Departamentales de Competitividad, to share information and coordinate actions within PROMANEX.
- Assistance in the negotiation of the Acuerdos Bolivianos de Competitividad (Bolivian Competitive Agreements) for the leather and wine industries.
- Development of policies to foster consumption of natural gas for vehicles.
- Assistance in the restructuring process of the Sistema Boliviano de Competitividad and that of its implementing agency, the Unidad de Productividad y Competitividad.

The work of our consultants in the design of the Economic Development Plan (EDP) and in the drafting of the new Hydrocarbons Law merits special mention. The EDP seeks to improve the living conditions of the Bolivian population by promoting economic growth, especially in labor-intensive productive sectors. Among its strategies is the use and export of natural gas, the use of trust funds to improve financing, the downsizing of the government and an increase in government revenue through better tax collection. Associated to the design of the EDP is the participation of our consultants in preparing a series of Executive Orders to establish the legal framework for certain government programs, such as “Compro Boliviano”.

With respect to the new Hydrocarbons Law, our consultants have participated in a series of background studies required to negotiate both with the private companies and with the Congress, including the design of a simulation model to determine the impact of a new tax structure on the sector. The idea is to increase tax revenues without scaring away private investors or infringing upon previously established legal contracts. One strategy that is being proposed is to increase the marginal rate of taxation for higher volumes of production.

This team of consultants has also continued to work in the following general areas:

- Monitoring and evaluation of production and exports
- Policies to foster competitiveness
- Behavior and projections of the Bolivian economy
- Improvement of government procurement mechanisms
- Private investment promotion
- Public investment policies

Of the three BTBC consultants assisting the MED, J. Montañó concluded his contract with BTBC in May. The other two (R. Pereira and J.E. Gutierrez) had their contracts extended.

B. Activities to Stimulate Production and Exports

The project continued to generate additional jobs and exports during the Quarter. These increases may not be reflected in cumulative job creation numbers, however, due to our use of a more stringent and conservative methodology for measuring results (see Summary of Results in the Key Achievements section). BTBC has continued to learn valuable lessons from our work, leading to refinements, distinctions and on-going improvements in the way we operate our activities (see discussion in Chapter IV on Consultant Issues).

In addition to the quantifiable results stipulated in the USAID-Chemonics contract, BTBC has achieved a wealth of important and sometimes intangible results, i.e. those that are difficult to quantify in just numbers. These include results in areas such as workplace health, safety and environmental practices, productivity increases, corporate governance, gender issues, training and technology transfers.

B.1 Textiles and Apparel

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

During 2Q04 two dedicated BTBC consultants have worked in Confecciones Record and Maquibol (see information under B.1.b Projects in the Textiles and Apparel Sector). In addition, eight out of the eleven pool consultants (pool consultants are at large consultants working with firms in the apparel and wood sectors) carried out assignments. These eight pool consultants provided assistance to 14 companies during the quarter. Selected examples are highlighted below and the corresponding increases in employment and exports are registered in section B.1.b.

- The quality control (QC) specialist is implementing QC systems in several companies. Implementing and operating effective QC systems is time-consuming and costly, and one of the challenges has proven to be persuading the companies of the importance of QC, especially for export markets. However, the QC specialist has been able to achieve:
 - noticeable reductions in percentages of defective goods
 - improvements in QC-awareness and implementation of QC practices at all stages of the production processes
 - lowering the incidence of reductions in corrective reprocessing of goods

Management and Strategic Planning (MSP)

BTBC has helped four Bolivian SMEs in the Cidex textile group implement administrative and cost-control systems, business forecasting and strategic planning.

Quality Control

BTBC has helped four garment companies, Val Fal, Alfach, Trailer and Maitex, implement integral quality control systems spanning the entire production process and ending with the finished products.

- BTBC has two management and strategic planning (MSP) specialists, one focusing on larger companies and the other on SMEs.
 - The MSP specialist focusing on larger companies provides assistance in implementing production planning systems tailored to export orders. Through this assistance, BTBC clients have been able to significantly improve the streamlining of their service to export customers.
 - The MSP consultant focusing on SMEs provides a much broader and more basic range of assistance, including helping the SMEs organize their administration, finances, logistics and marketing.
- The training specialist is working with entry-level sewing machine operators and, to a lesser degree, middle management incumbents, depending on the requirements of each company. He has designed a 20-day training course for sewing machine operators. This training has on average improved efficiency levels by over 50%. This significant figure is further improved with on-the-job practice.
- The patterning and design (PD) specialist helps companies implement or improve their product development, while optimizing usage of raw materials. This is a key area for apparel companies. The BTBC consultant is highly versatile, and has been instrumental in implementing state-of-the-art patterns and cutting practices, developing successful counter-samples with their corresponding technical specifications and optimizing the interface between product development and production.
- BTBC has two production process (PP) specialists, one specializing in modular production systems and wovens and the other specializing in linear production systems and knits. These specialists provide help to companies in organizing their production systems to comply with export customer requirements.

.Patterning and Design

Patterning and design is fundamental in any garment manufacturing company, as it involves implementing and optimizing the step-by-step process for the serial production of any item. BTBC has helped eight Bolivian companies significantly improve or implement their patterning and design. Prior to the BTBC intervention Milos Internacional utilized its own staff's body sizes to physically estimate garment sizes for their production (small, medium, large etc.). In their production process, they did not utilize specification sheets for the garments, but rather they only used rudimentary paper molds.

BTBC helped Milos implement standard U.S. garment sizes, and precise specification sheets and molds in the manufacturing process. BTBC also helped Milos achieve the correct fit between the garments and their lining, as previously Milos' linings were either too big or too small for each garment.

Efficiency Improvements

In the garment industry, there is an established industry benchmark for the number of man-minutes required to manufacture any given item. If a company average exceeds the benchmark man-minutes for a particular item, the company is said to be operating at less than 100% efficiency. This affects the competitiveness and profitability of companies. For instance, BTBC helped Alfach improve its efficiency in blue jean manufacturing from over 40 minutes per pair to 23 minutes. In blue jeans, the industry benchmark is 21 to 34 minutes, depending on the intricacy of the specific garment.

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

Summary of Cumulative Results: October-June 2004 – Textiles and Apparel

<i>Company</i>	<i>New Employees</i>	<i>New Exports US\$</i>	<i>New Export SMEs</i>
BTX (MEL CONFECCIONES)	50	86,070*	9
CONFECCIONES RECORD	125	1,033,924	5
MAQUIBOL	94	363,800*	7
ASEA-MAITEX.	110	909,934*	4
ALFACH	25	29,000	3
VAL FAL	4	1,700	
MITSUBA	5	16,000	
JHESEM	4		
MAKAM	12	7,000	
TRAILER	8	10,000	
TORINO	14	25,000	1
DINATEX	6		
IMAGEN	10	20,000	
TRES COLORES	20	9,000	
DIM's JEANS	13	5,000	
Totals	500	2,516,428	29

* Results for these companies are to May 30, 2004.

Asea Ltda., Cochabamba: In January 2004, this apparel manufacturer initiated a new plant in Cochabamba, rapidly creating 150 new jobs. BTBC provided assistance from the outset. During 2Q04, BTBC helped organize the entire production process, from arrival of raw materials to shipment of finished products. Project consultants organized production departments for each stage of the manufacturing process as well as management information systems for each. They organized production into six 20-worker production lines, and developed efficiency studies by worker and by product. Thanks to these efforts, BTBC helped Asea increase its productivity by almost 75%³ and increase its production to nearly 160,000 units per month. BTBC consultants are also playing an instrumental role in preparing Asea to service major export contracts to the U.S., including 100,000 units for Footlocker (through Ghim Li), 38,000 units for El Dorado and 36,000 units for Avito.

Between January and May 2004, ASEA managed to consolidate exports for \$907,000, 65% of which are from its new, BTBC-assisted manufacturing plant in Cochabamba.

It is important to note despite these results, however, that the company has had problems with cash flows. These problems are affecting personnel payments, likely to lead to

³ From 40% to 70% of world-class industry standards, measured by the time it takes to manufacture a given garment. Top Bolivian textile industry is considered to be between 70 and 80% of world-class standards.

temporary, though significant downsizing. The company is now searching for new capital to overcome this limitation.

Alfach Jeans, Cochabamba. Three SMEs merged their industrial operations into a single blue jean manufacturing facility, which was inaugurated on February 19, 2004. During 2Q04, BTBC provided assistance in training the workers to adapt from piecemeal to serial production, implementing a modular production methodology and organizing the management systems for the new plant. BTBC has helped Alfach obtain an order for 10,000 units from Asea.

Texturbol, El Alto. Texturbol spins polyester and blended yarns, and manufactures a variety of woven fabrics. In early 2004, the company began to assemble cotton garments under sub-contract for Asea, aiming to manufacture polyester and blended apparel for direct export to the US. During 2Q04, BTBC helped Texturbol implement three new 22-worker production lines, each capable of manufacturing 800 units per day. With BTBC assistance, the company has developed operating manuals, incorporated quality controls at key points in the production process and started developing management information systems for its new apparel operations.

Val Fal, El Alto. This small company provides apparel assembly services under sub-contract for larger Bolivian companies that export directly. During 2Q04, BTBC helped Val Fal implement quality controls in its production process and provided entry-level worker training resulting in eight new jobs. Val Fal currently has production orders exceeding its capacity and is seeking finance for an expansion.

Mel Confecciones/BTX, Santa Cruz. This company manufactures undergarments and swimwear. It recently obtained export orders for shirts, which it out-sources under sub-contract from three SMEs. In the first half of 2004, Mel/BTX has relocated its operations to substantially larger premises. BTBC provided assistance to expand the production process, create an in-plant training line and increase production efficiency against industry benchmarks from 65% to 80%. BTBC has helped BTX's increase exports by over \$86,000 this year.

Jenecherú, Santa Cruz. Small manufacturer of denim garments. BTBC provided assistance in designing export collections and in production processes. During 2Q04, BTBC helped improve production lay-out and provided guidelines for the organization of the expanding production process. Through BTBC, the company obtained an order from Confecciones Record to manufacture 3,000 units.

Mitsuba, Santa Cruz. Manufacturer of knit garments (polo-shirts and t-shirts) and more recently, woven garments (shirts). During 2Q04, BTBC provided assistance in the implementation of a new patterning and design department. This is critical to the company's strategy, which is to substantially increase exports and expand its capacity through outsourcing rather than in-house production. The patterning and design department allows Mitsuba to produce and quote successful counter-samples in order to obtain export orders, while at the same time allowing it to provide pre-cut fabrics to sub-

contracted suppliers. BTBC also provided assistance in designing an entirely new line of garments for sale in the domestic market.

Makam, Santa Cruz. Small manufacturer of knitwear (polo shirts and t-shirts). During 2Q04 BTBC's assistance focused on management and strategic planning. This included re-organizing marketing, production, human resources, finance and articulating the company's mission statement and values. BTBC consultants assisted the company to develop operating guidelines for key management positions. The remuneration system for production workers was also changed from a fixed monthly salary to a variable production-based system. BTBC trained a five-person sales team. In terms of concrete results, the production payroll almost doubled from seven to thirteen workers.

Dims, Santa Cruz. Small manufacturer of denim garments. During 2Q04 BTBC provided assistance in organizing the company's administrative and accounting functions, including generating basic financial statements and ascertaining production costs per item. A variable output-based remuneration system was implemented for production workers. Our consultants helped develop a semi-annual business plan, including projections, operating budgets and pricing policies.

Dinatex, La Paz. A medium manufacturer of shirts. BTBC is providing assistance in the implementation of a training line for six people, which is currently in operation to develop entry-level workers.

Torino, Santa Cruz. A small manufacturer of denim garments. BTBC is providing assistance in the areas of management and strategic planning (MSP) and patterning and design (PD). In MSP, BTBC is developing a diagnostic review encompassing areas such as logistics, administration and accounting and legal matters. In PD, we are developing technical specifications for its products, as well as assisting in the creation of a PD department and are training an individual to continue the PD work after BTBC's intervention ends.

Jeshem, Santa Cruz. A large textile company that provides denim laundering services, fabric cutting services, manufactures labels and has a small garment manufacturing factory. During 2Q04 BTBC provided assistance in programming and starting-up the fabric cutting machine, which is the most sophisticated and state-of-the-art in Santa Cruz (computerized Gerber with two cutting tables). Project consultants trained ten people in its use. We also helped to create a moulding and design department, responsible for generating various samples of finished garments for U.S. prospects. BTBC also provided assistance in re-opening Jeshem's apparel factory, which had been closed for several years. The factory will initially produce under sub-contract for Mel/BTX and hopes to export directly if orders arise from the samples that have been sent to US prospects.

Confecciones Record, Santa Cruz. Medium manufacturer of denim garments exporting under the Jordache brand. BTBC has provided substantial assistance to Record in the form of a dedicated consultant for five months, which ended on May 29 and involved working on a number of areas which have been documented in previous quarterly reports.

During 2Q04, BTBC provided assistance in redefining the company's approach to production from in-house manufacturing to outsourcing. In coordination with its employees and BTBC, Record spun off two medium factories from within its own operation, selling them the necessary machinery on comfortable credit terms and leasing them the necessary production premises. Each of these new factories has approximately 40 workers and Record has retained a core of 60 in-house production workers. In the new production scheme, Record retains the functions of cutting the fabric, quality control, finishing and shipping, and the new companies assume all responsibility for producing within agreed unit costs and production schedules.

The benefits to Record of the new production scheme are that it distances itself from the complexities of managing production workers, and ultimately is able to reduce labor costs and fixed costs. The benefits to the former employees are that they become entrepreneurs with a capacity to generate greater income through greater productivity and production volumes, grow their businesses over time and take orders from other customers to cover Record's low periods.

In 3Q04 BTBC is commencing assistance to Record's two new spin-offs, as the success of this production model is considered an important priority.

With BTBC's support through a dedicated consultant, Confecciones Record has generated over \$1 million in additional exports since the end of 2003.

Maquibol, La Paz. Large apparel manufacturing company with approximately 300 factory workers, which also outsources from 9 SMEs. Maquibol exports directly and produces under sub-contract for larger Bolivian companies with export contracts, such as Ametex. During 2Q04 BTBC has been instrumental in helping to implement a modular production system, which has significantly improved manufacturing efficiency.

The company has consolidated seven, 30-worker production modules, which has allowed it to fulfil all of its orders on time, optimize planning of the production cycle, and, most importantly, average worker income has increased by almost 50% from \$51/month to \$76/month. In addition, because Maquibol's experience is largely in "maquila-style" operations, in which pre-cut fabric is supplied by the customers, BTBC has provided assistance in developing an international network of suppliers of raw materials. BTBC has also introduced Maquibol to several prospective export customers.

Cidex, Santa Cruz. Group of four SMEs operating under a strategic alliance to generate synergies. During 2Q04 BTBC completed its technical assistance to the four SMEs in production processes. Through this assistance, the four companies have implemented modular production systems and the workers in the plants have received training to adapt from their former piecemeal approach. To complement the upgrades in the production systems, BTBC is currently providing assistance in management and strategic planning (MSP) to help the companies develop administrative controls and management information systems.

B.2 Secondary Wood Products

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

The Bolivian wood sector in general has seen a significant upswing in 2Q04. Exports of secondary wood products in March-April 2004 showed an impressive 50% increase vis-à-vis the same period last year, with wood furniture and other products driving the growth followed by windows and doors (see the table below).

BOLIVIAN EXPORTS OF WOOD AND WOOD PRODUCTS (millions of US dollars)			
Product	March-April 2003	March-April 2004	% change
Sawn wood	3.40	4.60	35%
Sub-total primary wood products	3.40	4.60	35%
Doors and windows	1.87	2.23	19%
Wood furniture	2.37	3.86	63%
Other wood products	0.50	0.87	74%
Sub-total secondary wood products	4.66	6.97	50%
Total	8.06	11.57	44%

Source : SIVEX

The growth in wood furniture exports has been driven primarily by United Furniture Industries and CIMAL/IMR, and is substantially composed of garden furniture. The growth in doors and windows has been driven largely by La Chonta (Santa Cruz) and Mabet (La Paz).

In coming quarters, we expect to see a significant increase in exports of wood floors.

During 2Q04, BTBC has continued to provide assistance through five dedicated consultants to United Furniture Industries for the COSTCO garden furniture order. Another BTBC consultant has spent most of his time providing assistance in the implementation of a flooring and finger-joint panel manufacturing plant in Riberalta in northern Bolivia. Three other BTBC pool consultants have provided varying types of assistance this quarter to ten manufacturers of secondary wood products in La Paz, Santa Cruz and Tarija.

For 3Q04, BTBC plans to deploy six additional consultants in secondary wood products. Two of these will be specialists in production layout and planning and the other four will be specialists in production management and control. These six consultants will be

contracted as part of the secondary wood products pool, and are expected to spend most of their time providing assistance to the eleven SMEs that sub-contract for Casablanca.

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

- Kiln drying. BTBC helped six companies improve their kiln drying processes. BTBC's assistance has focused on hard woods, reducing drying times and ascertaining drying curves based on available technology. Project consultants undertook technical evaluations on the performance of chambers, turbines, steam controllers and other key items of equipment. We are providing assistance in the installation of new drying facilities in Tarija in southern Bolivia. Project consultants have achieved significant advances in the process of analyzing tension dynamics in the wood drying process in Mabet. They developed an innovative specialized drying technique for tropical oak based on the release of tension at certain temperatures, allowing moisture to be eliminated more rapidly. Twenty-three kiln-drying technicians have received training during the quarter from BTBC consultants.
- Classification and cutting of sawn lumber. In providing technical assistance for kiln drying, BTBC ascertained that there are frequent deficiencies in the thickness and length of sawn lumber. BTBC consultants developed rudimentary gauges for use by sawmill workers to help them maintain consistency in the thicknesses of the various wood cuts. Length guidelines have been painted on board saws to standardize the length of the wood. Deficiencies in the dimensions of sawn lumber were generating some 15% of wastage, and with these measures we hope to significantly reduce this. 54 sawmill workers in La Paz and Riberalta have been trained in standardizing sawn lumber dimensions.
- Production processes. We consider this a key area for BTBC technical assistance because it focuses on the optimization of the industrial processes. BTBC has three specialists working in production processes in secondary wood products; they have provided assistance to eight companies during 2Q04. The types of assistance varies depending on each company's needs, and has included production lay out, electrical systems, production planning, budgeting, critical path analysis, process timing, installation of equipment, refinement of production techniques and production. A major focus has been planning and executing the necessary logistics to achieve timely deliveries on export orders.
- Recruiting and training. BTBC has made major progress in recruiting and training workers in the sector. Over 700 entry-level workers have been recruited and trained for manufacturing of secondary wood products, largely for United Furniture Industries, many of whom are working in different industrial plants today.

Summary of Cumulative Results: Secondary Wood Products

October-June 2004

Companies	New Employees	New Exports US\$	New SMES
Casa Blanca	106	148,040	10
Mobilia	12	17,000	
Ultimate Design - Calderon	20	53,400	2
Mabet	35	100,000	
Muebles Hurtado	22	146,940	
Somain	18	23,400	
Pacahuaras	15	0	
MyM Retablos Schmidt Wood	4	4,000	1
Línea Rústica (*)	25	13,150	
Caoba	0	24,000	
Ibema	16	42,020	
United	359	1,000,000	
TOTAL	632	1,571,950	13
* This is an initial order and it remains to be seen if it will lead to permanent job generation. .			

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

Casablanca International. The High Point, North Carolina-based trading company outsources production of furniture from eleven SMEs in Bolivia. During 2Q04, BTBC continued assistance to Casablanca's Bolivian suppliers, which has increased its orders as a result of business generated at the High Point Furniture Market in April. A major issue to Casablanca is a the shortage of working capital faced by its suppliers, and BTBC has introduced Casablanca to a variety of financial entities that can address this need, such as Fundación Bolivia Exporta, Fundación Prodem, Fortaleza and others.

Muebles Hurtado, Santa Cruz. A medium-sized furniture manufacturer exporting to Casablanca, Tucano Woods, IPE Timber (Mark Montgomery) in the US and to Berga Form in Sweden, as well as selling in the domestic Bolivian market. During 2Q04 BTBC continued providing assistance to Hurtado as reported in the last quarterly report. In addition, BTBC was instrumental in obtaining an order for an additional five containers of furniture from IPE Timber, which has set into motion a new process of production planning. BTBC provided assistance in planning the day shift and the night shift to meet delivery deadlines for Hurtado's various export and domestic customers.

Somáin, Santa Cruz. A small furniture manufacturer, BTBC introduced the company to Casablanca from which it has obtained purchase orders to export to the U.S. With BTBC assistance, during 2Q04 the company has started to implement suggested changes in its production layout. Six models had previously been developed for Casablanca and a seventh model was developed this quarter. Casablanca has placed purchase orders for 24 units of each model. Since BTBC began assistance in late March, Somain's production has increased from 30 to 45 units per month. Management expects this to increase further to 60 units per month by July. BTBC has introduced a more efficient wood curving technique. Through our consultants, drawer assembly times were reduced by reducing simplifying and streamlining the joinery. Drawer dimensions have also been standardized for two types of furniture.

Muebles Fátima. Santa Cruz: A medium manufacturer of furniture, exporting garden furniture to Casablanca in the U.S. During 2Q04, BTBC helped the owner Jaime Pommier procure the necessary Tajibo wood to produce an export order for Spain. Orders from Casablanca have declined for Fátima, because it is the low season for the garden furniture that Casablanca buys from the company. Fátima is currently stockpiling raw materials for the upcoming high season. It is possible that Hurtado may sub-contract production of parts and pieces from Fátima for the IPE Timber order.

Mobilia, La Paz. A medium-sized wood products industry currently seeking export orders. During 2Q04, BTBC has provided assistance in developing counter-samples of bedroom headboards and wood panelling. Production templates have also been developed for the headboards. The counter-samples have been shipped to the US for finishing and delivery to the prospect. In addition, negotiations are underway with Mercer and Kincaid Furniture. Mobilia has obtained an order for wooden flooring, and BTBC is providing assistance in making adjustments to the moulding machine and other equipment necessary to produce the required volumes. Process timings are being measured and adjusted, as flooring is a commodity product and is therefore highly sensitive to production inefficiencies. Mobilia has also been sub-contracted by another BTBC prospect, M&M Retablos, to produce lathe-turned pieces for furniture exports to Spain.

Mabet, El Alto. A large manufacturer of doors exporting to the U.S. and Europe. To date, BTBC assistance to Mabet has focused primarily on reducing kiln drying times for different species of wood. During 2Q04, our assistance has focused on improving the technical operation of the drying chambers, as the automated controls were not functioning properly. Improvements have been made in the valves controlling the inflow of humid vapour, air circulation in the chambers and the rotation of the turbines in both directions (inflow and outflow). To date we have achieved reductions of 10% to 15% in drying times, and the performance of the chambers has been improved even more significantly by standardizing the dimensions of the wood (thickness and length) inputs.

Mabet is investing over \$100,000 in a new moulding machine to support production of flooring in a joint project with Pacahuaras. It is also buying a new finger joint machine. These new machines are expected to arrive in Bolivia by July, to be installed in Mabet's

plant in El Alto. Mabet shareholders are also known to be in negotiations with an investor with a view to entering production of garden furniture.

Pacahuaras, Riberalta. Through new investments, Pacahuaras is vertically integrating its operations to encompass forestry, sawmilling, kiln drying and manufacturing of flooring components on site in Riberalta in northern Bolivia. As reported last quarter, the Dutch Cooperation Agency is investing about \$1m in Pacahuaras to support a large purchase order received from Dekker Corporation. During 2Q04, Pacahuaras has received another major purchase order from Oregon-Canadian Forest Products. These two orders represent sufficient volume to absorb all of Pacahuaras' capacity in production of flooring and S4S. In June, Pacahuaras received environmental certification from the Forestry Stewardship (FSC) for almost 250,000 hectares of company-owned concessions. During 3Q04 they expect to certify another 50,000 hectares owned by indigenous communities that supply Pacahuaras.

BTBC is providing assistance in the implementation of the new investment. This includes production layout, air purification and extraction systems and installation of specialized machinery for processing floors and finger joint products. Training has been provided to sawmill workers to standardize the dimensions of the sawn wood, leading to significant efficiency gains in kiln drying.

Ultimate Design Furniture. La Paz. Manufacturer of high quality bookshelves. During 2Q04, BTBC has helped update a cost study to incorporate efficiency gains that have been achieved in the past months. For instance, sanding times have been reduced by about 25% and finish drying times have been reduced by 40%. The study indicates that – through these improvements in productivity - project assistance has helped reduce overall production costs by 15% to 20%.

United Furniture Industries, El Alto. United is a large manufacturer of furniture, exporting almost 100% of its production to the U.S. Last quarter we reported that in order to service a major order of 200 containers of garden furniture from COSTCO (valued at \$6.8m), United was rapidly hiring new staff to service the seasonal demand. United was able to fulfill only about 50% of the COSTCO order and consequently COSTCO has reduced the volume of the order to 40 containers for next season (production to begin in October).

Despite the contraction in the number of jobs that came with the end of the garden furniture season, United maintained 189 new jobs since our assistance began. During June BTBC completed its assistance in training entry-level workers and in generating training manuals and support material. BTBC plans to provide assistance again for next season beginning around October.

CIMAL/IMR, Santa Cruz. A large manufacturer of garden furniture, exporting its production to the UK and the U.S. CIMAL/IMR is also Bolivia's largest exporter of FSC-certified wood products, and, accordingly, carefully manages its own forestry concessions. During 2Q04, BTBC provided assistance in kiln drying. Project

consultants identified and addressed problems in the stacking of the wood and its dimensioning. The temperature controls in some of the kilns were located at the rear of the chambers, which was causing distortions in the readings and throwing off the automated controls. The BTBC consultant is developing recommendations that are expected to reduce drying times by 18%-20%. These recommendations are based on calculations of the movement of molecules in the wood as tension is released at rising temperatures.

The method consists of initially increasing wood temperature to 70°-90°C and, after releasing tension (a serious bottleneck in this process), proceeding to the cooling stage. This process is virtually the opposite of conventional wood drying practice. It is estimated that this process will increase wood rotation in the chambers by 25%-30%, resulting in increased drying capacity and consequently a larger quantity of raw material for production. CIMAL/IMR staff are receiving training in this process. BTBC plans to continue this assistance in 3Q04.

25% INCREASE IN CIMAL'S OUTPUT OF KILN-DRIED WOOD

BTBC brought Brazilian consultant Osmar Aguiar to Bolivia to introduce new kiln-drying techniques that are being developed in Brazil, but are yet unknown in Bolivia and elsewhere. This BTBC consultant has implemented a kiln-drying method in Cimal that is expected to reduce wood drying times by 25%. This will increase Cimal's monthly kiln-drying volume from 769m³ to 961m³, equivalent to an additional 192m³ per month. This increased volume will create some 50 new jobs upstream and 25 new jobs downstream for a total of 75 new jobs. In addition, it will generate about \$1 million in new exports from Bolivia.

B.3 Fine Fibers, Leather and Jewelry

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

The fine fiber sector is a new sector for BTBC. Initially it was covered under the textile umbrella. Nevertheless, at this point we recognize that it is a sector with its own needs and potentials. BTBC has assigned sector coordinator Helga Herrera to lead our activities in fine fibers, considering that the level of activity in leather and jewelry – which she also coordinates - is relatively low.

In general, fine fiber manufacturing companies are smaller but more numerous than the ones that work with cotton, being concentrated in La Paz, El Alto and Cochabamba. In contrast to cotton, alpaca garments are directed to medium-high end markets, being exported in lower volumes than cotton. Most alpaca garment manufacturers need support in design, employee training and marketing. They need to adapt designs to market preferences, if possible without losing the Bolivian flavour. It is also important to market the benefits of cameloid fibers (alpaca and llama) in the target markets. In order

to do that, BTBC is supporting work with well-known designers. Some initial work was performed through Luis Soto's work via CANEB. Anne Dee Golding, a well known designer in the US, is introducing alpaca into her new collection, as are Calvin Klein and Paul Stuart.

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

Although Bolivia has an important population of llama and alpaca animals, most of the fabric and yarn used for production is imported from Peru. The production quality and quantity of existing alpaca spinning facilities in Bolivia is very limited. There is no alpaca weaving mill in the country. At this point, we export alpaca and llama tops.

BTBC's activities in the leather and jewelry sectors during 2Q04 have not presented major changes.

Macaws continues being our major project within the leather sector. We are trying to generate a working relationship between Macaws and CCICAL, a consortium of leather SMEs in La Paz. Also, we identified a small leather upholstery mill, PyR, whose workers have received training in the workshops held in Macaws. In order to start exporting to the US, PyR needs to improve its quality and is requesting technical assistance from BTBC.

INTERNATIONAL CERTIFICATIONS FOR MACAWS

BTBC has been instrumental in helping leather goods manufacturer Macaws obtain:

- ISO 9001 (Total Quality) certification in design, product development, manufacturing and sales of their products.
- OHSAS 18001 (Occupational Health and Safety Management System) certification.
- In process ISO 14001 (Environmental Protection) certification covering noise, illumination, temperatures, air contamination and treatment of waste and effluents.

These certifications include requirements for its numerous SME suppliers.

Exportadores Bolivianos, the gold and silver jewelry manufacturer, continues growing and generating substantial exports to the US. Minerales y Metales (M&M) has completed the implementation of its jewelry plant and is currently working on the promotional side of the business. M&M is trying to open stores in the US and is working on the book on Bolivianite.

Summary of Cumulative Results: October-June 2004 – Fine Fibers, Leather and Jewelry

Companies	New Employees	New Exports US\$	New SMEs in export chains
Milos International	21	5,000	
Origenes Bolivia	14	1,880	
Altifashion	20	50,000	
Export. Bolivianos	90	5,576,630	
Minerales y Metales	18	0	
Macaws*	129	434,050*	24
TOTAL	292	6,067,560	24

* Exports for MACAWS are dated to May 30th 2004.

Note.- It is important to take into account that alpaca garment exports are concentrated in the second half of the year (winter in the northern hemisphere).

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

Milos International, La Paz. Producer of alpaca coats, jackets, suits and shawls targeted to high-end export markets. In May, Milos launched its 2004/5 collection and printed a new high quality catalogue. Based on the expected success of the new collection, they have built new facilities to install an additional production line. They have obtained orders for more than \$80,000 from Canada, Denmark and the USA. BTBC has provided assistance to improve productivity and quality. Additional technical assistance in the area of product development has been requested. One of their major clients in the US, Linda Richards, was contacted through BTBC business development consultant Luis Soto.

Altifashion, La Paz. The company is the largest manufacturer in Bolivia of alpaca coats and jackets. Since the beginning of the year, Altifashion has hired 20 additional employees, all of whom are working in a second shift. In the period January-June 2004 BTBC's intervention helped the company consolidate \$50,000 in exports. Altifashion participated in the CANEB/BTBC Business Development Project in the U.S. Through their participation in the project, the company has closed a sales order for \$29,000, and another for \$15,000, and there are other promising prospects for the coming months.

Origenes Bolivia, La Paz. This company started operations as a trader, outsourcing products from SMEs. Due to quality problems and long lead times, they decided to integrate vertically, installing their own textile manufacturing company. The company operates with four manual knitting machines and four manual weaving looms. Currently they have 14 full-time employees. In addition, Origenes sub-contracts 10 workers for macrame knitting of the shawls. BTBC supported the company in the areas of production planning and control, quality control and inventory management. Origenes participated in

the CANEB/BTBC Business Development Project in the U.S., and obtained initial trial orders from four companies for over \$6,000. In addition, they participated at the Magic Tradeshow and generated leads and trial orders for over \$4,000.

Altifiber/Altiknits, La Paz. This company exports alpaca and llama tops to Europe and the US. They collect, classify, wash, de-hair and comb the fiber, in order to produce high quality tops. Altifibers owns the only llama and alpaca de-hairing plant in the world. They currently process over 350 tons per year of fine fibers. They are implementing an industrial dyeing plant that will start operations before the end of the year, and plan to build a \$1m spinning mill in 2005. Garments are produced by a group of over 300 women, who spin and knit the wool at home manually. BTBC is providing assistance to Altifibers/Altiknits in the areas of management, production planning and control, and quality control.

Millma, La Paz. Millma is one of the major exporters of knitted alpaca garments in Bolivia. They export sweaters, pullovers, shawls and other accessories mainly to the US. Currently, 95% of the production is manufactured manually (with hand machines) in their plant in La Paz. Their orders have grown significantly in recent years and their in-house capacity is no longer sufficient to satisfy demand. BTBC is helping Millma identify small and medium textile manufacturing companies from which to outsource (e.g. Altiknits, Knitted Apparel, Neobol, Torres, Origenes Bolivia). Millma's 2004/5 collection is being developed considering the technical capabilities of the fabric mills that can be subcontracted. Once the collection is designed, BTBC plans to help these mills produce for Millma, while complying with agreed quality standards and delivery times.

Exportadores Bolivianos, La Paz. During 1Q04, BTBC completed its training program for Exportadores Bolivianos' new silver casting plant that was relocated to Bolivia from Mexico in part through BTBC assistance. With BTBC assistance, Exportadores Bolivianos has – to date – generated over \$5.5 million in new exports, trained 138 workers and created almost 100 new jobs.

Minerales y Metales (M&M), Santa Cruz. During 2Q04, Minerales y Metales hired 18 new employees to staff its recently-opened jewelry plant, implemented with BTBC technical assistance. The new facility is currently operating at 30% of capacity, producing 300 jewelry pieces per month. M&M is not exporting jewelry yet. They plan to open company-owned stores in major shopping malls in the US. They have been contacting different malls and are waiting for space availability. Due to delays in the publication of the book on Bolivianite, BTBC will no longer participate in this component of the project.

Macaws, Cochabamba. Macaws is the leading Bolivian manufacturing company of leather product, being also the only manufacturing company in the country that sells through the internet. The company has BELLAGIO, a U.S. company, as its associate for internet sales.

The following chart depicts all the training courses developed at MACAWS, and their impact in job generation and creation of new small enterprises.

MACAWS Training and Contracting Information

Training Course	Dates of Training	Number of Trainees	Hired	Number of New SMEs
1st. Course in leather upholstery	Sept.16 - Oct. 24 2003	20	13	
2nd.Course in leather upholstery	Nov 11. - Dec. 17 2003	10	4	
1st. Course in machine maintenance	Dec.1-15 2003	19		
3rd. Course in leather upholstery	Jan.14 - Feb.20, 2004	39	12	
4th. Course in leather upholstery	Feb 23- April, 2004	10	5	7
1st. Course in small leather goods manufacturing techniques	Mar 8- April 16, 2004	16	6	
5th.Course in Leather upholstery Techniques	April - May, 2004	10		
2nd. Course in Machine Maintenance	April - May, 2004	10		
2nd. Course in small leather goods manufacturing techniques	Apr. 30 - May 28, 2004	22	15	17
TOTAL		156	55	24

With BTBC support, Macaws achieved the following results during 2Q04:

- Twenty people completed the fourth and fifth BTBC-funded training courses in leather upholstery techniques, bringing the total to 89.
- Thirty-eight people completed the BTBC-funded training program in small leather products.
- Ten people completed the BTBC-funded training program in machine maintenance, bringing the total to 29.
- In addition, three of the individuals trained in leather upholstery formed a partnership and launched a denim garment factory. They are currently producing 6-7 dozen per week.
- Two of the people trained in leather upholstery are working for PyR, a company that produces office furniture, including leather upholstered chairs. Although these are not new jobs, they started a new line of production.
- Rocio Alanes, instructor of the small leather products seminar, is working 4 hours as instructor (paid by BTBC) and 4 hours in Macaws Product Development Department, developing the prototypes of the new Raquel Orsini purses line (paid by Macaws).
- SMEs that manufacture for Macaws have increased their income by 23%. They are producing more Bellagio items, sold directly to the end consumer through the web page and less regular cellular cases sold to wholesalers at a lower rate.

- In the first half of the year, almost 60 new products were developed, including the new “Raquel Orsini” purse line.

Overall, BTBC has supported Macaws with 5 consultants for a period of six months, until March 2004. Given the potential to strengthen the leather sector through these efforts, we have decided to maintain two technical assistance efforts through September 2004. The impact of our assistance between January and May, 2004, is reflected in the 50% increase in exports with respect to 2003; training to 146 people out of which 55 were hired and the creation of 24 new small enterprises that work under subcontract for Macaws. Furthermore, BTBC has helped Macaws achieve ISO 9001 and OSHAS 18001 certifications, and ISO 14001 certification is expected by the end of September 2004.

Finally, we also note the company’s impact on wage earnings; workers with an average three year experience in Macaws earn an average monthly wage of Bs. 2,700, six times more than the Bs.440 minimum wage. New workers start off with the minimum wage and earn up to Bs. 1,000 monthly.

B.3.c Additional Activities

CCICAL, La Paz. CCICAL is a production consortium made up of approximately 50 leather SMEs employing 220 people. Currently CCICAL is working at less than 50% of installed capacity, selling its goods in mostly the domestic market. BTBC introduced CCICAL to Macaws, and some of the CCICAL SME’s are producing samples of Macaws’ cellular cases and Bellagio PDA cases. If Macaws places an order with Ccical, BTBC plans to provide assistance to Ccical to fulfil the order within agreed quality parameters and delivery times.

B.4 Market Linkages Activities

B.4.a Market Linkages in Textiles and Apparel

Abugata. BTBC made contact with renowned textile and apparel consultant Daniel Abugatas, a leading trader in Peru who is said to have brokered deals which today represent over 70% of Peru’s apparel exports. Given that Peru is nearing its capacity in apparel exports, Mr. Abugatas expressed great interest in the possibility of sourcing product in Bolivia. BTBC organized an initial itinerary for Mr. Abugatas in April, in which he was accompanied by senior executives from Ghim Li, one of his major buyers based in Singapore (see below under the sub-heading Ghim Li). BTBC organized a follow-up itinerary for Mr. Abugatas in May, during which he visited Santa Monica Cotton. As a result of this visit, Mr. Abugatas is sampling and quoting Santa Monica yarns for major Peruvian textile operations, which are facing shortages of Andean-spun yarns to export garments to the US under ATPDEA. It is likely that Santa Monica will begin exporting yarn to Mr. Abugatas’ customers in Peru in the near future.

Ghim Li. Ghim Li is a major global manufacturer and trader of knit textile and apparel products. Based in Singapore, Ghim Li sells over \$200m per annum in the US market, has company-owned production plants in eight countries (Malaysia, Brunei, Indonesia, Singapore, China, Hong Kong, Fiji and Guatemala) and outsources product from third party manufacturers around the globe. Two senior Ghim Li executives visited Bolivia during the BTBC itineraries for Daniel Abugatas. They have placed a trial order with Asea Group for the production of 100,000 t-shirts over a three month period at a price of \$1.90 per unit. If Asea is successful in fulfilling the trial order, Ghim Li expects to expand the order to 1,000,000 per annum. During the itinerary, Ghim Li visited Asea's plant in Santa Cruz, which is currently not operating but has good machinery and equipment for knitting and dyeing fabric. Ghim Li has entered negotiations with Asea with a view to making a fresh equity investment in the Santa Cruz plant in order to commence its operations. Should this investment materialize, it would represent an important boost of confidence in Bolivia as a developing supplier of textiles and apparel.

Military Uniforms to be donated by the U.S. to Bolivia. BTBC was contacted in May by U.S. procurement officers seeking 20,000 military uniforms for a donation to the Bolivian armed forces. BTBC obtained quotes from six manufacturing companies in La Paz, Cochabamba and Santa Cruz. Five of these companies are currently developing samples. If the samples are satisfactory, the next stage will be price negotiations.

Asea Group places order with Alfach and Trailer. In April Asea obtained an order for 30,000 blue jeans from Charles Tu in the USA. Asea does not manufacture blue jeans in-house, and the company contacted BTBC with a request for help in outsourcing the order. BTBC put Asea in contact with Alfach and Trailer, two SMEs in Cochabamba. After evaluating the companies, Asea has now placed the order with these manufacturers and production will commence in mid-July.

Mitsuba obtains new orders from Magic. BTBC contacted Fierres Inc. of Puerto Rico and introduced the company to Mitsuba of Santa Cruz. Fierres has placed an initial order of 38,000 shirts from Mitsuba. This order has already been delivered and Mitsuba is currently working on a second collection for this client.

Update on exports resulting from participation of BTBC-supported companies in the Magic Marketplace trade fair in Las Vegas.

MAGIC August 2003	\$512,000.00
MAGIC February 2004	\$439,600.00

B.4.b Market Linkages in Secondary Wood Products

Vineyard Furniture, Louisiana. BTBC is helping this U.S. buyer obtain quotes from prospective Bolivian suppliers. The buyer has provided BTBC with plans and technical specifications for the product it is seeking, which BTBC has conveyed to 10 Bolivian manufacturers that have sufficient installed capacity. Three of these have provided quotes and a fourth quote is expected in the coming days. At the moment the buyer contends that the prices seem high, but this may be an initial negotiating position. The most competitive quote so far is from Mobilia.

Ultimate Design. Through a direct BTBC introduction, Ultimate Design has sub-contracted an SME, Carpintería Calderón, to produce 300 cabinet doors for its export products.

MyM Retablos. MyM Retablos is a Bolivian company exporting ornate carvings and a variety of wooden products to the Canary Islands in Spain. Through a direct BTBC introduction, MyM has placed a \$4,000 order with an SME, Schmidtwood, to produce wooden holders for magazines, assorted small wooden boxes, wooden dishracks and a variety of other small wooden articles.

Anaconda Tecnipark. This is a Spanish buyer of wood products that visited Bolivia with a BTBC itinerary. Anaconda is in the final stages of negotiation with several Bolivian companies to purchase sawn wood, S4S and decking for their market in Valencia, Spain. Anaconda has also requested samples of Bolivian garden furniture, which are being produced. The Bolivian companies involved in this are:

- Mardivar: Sanded wood
- William Rojas: representing two native communities located in Roboré (sawn wood)
- Aserradero Chajtur (garden furniture)
- Mabet (wood decking)

Rustic Line. With the coordination of BTBC consultant Victor Hugo Gutiérrez, in addition to the prospects mentioned above, Anaconda has placed an order for 9,000 sections of woven palm mats called “jatata” which are used for roofing. This order is valued at \$14,000 and is generating work for 20 families and five collectors of palm leaves. This is a first trial order and its fulfillment is being followed by BTBC’s consultant.

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

CANEB Business Development in the U.S. As reported in the last quarterly report, BTBC has provided assistance to the Camara Nacional de Exportadores de Bolivia (CANEB) through a business development consultant, Luis Soto. Mr. Soto’s marketing efforts focused largely on Bolivian camelids. He completed his work in mid-April and

has presented a detailed report, including next steps and prospects that should be followed up. CANEB is taking the responsibility of following up on all prospects.

B.4.d Other Activities in Market Linkages

Business Development Materials Project. This project began in December 2003 in response to the lack of business development materials to send to sales leads. About \$6,000 has been spent to date. The original plan was to build a suitable stock of photographs using professional photographers and models. The cost to complete the project as originally envisioned is \$17,000. Due to budgetary constraints and other priorities, BTBC is evaluating ways to complete the project at a lesser cost or whether we should put it on hold until additional funds are available.

B.5 Increasing Access to Capital

Joint Study with Premier on Finance for SMEs. During 2Q04, BTBC worked jointly with Premier (a USAID project managed by DAI focusing on SME finance) to develop a study on the issues involved in SME finance in Bolivia. Premier focuses on assisting financial entities, whereas BTBC focuses on assisting companies. Joint BTBC-Premier interviews were conducted with some six financial entities and some eight SMEs, to obtain both perspectives for the study. During 3Q04 more interviews will be conducted with financial entities and SMEs in order to draw conclusions and produce the study.

Mabet-Pacahuaras. During 2Q04, BTBC has been involved in negotiating a \$1m investment from the Dutch Cooperation Agency for Mabet-Pacahuaras. BTBC has provided assistance in the due diligence process by providing information and documentary substantiation.

Loan brokering. BTBC has assisted a number of SMEs in obtaining finance from various financial institutions. To date, the following have been successful:

- Classe: \$20,000 obtained from Fortaleza
- Fatima: \$20,000 obtained from Fortaleza
- Somain: \$80,000 under negotiation with Fortaleza

These primarily represent working capital loans financing production and sales to Casablanca.

B.6 Training for the Productive Sector

Expanding Training of Trainers: As outlined in the last quarterly report, in cooperation with GOB's *Unidad de Productividad y Competitividad* (UPC), BTBC began in early 2004 to utilize pool consultants to provide updated training for instructors.

Following the success of the initial training workshops, BTBC and UPC decided to increase the frequency of the training during 2Q04. During the period the project held the following workshops.

- Quality Control workshops, La Paz on 16 April (30 participants), Cochabamba on 7 June (45 participants), and Santa Cruz on 21 June (65 participants).
- Production Systems workshops in La Paz on 19 April (28 attendants) and Cochabamba on 11 June (35 attendants).
- Workshops on How to Train Sewing Machine Operators in La Paz on 23 April (30 attendants), in Cochabamba on 14 June (30 attendants), and in Santa Cruz on 28 June (30 attendants).
- Patterning and Design workshops in La Paz on 26 April (36 attendants) and in Cochabamba on 31 May (30 attendants).
- Management and Strategic Planning Workshops in La Paz on 30 April (40 attendants), in Cochabamba on 24 May (15 attendants), and in Santa Cruz on 25 June (60 attendants).
- The first Kiln Wood Drying workshop in La Paz on 12 May (20 attendants).

Design course co-hosted with Fundes. Bolivian textile design needs improvement if national firms are to engage in greater value added production. BTBC is providing financial assistance to Fundes to carry out two courses in textile design. One seminar will take place in Santa Cruz and the other in La Paz. The instructor will be Malusa Pinto, a Bolivian professor in a U.S. university, teaching Design and Product Development. The courses are directed to designers, design instructors and exporters. 100 people are expected to participate in both cities.

In addition to teaching the courses, Ms. Pinto will provide direct support to five companies, developing the design and pattern for one garment in each, supervising its production and marketing it in the U.S. The participating companies are Altifashion, Altiknits, Inti Wara, Origenes Bolivia, and Neobol-Kurmi.

Workshop on Business Development of Camelid Products in the USA. BTBC has provided assistance to the Camara Nacional de Exportadores de Bolivia (CANEB) through a business development consultant (Luis Soto). The purpose of this initiative was to assist 15 member companies committed to exporting high-end alpaca garments to the US. In order to share the lessons learned during the project, BTBC organized a workshop in coordination with CANEB to discuss the outcomes and issues of the business development. Some 40 people attended the workshop.

The major conclusions of the workshop were:

- Firms that want to export require a long-term commitment: perseverance, preparation and planning, including the development of a 3-5 year action plan.
- There are several strategies that may work to contact potential clients, including participation in trade shows, presence in showrooms, work with traders or wholesalers. Other strategies include selling through catalogs or to open a

commercial office in the target market. In any case, through some mechanism a presence in the target market is necessary.

- There is a methodology, a series of steps that should be followed to export successfully (from identifying potential clients, to securing prompt payment from buyers). BTBC is considering the publication of this methodology or steps in the form of a practical guide for exporters.
- One practical way to initiate export operations is for a firm to enter into a subcontracting arrangement with a firm that is already exporting. This may be one of the most practical ways for a firm to understand international commerce standards.

SECTION IV

Project Issues

A. IPR Initiatives Delayed

Despite the conclusion of both proposals by BTBC and their submission to GOB authorities, changes at the top level in the Ministry of Economic Development have limited the capacity of the authorities at the Vice Ministry of Industry, Commerce and Exports (VICE) to push for the enactment of the new legislation and has also slowed down the process of institutional reform of SENAPI.

During the next quarter we will intensify lobbying efforts to get both initiatives approved and, once they are, to make sure they are properly publicized.

B. Counterpart Contributions to Pool Interventions

In the previous quarterly report we included a discussion of the complexities involved in implementing a consistent and equitable system for establishing counterpart contributions.

During 2Q04, BTBC has documented all existing counterpart arrangements, which were agreed on a case-by-case basis in lieu of an established policy. All new agreements and extensions of existing agreements during 2Q04 have included counterpart contributions on the following bases:

- Technical assistance will only be granted if there is a counterpart contribution from the beneficiary company.
- The expected range of counterpart contribution is approximately 15 to 30%, and will be determined on a case by case basis.
- It is mandatory for counterpart contributions to increase in any renewals or extensions of assistance. This is consistent with the notion that BTBC interventions should be specific and finite, and with any extension BTBC covers a decreasing portion of the cost and the client company covers an increasing portion.
- Because receiving money from assisted firms would complicate project accounting and financial management, counterparts should come fundamentally in the form of payment for consultant's lodging and travel expenses.
- In order to ensure counterpart contributions, these should be provided ahead of, or *pari passu* with, BTBC's disbursements.

In addition to direct contributions, companies also provide counterpart in a variety of forms. For instance, in order to encourage companies to make investments that are considered important, BTBC sometimes offers to contribute technical assistance towards

the investment (for example, Exportadores Bolivianos). In other cases, if a company needs several consultants, BTBC may pay for some of the consultants while the company pays for others (for example, Macaws).

C. Consultant Issues

Capacity to Respond to Opportunities. Without a doubt, the most tangible results that have been achieved by the consultant pool have been opportunistic. This suggests that in order to maximize its results, BTBC must deploy its resources on the basis of “the right consultant, at the right place, at the right time.” It is important that BTBC maintain the capacity to respond quickly to opportunities with effective interventions that suit the specific circumstances of the situation. Opportunities frequently arise when a company receives an export order, necessitating rapid action and adaptations to respond to the customer’s needs.

Length of Interventions. We have made important distinctions regarding the times required for different types of pool interventions, which have turned out to be quite different in practice from what we had envisioned at the offset. For instance, experience suggests that in order to be useful, production consultants need to remain in a company at least two or three weeks, once the basic operating information is at hand. However, obtaining the basic information has proven to be more time-consuming than anticipated, as many companies have no notion, for example, of how their workers’ efficiency compares to international industry standards, or might be using practices or production systems that are entirely intuitive and seem bizarre to a consultant accustomed to orthodox industry practices. BTBC consultants have had to spend a great deal of time in companies doing primary level internal research and compiling basic information themselves, before actually being able to commence a results-oriented intervention.

Narrow definitions versus flexibility and results. The distinctions that BTBC originally made between consultants’ specialities have to some extent become blurred, as companies have diverse needs and consultants are versatile. In practice, pool consultants frequently advise companies on a variety of topics beyond the circumspection of their scopes of work. This happens because the companies seek the advice they need, and BTBC consultants are able to respond because in reality they have a diverse set of skills making them more versatile than contemplated in their contracts.

Notwithstanding the versatility of consultants, the time and services of the production specialists in particular have been much more in demand than we had initially estimated. Whereas we had initially envisioned brief and specific interventions, in practice when a company has an export order, it is not realistic or adequate for the BTBC consultant to focus on a single production issue, while remaining oblivious to the overall process. In cases where BTBC could have withdrawn consultants sooner, the decision has frequently been made to extend the consultants’ time in the project in order to achieve greater results, rather than accelerate rotation of consultants.

Improvements to the consultants' contracts. In order to ensure flexibility and clarity, BTBC is improving its contracts with consultants in the following ways:

- We are clarifying the pool consultants' contracts to eliminate any ambiguity regarding the number of days that the consultant will work. The consultant will only work the days that BTBC requires. BTBC is not obligated to use the consultant for the maximum number of days specified in the contract, or indeed BTBC is not obligated to use the consultant at all. Equally, BTBC is not obligated to use the consultant on a continuous basis, as there are likely to be periods of time between jobs.
- "Other duties as assigned" clause. We are adding a clause to all consultants' contracts (pool and dedicated consultants) allowing BTBC to deploy those consultants to other companies and/or other tasks as needed.

D. Wood Collection Hub Reactivated

USAID has reactivated the previously stalled wood collection hub project by opening the possibility of matching private investment in the project up to a maximum USAID contribution of \$1 million over 2004 and 2005. With BTBC help, FUNDAPRO is actively seeking investors. To date the following private groups are showing the most interest:

- Etienne Group and Fernando Campero
- Illanes Group
- Monasterios Group

FUNDAPRO is also offering to contribute up to 15% of the project equity.

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 fully under way, activities during next quarter will focus on monitoring the campaign and preparing 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.
- First base line study completed (Survey on TLC and other foreign trade issues) assessed and distributed to stakeholders, particularly to Government officials and exporters.
- Organization of Seminar Series: Identification of selected speakers, seminar formats and issues to be examined.
- Monitoring of all Communications Program activities
- We expect to have the Data Room fully operational under the administration of CAMEX.

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

The Ministry of Economic Development is committed to restructuring each one of the institutions under its tutelage, in order to improve public services and better assist the private sector. Among the institutions that lead this process is SENAPI, given that it already has been diagnosed and there is a proposal from BTBC to remodel and strengthen its institutional responsibilities and capacities. Next quarter, BTBC will:

- Support the VICE in the enactment of the Supreme Decree that enables SENAPI reform, through lobbying efforts.
- Provide technical assistance with the BTBC team for the reform process

A.3. Proposal to Strengthen IPR Regime in Bolivia

One important element to promote the enforcement of IPR in Bolivia is the passing of the Supreme Decree which not only will establish the new legal, administrative and operative framework for SENAPI, but will also incorporate the full legal application in Bolivia of the Andean IPR rulings. Once the Decree is approved, BTBC will work alongside the VICE in disseminating the IPR study, including a series of seminars with the judiciary system.

A.4. Strategic Training for SMEs

Next activities for this area include:

- monitoring of first training module, which will go from June 28th thru July 1;
- follow-up of training program for adjustments and continuation into the second module, expected to take place from July 26th thru July 29; and,
- follow-up of training program for adjustments and continuation into the third module, expected to take place from August 23rd thru August 26.

A.5. Assistance in Training Bolivian Negotiators

This program is expected to finish at the beginning of next quarter. New activities related to this program will include the following:

- final evaluation of the training program;
- implementation of the action proposals emerging from the special workshop with the Vice Minister of Foreign Economic Relation held at the end of the Impact Analysis Workshop in Sucre.

A.6. Study of the Sectorial Impact of Bolivia's Entry into FTAA

The review of the document was basically finished this quarter. Follow-up activities will include:

- final editing for distribution to public and private sectors;
- organization of the discussion seminars in the framework of the Communications Program

A.7. Study on the Prospects of the Soybean Sector in the FTAA

The review of the document was basically concluded this quarter. Follow-up activities will include:

- final editing for distribution to public and private sectors;
- organization of the discussion seminars in the framework of the Communications Program.

B. Activities to Stimulate Production and Exports

B. 1 General

- BTBC management to spend substantial time in the field working directly with our consultants and the companies.
- Meetings with other international cooperation agencies with a view to joint interventions, in order to leverage resources.

B. 2 Textiles and Apparel

- Use the consultant pool to assist in the delivery of 30,000 blue jeans that Asea has sub-contracted from Alfach and Trailer.
- Train 40 new entry-level sewing machine operators for Asea.
- Provide consultant pool assistance to Josdo, Bogama and Andinos Asociados.
- In coordination with UPC, deliver the series of training seminars for instructors in Santa Cruz.
- Deliver a training seminar on sewing machine maintenance in Cochabamba.
- Refine and consolidate the team of BTBC specialists in textiles and apparel.
- Help implement in-house training lines for sewing machine operators in garment companies in Santa Cruz

B. 3 Secondary Wood Products

- In coordination with Casablanca, hire the production specialists to provide assistance to Hurtado and Somaín.
- Complete the hiring process for two new pool consultants, namely Paul Padilla and Alfredo Illanes.
- Complete the hiring process for Thomas Keller to provide assistance in installing the new machinery at Pacahuaras.
- Hire training staff for the new facilities at Pacahuaras.
- Continue with the technical assistance being provided by Osmar Aguiar at CIMAL/IMR.
- Deliver at least two training seminars for instructors in coordination with UPC.
- Provide consultant pool assistance to SOES, Promad and Fussi in La Paz.

B.4 Fine Fibers, Leather and Jewelry

- Increase the number of companies assisted in the fine fiber sector by three.
- Set the grounds for a working relationship between Macaws and CCICAL.
- Train 20 new workers in small leather products (Macaws, CCICAL).
- Train 50 new workers in the fine fiber sector (Asarbolsem, Casa Fisher, Origenes Bolivia).
- Provide assistance to Asarbolsem in training and quality improvements for some 300 women that hand-knit in El Alto and are exporting their products.