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GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)
INDEFINITE QUANTITY CONTRACT

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

Quarterly Performance Report
January 1-March 31, 2005

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

Submitted by:
Chemonics International Inc.

in collaboration with

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

April 28, 2005

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Chemonics Consortium
Quarterly Performance Monitoring Report
October-December 2004

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

I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS

- A. Ukraine Land Titling Initiative (ULTI), TO #811**
Start Date: June 22, 2001
Completion Date: March 19, 2006
Amount of Delivery Order: \$19,262,604

I. PROGRESS ON OVERALL OBJECTIVES

Summary of Report

Ukraine continues formation of the new central government and the extensive process of appointments of new officials at all levels of government operations. However, the decision making and appointment process is still incomplete for many operational levels of government. This void continues to impact the ULTI project legal and regulatory program by delay of issuance of GOU decisions to restructure, as well as appoint a new director of, Dershkomzem. Lack of appointment of new heads of raion administration and some key deputies at the oblast level also impacts ULTI agricultural land titling by delay of some raion approvals or signing of documents for SA issuance.

At the same time, the new GOU has publicly declared its intent and has taken initial decisions to restructure and reform government administration by reduction of the number of state committees. This administrative reform may also result in break up of the State Land Resources Committee with re-assignment of DKZ functions to Ministries of Justice, Agriculture and Environment. If Dershkomzem is in fact broken up, this opens the door to major improvement of the legal and regulatory framework for developing land and mortgage markets while reducing the inherent organizational conflicts of interest and corruption from Dershkomzem that have obstructed formation of these markets over recent years.

Despite slow GOU staffing after accession of the new government, ULTI continues above average levels of production and issuance of SAs. This month 28,000 more SAs were prepared and issued. Altogether, ULTI has now prepared and verified issuance of 1,032,000 State Acts privatizing about 5 million hectares of agricultural land. In all oblasts where ULTI now works, SAs proceed without further collection of registration fees.

As of this month, there are 480,000 more land shares under subcontract and in production

plus 160,000 more in the subcontracting pipeline that together are expected to result in issuance of up to 800,000 more SAs by the end of the project. The total backlog awaiting issuance due to the authorities is now 229,000 land shares. The backlog increased 11,000 land shares this month. SAs for 83,000 land shares are prepared and waiting for DKZ to complete issuance in 144 village radas. Surveys and parcel arrangement plans for 146,000 more land shares are complete in 248 village radas and waiting for raion and local rada officials to complete allocation to land share holders in general meetings so SAs may be printed and issued. Field work and parcel map preparation also have started and are in progress for 168,000 more land shares in 308 village radas.

ULTI continues to expand implementing its new, combined land titling and legal aid service methodology as current funding limits permit. The new methodology is now being used in Poltava, Vinnitsa, Khemilnitski, Ternopil, and is planned for use in Ivano Frankivsk, Transcarpathia, Sumy and Volyn oblasts in response to requests for ULTI support to help finish incomplete, land titling in these oblasts. The new methodology enables rapid completion of SA issuance for agricultural land share holders who previously began, but were unable to complete, land titling at their own expense under high cost DereshKomZem controlled contracts. To date, ULTI has been able to include about 100,000 out of an estimated 2,000,000 such land share holders. All these land share holders are presently excluded from funding of SA issuance under the WB rural land titling project and thus stand little chance of otherwise receiving SAs, despite excessive payments and years of waiting.

After eleven months, no subcontracts to produce SAs have been concluded nor any SAs produced under the WB cadastral loan project administered by Dershkomzem.

New subcontracts for more agricultural land titling in close coordination with opening of new legal aid centers proceed ahead of schedule for more land share holders and at lower costs than planned. So far, new subcontracts for new agricultural land titling subcontracts (funded through the August 2004 ULTI extension) are signed, or in process of signing, for about 300,000 more land shares. This includes four signed subcontracts in Poltava, Vinnitsa, Kemilnitski and Ternopil oblasts and four new subcontracts in negotiation in Ivano Frankivsk, Transcarpathia, Volyn, and Sumy totalling approximately 175,000 land shares for old, unfinished SA work previously started and paid by land share holders at their own cost or through rent reductions from leases. Negotiation and signing of all new agricultural land titling subcontracts is expected prior to May 31 due to current ULTI time and funding limits.

Reductions of up to half of SA cost to \$3.00 or less per land share have been realized by developing ULTI's methodology to complete SAs for land share holders who paid to start SA work but could not complete the process due to high costs, lack of funds, corruption or special legal and technical problems. In turn, these cost reductions enable ULTI to subcontract SA issuance for up to 200,000 more land share holders than originally planned in ULTI's August 2004 extension. Finally, this new methodology can also be transferred and utilized by the new GOU to issue SAs for about 2 million more land share holders who are trapped by incomplete SA issuance--- provided that additional ULTI funding becomes available and/or World Bank

cadastral project terms of reference are changed to include the issuance of SAs for all land share holders with incomplete / partly paid SA work.

Subcontract signing and completion of these obstructed SAs requires signing of ULTI's oblast multiparty agreements governing process of issuance of SAs, completion of all work prior to payment, discounting of price per land share for remaining work in line with ULTI average costs, termination of prior subcontracts, and termination of deductions from lease rents to villagers to prevent double payments and to relieve land share holders from debts and obligations to farming enterprises for incomplete land titling work. Fulfillment of issuance of SAs for previously incomplete work will also be monitored by ULTI legal aid centers to assist in fulfillment of, and to verify compliance with, these conditions.

ULTI continues to organize three pilot systematic land titling and First Registration projects for all land and buildings in one or more adjacent radas in order to facilitate more rapid development of a modern land market for Ukraine's agricultural economy. Work is expected to commence in May in the first of three possible First Registration pilots parallel to, and in support of, ULTI's legal team drafting and advocacy program targeting improvements to Ukraine's new registration law.

This month, the ULTI Agricultural and Non-Agricultural Land Titling Teams completed organization and preparation of draft Oblast Cooperation, BTI and land survey contracts for the Zhitomir pilot First Registration project in a village rada adjacent to the town of Koresten. Two additional pilot First Registration projects remain in process of selection and organization. One is for developing specialized land titling methodologies for selected villages in the three western oblasts of Transcarpathia, Lviv and Ivano Frankivsk where officials report there are about one million villagers who long ago received de facto possession of land parcels but still have no surveys of boundaries and no legal ownership documents for their land plots. This pilot is also planned to include village house and garden plots, enterprise lands, state lands, dachas and other types of land and buildings in order to serve as a First Registration pilot project at the same time. The remaining First Registration pilot includes several options now under study and may be in Donetsk oblast (to issue of SAs to villagers whose land shares are for former collective / state farms also claimed as assets by previously privatized industrial enterprises) or in Odessa oblast (adjoining city and village rada lands in a proposed economic development zone). Signing of all pilot First Registration projects and subcontracts is expected prior to May 31 due to current ULTI time and finding limits.

This month ULTI also completed initial staffing, training and opening of operations for all 25 legal aid centers three months ahead of schedule. ULTI now has 100 local national employees, of whom 85 work full time with the LAC program and the remainder work at least one third of the time in support of the LAC program. Ceremonial openings of the new LACs with press conferences including oblast and raion officials and local judges and media will be scheduled as mutually agreed among all parties after the new GOU completes appointments of these officials. In the

meantime, ULTI will continue to accelerate direct delivery of public education and legal aid services to all eligible citizens throughout Ukraine in order to keep pace, coordinate and benefit from the expanding scope of ULTI agricultural land titling.

To date, 75,933 citizens have been served by the 18 existing and 7 brand new legal aid centers now open and operated by ULTI with USAID support. In March alone, 14,658 more persons received this free assistance. Clearly, the number of people requesting and receiving assistance continues to grow at a very high rate as awareness and extension of ULTI project services grows. In close synchronization with ULTI's expansion of legal aid services in all 25 oblasts, ULTI's public information and education team also organizes and executes an expanding program of oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information and legal aid teams, regular newspaper and periodical releases and increased frequency of national television and radio programs. These expanding efforts also assure access to accurate information for citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not the land titling work is financed and supported directly by ULTI.

This month, ULTI's public education team released the first project newspaper on the vital subject of land lease contracts, amounts and forms of rent payments, collection, penalties, enforcement, and land preservation rights and obligations---all aimed to help villagers increase their incomes through improved knowledge of their rights under leases. This paper is distributed by direct delivery to about 300,000 rural land share holders and SA recipients in all 12,000 village radas in Ukraine. This issue also coincides with and publicizes the opening of all 25 ULTI legal aid centers and informs all citizens and village radas of the availability of free ULTI legal aid services with local contact information in every oblast in Ukraine.

Throughout March, ULTI continued to prepare, submit and lead discussions of recommended land market development laws, policies and actions for the new, pro-reform government, including concrete proposals to help the new GOU more rapidly and effectively implement these recommendations. To do so, ULTI organized and conducted a series of coordinated media releases and meetings with new GOU appointees at Justice, Agrarian Policy, Environment and Administrative Reform Ministries, as well as with key VR deputies in the governing coalition, to support the new GOU's own proposals to break up Dershkomzem, to streamline property registration laws, agencies and procedures on the principle of function, and to increase transparency through systemic elimination of conflicts of interest and methods of official corruption against land market participants. Based on off-record, informal discussions with senior officials, intermediaries and VR deputies this month, ULTI believes that the new GOU Council of Ministers took the decision in March to act on these recommendations and issue a presidential decree restructuring Dershkomzem in April.

A copy of ULTI's January 21, 2005 summary of core policy and implementation recommendations to USAID, on which ULTI's advocacy efforts to restructure Dershkomzem are based, is included in its entirety in the legal-policy section of this report for ease of reference. In turn, these core recommendations build upon objectives previously approved by the ULTI-GOU working group in fall 2004 in the form of the following 2 resolutions:

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

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

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

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

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

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

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

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

Pursuant to these resolutions, ULTI technical and legal teams prepared a draft three party cooperation agreement, circulated the draft to USAID, World Bank and GOU officials and conducted meetings with these officials on the draft MOU. Further action awaits official responses and authorizations to proceed from GOU, USAID, and WB.

To improve and advance this cooperation, ULTI teams have also been working closely with

many oblast administrations, Supreme Rada, Dershkomzem, Ministry of Justice, Ministry of Environment, Academy of Agrarian Sciences, Ministry of Administrative Reform, World Bank and USAID officials to develop and implement solutions to a number of complex, specialized problems in order to finish incomplete rural land titling for all land share holders in Ukraine.

Major problems to be addressed and solved include numerous villages where SAs were previously contracted (and partly paid for by villagers through farming enterprise lease payment deductions) but still remain un-issued after years of “process”. There is a very large volume of unfinished agricultural land titling contracts in many oblasts due to high costs, lack of state funds / partial payments from villagers. There are also significant, unresolved issues that require specialized methods and/or regulatory reforms in order to complete agricultural land titling. Examples of special problems are agricultural lands with perennial crops and associated improvements such as irrigated fields, hops, berries, vineyards and orchards. Other examples are agricultural lands where land has long been distributed and worked as individual plots but legal or survey documents are incomplete.

Based on data presented during numerous oblast meetings, we believe about 2 million agricultural land shares nationwide have started, but not completed, land titling due to corruption, high costs, lack of funds, partial payments withheld from land leases and the above special technical and legal problems. Also, so far, these unfinished and problematic land titling cases are still excluded from the terms of reference and state funding to finish SA issuance in the WB rural land titling project. In turn, current ULTI resources are only adequate to prepare methodologies and implement several oblast level pilot programs to complete issuance of a small number of these unfinished land titles.

To finish all incomplete rural land titles, ULTI know-how, GOU leadership, USAID support and WB cadastral loan resources are all needed. Additionally, the methodologies developed and implemented by ULTI need to be transferred to, and adopted by the GOU and the WB cadastral project in the framework of revised terms of reference for the WB rural land titling program. Solution of these and other pervasive rural land titling problems is urgently needed and is specifically addressed by the draft three party agreement among GOU, WB and USAID.

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

Start Date: August 6, 2001

Completion Date: June 30, 2005

Amount of Delivery Order: \$4,695,735

This quarterly Report provides an outline of activities undertaken by the TAPS project in support of AWC for the period of January to March 2005. Notations are made in each of the appropriate and/or relevant project component areas of Institutional Development, Finance, Utility Management, Operations and Maintenance, Legal, and Community Relations/Customer Service. Ongoing support activities by the long term team are noted at the conclusion of the report, as are key issues, priorities and recommendations as well as notable meetings and workshops that were held during the quarter.

TAPS FIELD PRESENCE

Long Term

Adi Najjar

Rawan Atallah

Short Term

Mr. Phillip Brown, Industrial Specialist,

Mr. Samir Dweiri, Local Water Specialist.

Mr. Terence Driscoll, Water Resources Specialist

Mr. Bahman Sheikh, Water Reuse Specialist

Mr. Michael McLindon, Economist /FM Specialist

Ms. Maria Navia, Civil Engineer and Project Associate Chemonics International

Mr. Kenneth Rikard, Value Engineering Specialist

Ms. Arwa Mothaffar, Local HR Specialist

Mr. Samir Dweiri, Local Water Specialist

Ms. Caroline Sevier, Project Manager Chemonics International

Ms. Kim Nilson, Project Director Chemonics International

TAPS assistance is noted below:

INSTITUTIONAL DEVELOPMENT

- **Human Resource Management**

The following procedural submissions were discussed in detail with AWC:

- 1. Compilation of Employees Files and Procedures**
- 2. Personnel Committee Procedures**
- 3. Selection and Placement Procedures**
- 4. Placement and Advancement Procedures**
- 5. Salary Administration Procedures**
- 6. Working Hours and Overtime Procedures**
- 7. Employees Vacations Procedures**
- 8. Performance Appraisal Procedures**

9. **Training and Development Procedures**
10. **Disciplinary Actions Procedures**

The consultant Dr. Arwa initiated the following activities as specially requested by the AWC GM and approved by the Chemonics HO :

Prepared a Classifying and numbering system for the correspondence procedures.

Organized a workshop to explain the system in addition to a follow up system on all the correspondences to the secretaries and related employees

Met with the Archiving company in order to explain the system so that this company could implement it.

Carried out in house training on both the correspondence and follow up systems.

Supervised the implementation of the registry procedures and provide immediate feedback.

Modified some articles in the Personnel Internal By-laws.

Delivered training to AWC department managers and senior staff on Leadership Skills.

COMMUNITY RELATIONS / CUSTOMER SERVICE (CRCS)

TAPS submitted finalized versions of the Arabic and English CS Guides and Basic Information Sheet with all requested changes incorporated.

Reviewed accomplishments in the Customer Services Center with new signs, displays of water saving devices, publications and educational materials. Also discussed the performance of the customer services staff with the CSCR Department Manager and what additional work was needed to bring their performance to a satisfactory level.

Held two detailed mentoring sessions with AWC CS Department Manager where program and management issues were discussed and information for the department's institutional development plan was gathered. The intention was also to hold similar sessions with the senior CS Supervisor, but this was not possible as he was not available all week due to an illness.

Conducted communications skills training for Customer Relations staff

Updated and extended the AWC Communication Action Plan through December 2005, and discussed this Plan with AWC GM and CS Department Manager.

Finished the institutional development review for the Customer Services Department

UTILITY MANAGEMENT/ BUSINESS PLANNING

On January 28, 2005 Chemonics Home Office submitted to USAID the finalized version of the Business Plan after remarks of January 4, 2005 and January 10, 2005 made by USAID and transmitted to AWC and Chemonics were incorporated into the existing version by Mr. James Baker, Chemonics PSP specialist.

Mr. Harold Gorman, TAPS Utility Management Specialist undertook assignments focusing primarily on assisting AWC GM to draft specific and appropriate sections of AWC's first Annual and Quarterly Reports.

Other key issues that the consultant was scheduled to address include general support as requested or specified by the General Manager including guidance in the review and interpretation of performance indicators and updates of the AA/DA deadline schedule and the GM's workplan. During this period Mr. Gorman was engaged in the following activities:

The consultant also attended a media briefing and tour of the new WWTP and the water reclamation project.

OPERATIONS AND MAINTENANCE

- Value Engineering

The objective of the assignment was to assist AWC in improving overall cost and operational efficiencies through a value engineering analysis of AWC's operation and maintenance processes. It was envisioned that the application of value engineering analysis would be introduced to AWC through a VE Workshop and study by Mr. Rikard with the intention of providing AWC Staff with the basic training required to identify potential cost saving measures in AWC's O&M activities, seek the best functional balance between cost, reliability and performance and eliminate unnecessary cost by identifying potential cost savings opportunities of up to 20 percent or more, while maintaining or improving quality.

The SOP's, as well as the revised Emergency Response Plan that had been prepared by Mr. Driscoll were translated into Arabic and reviewed for technical accuracy by the TAPS PM.

WATER STUDY

The TAPS Project was tasked by the USAID to embark on a water study which would cover the following areas: (i) updates of water demand forecasts for Aqaba, (ii) a review of existing sources of supply, (iii) an expanded analysis of possible additional sources of supply that may be developed to meet future demands and (iv) an updated capital investment program for expansion of the water supply for AWC, with revisions reflecting the findings of the demand and water resources studies.

A highly qualified team of specialists was identified by Chemonics HO to undertake the tasks within this study. The team consisted of Messrs noted below, who each initiated work on their specific assignments as per the SOW prepared and submitted to USAID by

Chemonics.

Phillip Brown, Hydro-Geologist Specialist
Terence Driscoll, Water Resources Specialist
Bahman Sheikh, Water Reuse Specialist
Michael McLindon, Economist /FM Specialist
Samir Dweiri, Local Water Specialist

The Water Study team members worked with the Chemonics HO to finalize the report. for a presentation to be delivered on April 14, 2005.

ONGOING TAPS SUPPORT TO AWC

The TAPS Project Coordinator continued to serve in an administrative and financial management capacity, coordinating the logistics of short-term fieldings, obtaining quotes for project needs, maintaining both project offices, and ensuring compliance with regulations. Additionally, the project coordinator continued to assist in the formatting and translation of project materials.

TAPS PM participated in meetings concerned parties, and assisted in obtaining relevant data.

TAPS PM assisted the team in obtaining official approvals in order to enable the team members to have access to the required information pertinent to their study.

TAPS Project Coordinator followed up on HR procedures with TAPS HR specialist, Ms. Arwa Al Muthaffar.

TAPS PM worked on reporting to Chemonics HO the activities at TAPS and the details of the supporting role that TAPS was providing to AWC.

TAPS PM met with AWC Financial Department employees to follow up on the status of the existing management and morale problem within the department.

KEY ISSUES, PRIORITIES AND RECOMMENDATIONS:

In collecting data by the water study team relevant to the water being pumped from the Disi well field to Aqaba city, the IT department sources, based on the X7, provided erroneous figures to an unacceptable level. This was thought to be an inherent or "built in" error that needed to be addressed and tackled properly.

Illegal WW Connections- By way of addressing high priority issues at AWC, the GM emphasized the importance of dealing with the illegal practices of the customers, especially the none residential customers, in disposing of their wastewater.

TAPS PM discussed with some of the key personnel at AWC the subject of some lucrative

employment packages being offered to some of them by outside employers. Staff indicated that the salaries they had been offered by these organizations were 2-3 times higher than what they were being paid at AWC.

TAPS PM discussed with some of the key personnel at AWC the morale problem of the Financial Department employees. He was advised that there had been a recent change in attitude by the Financial and Administration Manager where he started to commend their efforts and hard work, and to address issues like pay increases to the department employees.

TAPS PM learned that the GIS section senior engineer had found a better employment opportunity with a firm outside the water sector. TAPS Institutional Specialist, Mr. Anthony Stellato had advised in one of his earlier reports that there might be the possibility of draining highly skilled personnel from AWC if the company's remuneration package had been none competitive with local market.

TAPS PM learned that two engineers at AWC had received pay raises in accordance with a sole decision by the GM with no prior consultations with any staff member from the company nor the MC members. Additionally, these raises were not announced in any form of transparency.

MEETINGS AND PRESENTATIONS:

TAPS consultants, Messrs. Brown and Dweiri met on January 9, 2005 with Mr. Ventura. Mr. Brown provided Mr. Ventura with an outline of the water study team's understanding of the project objectives.

A meeting was held on March 14, 2005 in which the TAPS team of consultants and field and HO staff discussed the progress of TAPS Project with USAID WRE Senior Water Engineer, Mr. Roy Ventura. The meeting consisted of two parts: a Power Point Presentation made by the Water Study team where preliminary findings were conveyed to USAID; and individual briefings made by the rest of the consultants on their individual assignments followed by a wrap up briefing by Chemonics HO Director.

C. Bolivia Trade and Competitiveness Hub, TO#820
Start Date: January 01, 2003
End Date: December 31, 2004
Amount of Delivery Order: \$6,357,491.00

This is the ninth 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 March 31, 2005 to May 31, 2005 per modification number 7 of the above referenced contract number.

The overall project objective is to help Bolivia reduce poverty through increased 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 to 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 Eradication 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. The project’s focus on this area concluded with the BTBC Phase II Conceptualization Paper set forth in Q5.

SECTION II

Key Achievements during the Quarter

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

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

The mass media campaign is in its final stages of implementation, and will conclude in May 2005. The most important activities of the quarter were the following:

- Three public symposiums on regional export potential were held in Santa Cruz, Cochabamba and La Paz on the 1st, 2nd and 3rd of February, respectively. These events generated great interest and attracted almost 800 attendees.
- Six sector workshops (two in each city) on practical proposals to expand textile and wood manufactures and exports were held in La Paz, Cochabamba and Santa Cruz, from March 29th to April 6th. These all day workshops were aimed at SMEs and provided them with specific and useful information on topics such as markets, production technology and finance.
- BTBC financed the publication – from January through March - of three special supplements on free trade in the prestigious weekly newspaper **La Epoca**. Extra copies were distributed among the participants of the public events of the campaign.
- During January ten focus groups were held in the cities of La Paz, El Alto, Santa Cruz and Cochabamba, with the objective of qualitatively measuring the campaign impacts. More than 80 people participated, statistically chosen so as to represent gender, age and social and economic levels. Overall results - with the exception of El Alto - were quite satisfactory, having generated a new understanding of the importance of exports and a greater appreciation of Bolivian products. Please see Section III for details.
- BTBC provided the Cámara de Exportadores of La Paz (CAMEX) with computer, editing and photographic equipment necessary for the publication of its monthly magazine, **Bolivia Exporta Bolivia Crece**, which has become one of the most respected periodicals in La Paz dealing with trade and economic issues.

A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

As we reported, back in April 2004 BTBC presented a detailed proposal to reform the *Servicio Nacional de Propiedad Intelectual* (SENAPI). Now, on the basis of Supreme Decree 27938 of December 20, 2004, which granted enhanced responsibilities and capabilities to SENAPI (see Q8), and at the request of the new authorities of the Viceministry of Industry, Commerce and Exports, BTBC proceeded to help SENAPI start implementing this proposal in the following areas:

- Technical support, information systems and human resources to help eliminate the backlog of pending processes in the areas of patents, brands, copyrights and others pertaining to intellectual property rights.
- Implementation of a minimal information technology platform – including both software and hardware – in order to modernize and improve operations and services provided by SENAPI.

For this purpose BTBC hired a project coordinator and ten specialists in IPR and

information technology to work directly in SENAPI's premises. BTBC also contributed computer equipment and software to carry out the backlog-cleaning process. This equipment and software will be donated to SENAPI to constitute a basic technological platform for the institution.

To date we can report the following results:

- Completion of the backlog-clearing process.
- Design of the monitoring and evaluation systems.
- Development of the data base.
- Information technology equipment in place for the management, data base, monitoring and evaluation systems.

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

This quarter we concluded the Second Strategic Management Training Program for SMEs of the City of El Alto, implemented by the Master's in Economic Development Department of Universidad Católica Boliviana. The courses offered during this quarter included Accounting, Strategy, Management and Leadership and a Business Simulation workshop.

This second training program included the initial participation of 34 SMEs, although only 25 participants concluded their studies satisfactorily and received the corresponding diploma. Around half of the participants were from the textile sector; the rest came from the machinery, wood, leather and food sectors. The graduation ceremony took place in El Alto on March 18, with the presence of Rosario Mengoa de Velasco, Vice Minister of Small and Micro Production of the Ministry of Economic Development, and Liliana Ayalde, Director of USAID/Bolivia.

A4. Promoting Registry Simplification: A Workshop with the Unidad de Productividad y Competitividad and the Prefecturas de Departamento.

The Unidad de Productividad y Competitividad (UPC), dependent on the Ministry of Economic Development, is engaged in a registry-simplification program which aims to encourage and help SMEs become part of the formal economy. Many registration procedures have already been simplified and are available to the general public in a web page designed by the UPC (www.tramites.gov.bo).

However, it often is the case that public servants in charge of applying some of these procedures are not adequately prepared to do so, particularly at the Prefectura level. For this reason, the UPC asked BTBC for assistance in organizing and implementing a training workshop for the heads of the Reform and Management Units of the Prefecturas, nationwide. The workshop was held in February in Cochabamba with the assistance of seven of the country's nine Prefecturas. Specialists from UPC and IBNORCA trained the regional officials on the new, simplified procedures for enterprise registration.

B. Activities to Stimulate Production and Exports

During this quarter BTBC continued its technical assistance activities in support of Bolivian manufacturers, albeit at reduced levels due to the expectation that project close was to be on March 31st (BTBC was finally extended to June 30th, but technical assistance activities will conclude on May 31st.)

Overall, since its inception, BTBC's technical assistance program to more than 50 companies has been instrumental in generating over \$20 million in new exports and over 3,100 new jobs (1,245 direct jobs plus 1,867 indirect jobs). Considering that the average worker in Bolivia has 4 dependents, we can estimate that about 15,500 people depend on BTBC-generated jobs for a living.

In relation to last quarter, cumulative new jobs in BTBC-backed companies have decreased slightly this quarter as a consequence of employment declines in the secondary wood products sector, which were partially offset by new jobs created in the fine fibers and textiles and apparel companies we currently assist.

BTBC-backed exports in the quarter have risen by 2% with regards to last quarter's achievement. This is due to the normal low phase in the productive cycle during the first quarter of every year.. The new exports are a result of the new companies assisted within the secondary wood products sector.

BTBC has been able to integrate a total of 65 SMEs into the export chains, mostly producing under subcontract for larger exporting companies and in some cases exporting directly. It is important to note a significant reduction in this area with regards to last quarter's report. This is mainly due to an important reduction of SMEs working under subcontract for Macaws in the leather sector, given the fact that this company has decided to stop working with SMEs that do not become legal. In the area of local sales, BTBC interventions have generated an increase of approximately \$300,000, an increase of 45% with respect to last quarter's report.

The following table summarizes BTBC's overall results in the productive sector. Sector breakdowns and additional detail are provided in the corresponding sections of this report.

Estimated Cumulative Results in Support of the Productive Sector to Mar 2005

<i>SECTOR</i>	<i>New Direct Jobs</i>	<i>New Exports (000s USD)</i>	<i>New Local Sales (000s USD)</i>	<i>People Trained</i>	<i>New SMEs subcontracted for export</i>
Textiles & Apparel	508	3,800	490	1,224	25

Fine Fibers	103	680	330	588	9
Secondary Wood Products	517	3,259	104	1,788	22
Jewelry	96	12,400	0	150	1
Leather Products	21	815	37	210	8
Total Direct Jobs	1,245	20,789	961	3,960	65
Indirect jobs	1,867	← Average of 1.5 indirect jobs per direct job.			
Total New Jobs	3,112				
Dependents	12,450	← Average of four dependents per worker.			
Total livelihoods	15,562				

Note: Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be $120 / 5 = 24$ new jobs created.

BTBC has achieved other important and sometimes intangible results in areas such as workplace health, safety and environmental practices, productivity increases, corporate governance, gender issues, training and technology transfers.

The BTBC consultant pools continue to work well, even though the number of consultants within each pool has seen an important reduction due to the conclusion of short-term contracts and the proximity of the end of the project.

B.1 Textiles and Apparel

- ACOTAR is the principal association of garment manufacturers in Tarija, composed mainly of shops with five to twelve machines each. Production technology is rudimentary and labor is largely unqualified. BTBC provided assistance to select ACOTAR members by developing transition plans to more sophisticated machinery. In addition, BTBC helped five shops implement assembly production systems. We

provided training for 45 people, of which 34 are working in various ACOTAR shops.

- In order to complete a missing link in the Tarija production chain, for several months BTBC has been suggesting the idea that the Premier Group of Cochabamba consider moving its denim garment finishing operations (washing and embroidery) to Tarija. During a BTBC visit this past quarter, one of the ACOTAR members has volunteered to provide physical space for Premier to install this machinery. On the one hand, this project will allow Tarija garment manufacturers to produce blue jeans, while receiving finishing services and market linkages. On the other hand, the project will place Premier's production base much closer to its Argentine target market. On March 21st ACOTAR and Premier met to close the deal.
- BTBC provided training in cost structures and quality management to 14 groups of women hand-knitters in El Alto. These groups knit cotton sweaters for Rey Wear. A total of 370 people were trained.
- At the request of Trailer Jeans, BTBC provided training for 40 people in industrial sewing. Trailer provided these sewing operators as part of a strategic alliance with Anthony Jeans, in order to reactivate Anthony's production to jointly service export orders from buyers in Santiago, Chile.

B.2 Secondary Wood Products

- BTBC has continued contributing in the progress of the wood collection hub project. IMR-RODA has qualified as strategic partner and is willing to have all the installations ready before September 2005.
- BTBC has been active developing different programs with other international donors, such as the Wood Classification seminar with the Swiss Cooperation and CADEFOR, and the support for the participation of Bolivian companies in international tradeshows organized by the Danish cooperation agency, DANIDA. BTBC has also invited companies to participate in the wood drying seminar organized by CADEFOR and Bolfor, together with the Technical University of Virginia.
- BTBC is providing technical assistance in the fulfillment of the purchase orders of U.S. buyer New Hemisphere to Muebles Hurtado, Muebles San Jorge and Carpintería La Italiana in Santa Cruz.
- We are providing technical assistance in the subcontracting process of SOEX with PROMAD for the production of two containers of furniture parts and pieces, Ultimate Design for home furniture, and Chinga Decoraciones for other items.
- BTBC is providing advice to a group of SMEs that is interested in setting up a wood-drying operation in El Alto.

B.3 Fine Fibers, Leather and Jewelry

- BTBC continued expanding its activities in the fine fibers sector by commencing assistance programs in new areas, such as yarn dyeing in coordination with the biggest yarn spinning mill in the country (COPROCA).

- BTBC has continued training in the quality control and hand-knitting techniques to more than 300 women.
- Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we started an extensive training in this area to more than 100 artisans.
- We helped develop the Winter 2005/2006 collection for Fotrama, including a digital catalog that the company is using to contact their potential clients.
- We are providing assistance to three hand-knitting groups, namely Fotrama, Altifiber/Altiknits and ASARBOLSEM, which employ over 1,600 women in El Alto and rural areas in Cochabamba.
- With BTBC assistance, this quarter Macaws completed all procedures and documentation to obtain the ISO 14000 certification. Certification has been programmed for April 2004 by DNV (Det Norske Veritas). External audit for the maintenance of ISO 9001 and OHSAS 14001 is also programmed for April.
- During this quarter we started providing assistance to two new businesses: Pielbo, a leather tannery, and CECADEM, a jewelry training and production center.

C. Other Key Achievements

Magic Marketplace, Las Vegas, Nevada.

BTBC supported Bolivian participation in the February 2005 edition of Magic Marketplace. The participating companies were Alpaca Natures, Alpaca Style, Origenes Bolivia, Intiwara and Mel Confecciones. Aggregate expected sales resulting from the tradeshow are estimated around \$180,000.

EXPOFOREST, Santa Cruz

BTBC was a major player in the organization of EXPOFOREST in February, in which there were over 70 exhibitors, a Discussion Forum and a Business Round Table. The tradeshow was a notable success. BTBC coordinated closely with CADEFOR, BOLFOR and other organizations.

Small Enterprise Assistance Fund (SEAF) visit to Bolivia

From 7-10 March a BTBC representative accompanied Arturo Rivera of SEAF Peru and SEAF's Bolivian consultant, Fabrizio Nuñez, to ten company visits in La Paz and Santa Cruz. Of the ten companies, four are considered prospects with immediate potential, two are prospects with potential in one year and four are start-ups or not viable investment prospects at present.

SECTION III

Detailed Quarterly Results

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

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

The Communication Campaign continued full force through activities in the following components: supervisory activities, public education/information events and impact evaluation. Additionally, during this quarter we financed the publication of a special supplement on foreign trade issues in the weekly newspaper “La Epoca”, which was denominated “EXPORTEMOS”.

Moreover, BTBC provided CAMEX with an important set of computer, editing and photographic equipment to support the publication of its monthly magazine “Bolivia Exporta Bolivia Crece”, which is now a recognized specialized publication. This equipment allows CAMEX to save on editing costs, thus contributing to the sustainability of the magazine.

A.1.a Seminars on Regional Potential for Export Development

Three seminars were held to discuss this topic: one in Santa Cruz, one in Cochabamba and one in La Paz. In each case, the keynote speaker was a well-respected expert on the economic development of the particular region, plus we invited two or three successful local entrepreneurs to each event to provide their points of view. The closing presentation in all three cases was by the head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States, who expounded on Bolivia’s export potential and market opportunities, particularly in the U.S.

The following charts summarize the content of each of the three seminars:

Export potential of Santa Cruz and Eastern Bolivia
Santa Cruz de la Sierra, 2/1/05

Topic	Speaker
“Economic and export potential of Santa Cruz and Eastern Bolivia”	Carlos Kempff, economic analyst and ex Minister of Economic Development
"Export potential of the wood manufacturing sector”	Nicolás Hurtado, owner and manager of Muebles Hurtado
"Export potential of the Brazil nut”	Clover Paz, Manager of Manutata and President of the National Chamber of Exporters of Bolivia
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

Export potential of Cochabamba and the Valley Region
Cochabamba, 2/2/05

Topic	Speaker
“Economic and export potential of Cochabamba and the Valley Region”	Roberto Lacerna, Economic Analyst
"Export potential of the leather manufacturing sector”	Peter Weiss, Owner and manager of Macaws
"Export potential of the wine sector”	Marianela Chamas (Tarija), National Winemakers Association
"Export potential of the agroindustrial sector”	Mauricio Quintanilla (Sucre), Agrocentral
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

Export potential of La Paz and the Andean Highlands
La Paz, 2/3/05

Topic	Speaker
"Economic and export potential of La Paz and the Andean Highland"	Gonzalo Chavez, Economic Analyst
"Export potential of the jewelry sector"	Eduardo Bracamonte, Manager of Exportadores Bolivianos and President of the Chamber of Exporters of La Paz.
"Export potential of the textile and garment industry"	Virginia Ajhuacho (El Alto), Owner and manager of Val&Fal
"Development and export potential of the tourism sector"	Guido Mamani (Rurenabaque), Albergue Turistico Chalalan
"Where we are in the negotiation process and where we want to be"	Juan Carlos Iturri, Head of the Bolivian Unit for Negotiation of a Free Trade Agreement with the United States

We had 778 registered participants in the three events: 278 in Santa Cruz, 200 in Cochabamba and 300 in La Paz. Over a dozen different mass media organizations provided ample coverage of the events.

Among the most significant conclusions of the seminars we can mention the following:

Santa Cruz (Carlos Kempff)

"The sectors with greatest potential are agroindustry (in particular soy and sugar); forestry and wood manufacturing (where certification provides additional value); livestock (particularly in areas free of hoof and mouth disease); fishery; tourism; textiles and cotton, and leather manufacturing."

Cochabamba (Roberto Laserna)

The sectors with the greatest potential are agriculture, non-ferrous metals, textile and leather products, and trade and transport services. The region should take advantage of its geographic position (in the center of the country), its climate and its population to promote both the agricultural and manufacturing sectors.

La Paz (Gonzalo Chavez)

Free trade alone will not generate economic growth...it must be accompanied by the accumulation of physical and human capital, as well as technological development. The region must develop clusters based on local resources and incorporating innovation, technology and services.

For his part, Head Negotiator Juan Carlos Iturri said that a Free Trade Agreement with the United States is not an end in itself, but an opportunity to achieve greater progress for Bolivia. If this opportunity is not seized, it can mean not only foregoing future gains, but also possibly losing jobs that have already been created in the export sector. For this reason, the country must work united to improve its productivity and competitiveness, and in particular to add greater

value to its natural resources, assure better and more stable markets for its goods and create sustainable and higher quality jobs. Mr. Iturri said that the GOB will work towards a FTA that defends the national interest, including public health issues, sensitive agricultural products and the defense of the Andean Community markets. He also said he will strive for the establishment of solid dispute resolution mechanism.

A.1.b Textile and Wood Exports Workshops

The regional export potential seminars described in **A.1.a** above generated a high level of interest but also some frustration, as the private sector participants questioned our speakers about how to improve their own exports and seemed increasingly unsatisfied with generic answers.

For this reason, BTBC and the export chambers decided to organize a series of more focused events with the purpose of exploring and trying to provide solutions to some very real issues faced by exporters in the areas of production technology, markets, registration, transportation and financing, among others. We chose to organize these initial workshops for the textile/garment sector and for the wood products sector, given their export potential, the large numbers of SMEs involved, and BTBC's experience with these sectors.

In order to bring a larger and more skeptic public to our Campaign events, on this occasion we teamed not only with the Chambers of Exporters, but also with the Confederación Nacional de la Micro y Pequeña Empresa de Bolivia (CONAMYPE), whose president was one of our keynote speakers. The CONAMYPE and its regional federations of La Paz, Cochabamba and Santa Cruz helped bring a significant number of small and micro entrepreneurs to the workshops.

Each workshop lasted a full day. During the morning we had specialists present the different topics mentioned above and in the afternoon we set up information booths where attendees could have a private question and answer session with these specialists.

A BTBC sector specialist initiated each session with a detailed presentation of the characteristics of the sector (textile or wood) in Bolivia, including its strengths and weaknesses. Another BTBC specialist gave the talk on financial services, including specific pointers on how SMEs can improve their chances of getting a loan. Then the other institutions invited to the events participated with the following presentations:

- Centro de Promoción Bolivia (CEPROBOL) spoke about its export promotion programs.
- UPC talked about registration procedures, time and cost.
- Vice Ministry of International Economic Relations spoke about the various trade treaties Bolivia is a part of and the export advantages these provide.
- The regional Chambers of Exporters provided information about transport and other trade-related services.

A special mention goes to the financial services component of the workshops. In addition to

providing the keynote address on the subject, BTBC teamed up with a USAID/B finance project named Premier in order to coordinate the participation of a very significant number of financial institutions in the afternoon information booths. Seven such institutions – including FFPs and banks - participated each in La Paz and Santa Cruz, while six of them did so in Cochabamba.

Each of the two workshops (textiles and wood) was held in the three major cities of Bolivia, for a total of six events. The total number of assistants was 286, distributed as follows:

- La Paz – Textiles 84
- La Paz – Wood 62
- Cochabamba-Textiles 40
- Cochabamba- Wood 34
- Santa Cruz – Textiles 34
- Santa Cruz – Wood 32

The information booths set up for the afternoon sessions were a big success, as participants stayed on after lunch to ask specific questions and/or to establish contacts that could help them solve issues affecting their production or export capabilities. In the area of production technology our sector specialists registered 41 consultations, some of which will result in new technical assistance projects for BTBC. CEPROBOL received 33 consultations in relation to its export-promotion programs and UPC 36 regarding registration procedures. The regional Chambers of Exporters got 35 requests for information pertaining to transportation and other trade-related services. But the area that generated the greatest interest was by far financial services, where almost 200 contacts were established during the workshops, 107 in La Paz, 49 in Cochabamba and 43 in Santa Cruz. It should be pointed out that the interest was two-way, since both the attendant entrepreneurs and the financial institutions were eager to establish contact with one another.

A.1.c.Survey Groups

This second set of focus groups was designed to measure the impact of the *Bolivia Exporta, Bolivia Crece* campaign in terms of education and valuation of the campaign messages. The groups met in La Paz, El Alto, Cochabamba and Santa Cruz during the last week of January. A total of ten focus groups were implemented, with eight participants per group.

The eight groups that met in La Paz, Cochabamba and Santa Cruz essentially coincided in the following aspects:

Education and valuation

Participants felt the communication campaign was informative and educational.

They valued the objective of the campaign.

They increased their appreciation of Bolivian products.

They consider the campaign promotes exports.

They have learned about what products Bolivia exports.

Feelings and impact valuation

The campaign and its messages generated emotion and a feeling of national pride, unity, optimism and desire to get ahead.

However, the results of both focus groups in El Alto were different:

- They didn't believe the spots; in particular they don't believe Bolivia exports jewelry and clothing.
- They said they can't be proud of something they have never seen.
- They argued it is discriminatory that these export products are not accessible to Bolivians.

A.1.d Special Supplement on the FTA in “La Epoca”

“La Epoca” is a free weekly newspaper with a circulation of 9,000 and a high socio-economic level target audience that includes upper-level government officials and entrepreneurs. “La Época” focuses on in-depth political and economic analysis and its specialized supplements are widely read and respected.

During the quarter BTBC financed the publication of three specialized supplements in “La Epoca” with the following topics:

- EXPORTEMOS No.1 focused on the economic and commercial benefits of the Free Trade Agreement (FTA) with the USA. It carried interviews with firm representatives noting the enormous potential of the U.S. market for Bolivian exports, not only for manufactured goods, but also for basic and processed agricultural products. There is also an interview with the Bolivian official in charge of coordinating the FTA negotiations, where he advocates the need for Bolivia to develop a competitive supply of goods and services, instead of continuing to depend on foreign donations to meet basic fiscal needs. The editorial aims at emphasizing the link between exports and economic prosperity and employment generation.
- EXPORTEMOS No. 2 focused on the role that the rule of law plays in securing investments and conveying an image of a country as a trusted partner. Both the editorial and the central article build on this theme, supported by the comments of former government authorities and prestigious exporters. There is also a section on export statistics. The supplement also carries an extensive interview with Mr. José Luís Paredes, the influential and highly voted and re-elected Mayor of El Alto, who advocates the FTA as a major instrument for the economic and social development of his city through increased investment and exports.
- EXPORTEMOS No. 3 focused on a variety of firms that are currently exporting to the U.S.A., all of which want Bolivia to become a full negotiating member of the Andean Free Trade Agreement, since they consider it will generate important business opportunities for the country. The issue includes an interview with one of the new

political leaders of the country, who builds on the idea that Bolivia needs to look for export markets instead of foreign assistance.

A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

On the basis of Supreme Decree 27938 of December 20, 2004, which clarified the norms governing IPR in Bolivia and granted enhanced responsibilities and capabilities to the Servicio Nacional de Propiedad Intelectual (SENAPI), the GOB asked USAID/B for BTBC’s help in carrying out the institutional strengthening of SENAPI. Given the reduced time-frame before the conclusion of BTBC, it was decided to embark on a short pilot modernization program, which included helping SENAPI eliminate an enormous backlog of pending processes in the areas of patents, brands, copyrights and others pertaining to intellectual property rights.

SENAPI’s pilot modernization program – coordinated with the Vice Ministry of Industry, Commerce and Exports, includes the following components:

- Updating and adjusting the Information Technology and Communication (ITC) strategic plan, including identifying required hardware, software and communication equipment, as well as training and installation costs.
- Provide technical assistance for the institutional strengthening of SENAPI and for the elimination of backlog, through a specially recruited team of specialists.
- Recommend future actions to complete the institutional strengthening of SENAPI and ensure its sustainability.

Results to date in the elimination of backlog

The elimination of backlog required first a detailed revision and classification of pending procedures, in order to determine their nature (copyrights, industrial property rights, administrative, legal, etc.) and whether they could be solved directly by SENAPI or required inter-institutional collaboration. In some cases it was also necessary to exchange information with the Association of Lawyers Specialized in IPR.

Once classified, procedures have been solved at an extraordinarily high rate. The following chart summarizes the most relevant accomplishments:

AREA	Number found pending	% solved (3/8/05)
Patents (including inventions, industrial designs, integrated circuits, etc.)	1,400	75%
Brands (industrial, commercial, geographical origin, etc.)	7,720	97%
Author copyrights (literary, artistic, scientific)	100	10%
Intermediate copyrights (phonograms, radio,	1	100%

television, etc.)		
Oppositions	2,500	84%

Results to date in the institutional strengthening of SENAPI

- Training workshop on strategic planning.
- New organizational design.
- Process and system reengineering.
- Review and modification of Personnel Guidelines, as well as Organization and Procedures Manuals.
- Review of administrative, financial and institutional control processes and recommendations for their improvement.

Results in the area of technological improvement of SENAPI

- Provision of the following equipment and software: six computers, one server, two printers, three scanners, one router, two code-bar readers, one copying machine and specialized data base software.
- Design of the technological platform for solving the backlog.
- Support in the implementation of data exchange agreements with the IPR Lawyer’s Association.
- Development of the following data bases: Brands, Copyrights and Oppositions.
- Design of the Management and Monitoring & Evaluation Systems.
- Design of the interactive website.

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

The second Strategic Management Training Program for SMEs of the City of El Alto, implemented by the Master’s in Economic Development Department of Universidad Católica Boliviana, concluded satisfactorily, with 25 new graduates. The program included classes in the areas of Accounting, Strategy, Management and Leadership, as well as a Business Simulation workshop. As in the previous program, one of the features most valued by participants was the personalized counseling, which consisted of visits and counseling to each of the SMEs at the end of each training module. As one of the lessons learned from the previous edition of this program, these visits to companies were extended in this second edition.

The simulation exercises at the end of the course were also highly praised, as they permitted each of the SMEs to work on the immediate solution of critical problems, applying tools

learned in the program. The owners and managers of participating SMEs valued the fact that professors and students of a master's program helped them solve concrete problems within their own business units.

Among the most significant results of the program we can mention the following:

- In the area of Marketing, the SMEs analyzed price-determination strategies, including marketing mixes based on market studies and segmentation. Participants also learned the value of publicity and advertisement.
- In Accounting, participants learned the importance of financial analysis for decision-making.
- In the area of Strategy, participating firms understood the need for planning and the relevance of factors such as competition and consumer trends.
- In Management, the most appreciated component was that related to personnel management and motivation. Participants had access to simulation programs that modeled fixed vs. variable salaries and wages; they also considered the relevance of teamwork to improve production and productivity.

In general, participants agreed that the course opened their eyes to areas of knowledge hitherto unknown to them, which they consider will be very useful to improve the efficiency and competitiveness of their businesses in the short, medium and long run.

The graduation ceremony of the program took place in Hotel Alexander Los Andes of El Alto on March 18, with the presence of Rosario Mengoa de Velasco, Vice Minister of Small and Micro Production of the Ministry of Economic Development, and Liliana Ayalde, Director of USAID/Bolivia.

The 25 new graduates have joined those of the previous course in an Association that maintains regular contact with Universidad Católica Boliviana to talk about management and competitiveness issues.

A.4 Registry Simplification Workshop

The Unidad de Productividad y Competitividad (UPC), dependent on the Ministry of Economic Development, is engaged in a registry-simplification program which aims to encourage and help SMEs become part of the formal economy. Many registration procedures have already been simplified and are available to the general public in a web page designed by the UPC (www.tramites.gov.bo).

However, it often is the case that public servants in charge of applying some of these procedures are not adequately prepared to do so, particularly at the Prefectura level. For this reason, the UPC asked BTBC for assistance in organizing and implementing a training workshop for the heads of the Reform and Management Units of the Prefecturas, nationwide. The workshop was held in February in Cochabamba with the assistance of seven of the country's nine Prefecturas. Specialists from UPC and IBNORCA trained the

regional officials on the new, simplified procedures for enterprise registration.

In order to promote the registration and legalization of SMEs, BTBC designed and executed, in coordination with the Unidad de Productividad y Competitividad (UPC), a registry simplification workshop for public officials of the regional governments (Prefecturas) of the country. Seven of the nine Prefecturas participated in the event with two representatives each from the corresponding Management and Reform Units, which are charged with designing and implementing procedures pertaining to the productive sector. The Prefecturas of Cobija and Potosi were unable to attend because of the politically motivated roadblocks around the date of the event.

Training was performed by the UPC, which has a Registry Simplification Unit that works with both private and public institutions, and by the Instituto Boliviano de Normalización y Calidad (IBNORCA), which delivered the topics of Quality Service to Clients and Documentary System Management.

The course concluded with the signing of an agreement between the UPC and each of the Prefecturas in order to carry out a plan to implement the teachings of the workshop.

Participants in the course were made aware of the importance of registry simplification to improve the business environment. Among other results, the participants made a commitment to go back to their Prefecturas and work – in coordination with the corresponding institutions - on procedures manuals for environmental permits, business registration and tourism permits.

A.5 Collaboration with the World Bank to produce an Assessment on the Business Climate in Bolivia

At the end of 2004 the World Bank office in Bolivia requested USAID/B the assistance of BTBC to cooperate in the elaboration of an important chapter of the World Bank's Bolivia 2005 Economic Country Memorandum (ECM). The ECM is a valuable and periodic assessment implemented on a 5 to 10 years period of how countries are performing on productive, development, fiscal and economic areas. The last Bolivia's ECM was done in 1994. This document sets forth a critical route and guides the World Bank on which areas the specific country needs technical and financial assistance; hereby, its importance.

Given BTBC's collaboration to the Bolivian government in the implementation of several economic studies along the past two years, the World Bank office in Bolivia suggested to hire Mr. Juan Carlos Requena to draft the Investment Climate Assessment (ICA) chapter of the Bolivia's 2005 ECM. From December thru March, Mr. Requena has been working on this effort and he is expected to finish the job by mid April, once a final draft of the ECM is reviewed with government officials and other donors.

During 2000 an Investment Climate Assessment study was done on Bolivia, using a methodology created by the World Bank named Firm Analysis and Cooperative Survey

(FACS). The FACS methodology is strongly based on quantitative and objective information drawn upon from questions ranging from a wide set of firm characteristics and obstacles faced by economic agents, which in turn, allows to classify the information by sectors and firm attributes and facilitates comparisons between countries or within the same country in different time periods. The ICA study is aimed at: i) to identify the most important and costly competitiveness restrictions faced by manufacturing firms; ii) to provide detailed and objective information on how these restrictions affect the firms and; iii) to make policy and reform recommendations either to solve or mitigate the effects of these restrictions. The consultant's work, has then consisted of the following:

- Updating whatever set of policy proposals and recommendations the 2000 ICA suggested and look into the degree of compliance and fulfillment of such proposals to date.
- An integral revision of recent documents and studies done on Bolivia concerning the micro constraints that are impeding Bolivia's development
- The formulation of at least four Bolivian case studies relating the ICA proposals and the micro constraints.

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

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

Bolivian garment exports during 2004 were \$52.4 million, representing an increase of 22% against 2003. Exports during January and February of 2005 have reached \$7 million, a slight decrease with respect to the same period of the previous year. BTBC is contributing to this growth through technical assistance provided by its pool of specialized consultants in the following areas:

- Production systems. BTBC is supporting the largest apparel company in the country, AMETEX, in implementing the Lean Manufacturing production system with the help of U.S. based specialized consulting firm, TC².
- Training. Qualified labor is very scarce in Bolivia, especially in Tarija. BTBC is training 45 workers in that city in the operation of industrial machines. Once trained, they will be hired by existing SMEs. BTBC is strengthening SMEs in order to incorporate them to the export chain. Through this support, these SMEs are improving quality to comply with international standards.
- Incorporation of SMEs to the export chain. Many of the larger apparel companies in Bolivia are growing and need additional production capacity. In order to overcome this limitation, they are subcontracting SMEs. BTBC is working with the SMEs and is preparing them in the areas of manufacturing, printing and dyeing, among others. Examples in the jean business are Bogama, Val Fal, Batos and Antony.
- Opening markets. Several attempts are under way to enter the U.S. market with a group of SMEs through trader Daniel Abugatas. Samples and price quotes have been sent and results are expected in the coming weeks.

- ISO Certifications. BTBC is coordinating with CEDEMYPE, the development of specialized consultants in the areas of workers training in different production systems and specific operations. The purpose of this training is to improve the service offered to companies by CEDEMYPE.
- Access to Finance. BTBC completed a Business Plan for Rey Wear, which is being used to obtain a \$250,000 loan. These funds will be used to install a new dyeing plant that will also offer services to smaller plants. This is a major accomplishment because SMEs will be able to buy white fabric and dye it according to their needs.

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

BTBC-backed companies have maintained their export levels. BTBC is providing assistance to some SMEs that are just beginning to export and therefore the majority of their business continues to be in the domestic market; for this reason, local sales have risen by 15% compared to last quarter.

Cumulative employment in assisted companies has decreased slightly due mainly to a normal dip in the business cycle during the first quarter of the year. Additionally, MYTEX has closed its doors and RECORD is currently working with only one (normally two) of its subcontractors.

More than 50 workers were trained this quarter, bringing the aggregate total to 1,204. Training has been provided on-site in the companies and through workshops.

The table below reflects BTBC's employment and export results in the textiles and apparel sector.

Summary of Cumulative Results: Oct '03-Mar '05 – Textiles and Apparel

Company	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
BTX (MEL CONFECCIONES)	40	112K	120K	90	7
CONFECCIONES RECORD	25	1000K	0,00	150	5
MITSUBA	11	150K	167K	7	2
MAQUIBOL	87	1000K	0,00	50	7
ASEA-MYTEX.	0	980K	0,00	150	0
ALFACH	30	35K	38K	12	0
VAL FAL	15	21K	0,00	22	0
JHECCEM	10	4K	0,00	17	0
MAKAM	6	13K	0,00	2	0
TRAILER	14	30K	12K	30	0
TORINO	10	44K	0,00	3	1
DINATEX	2	0,00	0,00	10	0
IMAGEN	1	0,00	4K	1	0
TRES COLORES	4	9K	0,00	44	0
TEXMABOL	0	0,00	0,00	3	0
DIM's JEANS	9	25K	0,00	10	0
BATOS	40	20K	80K	50	0
BOGAMA		7K	0,00	-	
REY WEAR	136	320K	27K	20	0
AMETEX	0	0,00	0,00		0

				107	
TEXTURBOL	0	0,00	0,00	12	0
ACOTAR	38	0,00	0,00	40	0
HOGARTEX	9	0,00	30K	14	
ANTHONY JEANS	10	10K	9K	20	2
JEANS SPORT	12	14K		-	1
UPC- Training		0,00	0,00	300	
BANCO BISA		0,00	0,00	50	
TOTAL	508	3,800	490	1,234	25

** Employment figures showing the total number of jobs generated as a result of BTBC's technical assistance in all sectors, some of the changes in the figures are due to generation of temporary rather than permanent jobs. As these temporary jobs came to an end, the cumulative employment averages for the companies have decreased.

BAT'T, La Paz & El Alto

After carrying out a diagnosis and developing a work plan, BTBC has been providing technical assistance to BAT'T since December 2004. BAT'T is a subsidiary of the Ametex group which handles local market sales and exports to neighbouring countries utilizing Ametex seconds. Though BAT'T carries almost \$1 million in fabric inventories, it has only eight sewing operators on the payroll for design and sample development. Garment manufacturing is outsourced to seven SMEs, making BAT'T an interesting partner for BTBC.

The BTBC diagnosis identified deficiencies in planning and organization, particularly in the areas of production and logistics. Consequently, BTBC's assistance has consisted of the following:

- Strengthening production coordination, including developing precise specification sheets for all designs to achieve manufacturing consistency.
- Complete control programs have been implemented, allowing for automatic calculation of movement times. Cutting controls have also been implemented in third-party providers of that service.
- The role of each team member has been reviewed and adjustments have been made to achieve a more cohesive and effective team.
- A planning department has been established, beginning its work with 24 items for production in the immediate future. This planning department enables the company to improve efficiencies in outsourcing and delivery times, and significantly reduces reprocessing.

- Outsourcing has been narrowed from seven to four SMEs, for reasons of competitiveness, efficiency and simpler logistics.

REY WEAR, El Alto

This past quarter BTBC has provided extensive assistance to Rey Wear, including the following:

- Sample development
- Development of measurements and specifications for 11 models to be produced
- List of sewing operations and corresponding times for each garment
- Advice and assistance in the procurement of a variety of new machinery
- Recommended layout for Rey Wear's new plant, Hogartex, with a view to maximizing productivity and efficiency
- Development of templates for each model by size for final approval by the US customer prior to commencing production
- Shrinkage control tests on the fabric
- The first production run had certain defects related to dyeing deficiencies originating with the fabric supplier. BTBC analyzed the discolorations and made recommendations on cutting patterns to minimize wastage. The Colombian fabric supplier has recognized its responsibility and is picking up the corresponding costs.

SIMON'S JEANS, Cochabamba

Simon's Jeans is an established manufacturer of denim garments for women in the Bolivian domestic market. The company sought BTBC assistance to train 30 new sewing operators for a new manufacturing operation to be implemented by the proprietor's eldest daughter. BTBC began work in February by overseeing maintenance and repairs on the company's machinery so that it would be in appropriate condition for the training to take place. Advertisements were placed in the local press seeking trainees, but only 20 people applied. Training proceeded for several days, but the owners changed their mind indicating that they preferred to hire experienced sewing operators. Further advertisements were published in the press seeking the experienced operators, but there were no applicants. By mutual agreement between BTBC and the company, this assistance was discontinued.

ANTHONY JEANS, Cochabamba

On closing the activity at Simon's Jeans, the BTBC consultant was transferred to Anthony Jeans to train ten sewing operators. This training is part of Anthony's resuming operations after ceasing due to conflicts in the controlling family group. This resumption of operations is largely thanks to an export order obtained by Trailer (see below), which proposed a joint production alliance to Anthony to manufacture 5,000 units per month. BTBC provided two weeks of training for the ten new sewing operators, who are presently working at Anthony.

TRAILER, Cochabamba

Trailer again sought BTBC assistance to provide on-the-job training for 30 sewing operators. To date BTBC has helped select the personnel, reorganize the lay out of the machinery and perform necessary maintenance prior to commencing on-the-job training. BTBC is also helping the company evaluate a new performance-related remuneration

system.

B.1.c Additional Activities in the Textiles and Apparel Sector

- BTBC helped develop a textile and apparel project for the State Government (“Prefectura”) of Tarija. The project will be the basis for the disbursement of resources originating from hydrocarbon royalties to bolster the textile and apparel sector. BTBC worked jointly with Prefectura personnel in the development of the project, which was formally presented to the Prefectura on February 1st. As the time of writing this report, the document is under evaluation to serve as the basis for the disbursement of Bs 150,000.
- As part of the training provided to the members of ACOTAR, BTBC assisted one entrepreneur in procuring four industrial sewing machines (two straight line, one overlock and one collaring machine) to enable the implementation of a new garment assembly operation.
- As part of our assistance in procurement of machinery, a BTBC consultant accompanied several Cochabamba entrepreneurs to the Iquique Commercial Free Zone (ZOFRI) in northern Chile, where we provided advice on the purchase of machinery and accessories. Trailer Jeans invested about \$20,000 purchasing an embroidering machine, two specialized jean machines, and a variety of accessories and spare parts. Anthony invested about \$2,500 buying two double-needle straight line sewing machines. The Premier Group invested about \$5,000 on the purchase of industrial dyeing machines, two over locks, two double needle straight lines, spare parts and other accessories. By procuring these machines and accessories in ZOFRI, BTBC helped the entrepreneurs to save about 50% in the costs.
- The trip to ZOFRI also served to reconnoitre prices and quotes requested by ACOTAR of Tarija.

B.2 Secondary Wood Products

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

As shown in the chart below, in 2004 the wood sector grew by 25.14% against 2003. The segment with the highest growth is the one that corresponds to floors, decking and manufactured wood.

BOLIVIAN EXPORTS OF WOOD PRODUCTS			
January- December 2003/2004, US\$ millions			
<i>Product</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>	<i>% change</i>
Sawn wood	25.06	32.28	28.79
Sub-total primary wood products	25.06	32.28	28.79
Doors and windows	13.02	16.03	23.12
Wood furniture	14.56	15.39	5.70
Other wood products	4.69	8.05	71.55

Sub-total secondary wood products	32.27	39.47	22.30
TOTAL	57.34	71.78	25.14

Major players are CIMAL, MABET AND UNITED. Despite financial constraints, UNITED grew almost 4% during 2004. Mabet grew 18%, and Muebles Hurtado more than 60%. United, Mabet and Muebles Hurtado were actively supported by BTBC during this last period.

During the first quarter most companies are in a planning phase, waiting for the end of the rainy season to reactivate operations.

BTBC has also started to harvest from previous activities, such as the support given to SMEs in Tarija. Five SMEs are currently producing garden furniture for Casablanca.

EXPOFOREST – which was supported by BTBC - has also been useful to find raw material suppliers and make contact with potential clients. The trade fair was visited by international buyers from five countries.

The following is a summary of the main activities of BTBC wood sector consultants during 3Q04:

Planning and production processes: BTBC continued supporting large and medium companies, but during this quarter there was an emphasis on the work with SMEs in La Paz, Santa Cruz, Tarija and Cochabamba. BTBC is providing assistance in the areas of production planning and control, development of specialized production schemes, especially related to the production of parts and pieces of furniture. Our intervention included the training of workers in production and quality control techniques.

Kiln Drying: This quarter has been very active in this area. We have actively worked with Sali in Cochabamba, IMTAR in Tarija and INFOCAL in Santa Cruz. INFOCAL has been drying wood for Hurtado, San Jorge and La Italiana. Drying is one area where support is most needed. Technical assistance periods should be at least three weeks long to supervise the whole drying cycle. During this period a drying kiln has been conditioned, reducing the drying times in 10 or more days. A new drying kiln started operations in Tarija with our support. This is a small kiln with low capacity geared to the needs of SMEs. In Santa Cruz we developed a drying efficiency curve for 3” wood.

Classification and cutting of sawn lumber workshop: BTBC provided one of the main specialists as instructor in this workshop organized by the Swiss cooperation agency, SECO. The workshop took place in Santa Cruz and had over 50 participants. According to SECO, this was one of the best seminars sponsored by them in the last few years and they want to replicate it in Ecuador with the same BTBC consultant.

Market linkages and commercialization:

- **New Hemisphere:** With our support, NH started a program for the production of 130 Jesuit benches and 120 trunk benches. Muebles Hurtado, San Jorge and Muebleria La Italiana, are currently working on this order. In addition Muebles Hurtado received a second order for 70 Jesuit benches. These orders are valued at approximately \$78,000.
- **Casa Blanca International:** BTBC has prepared a group of companies in Tarija which are now being subcontracted by Casa Blanca. Among the companies that have been incorporated into Casa Blanca's export chain are Carpinteria Diluvio, Quiroga and Ramirez for the production of 90 garden sets, each of which includes two armchairs, two foot rests and a coffee table.
- **SOEX:** This Company has subcontracted several SMEs, the largest of which is PROMAD, which is manufacturing two containers of garden furniture parts and pieces. Chinga Decoraciones is producing 6 living sets and Ultimate Design bedroom sets and bookshelves.
- **ULTIMATE DESIGN** continues subcontracting the services of Pedro Calderon to produce bookshelf doors.
- **SCHMIDT WOOD** is working on a \$10,000 order of special mahogany garden furniture.
- **EXPOFOREST:** New orders are expected from buyers that visited the tradeshow.

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

Cumulative employment and exports in secondary wood products have increased significantly in relation to last quarter's report (4% and 15%, respectively).

The table below reflects BTBC's employment and export results in the secondary wood products sector.

Summary of Cumulative Results: Oct '03- Mar '05 – Wood Products

Companies	New Employees	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
CASA BLANCA	34	197 K		14	12
Mobilia	10	49 K	0	40	0
Ultimate Design - Calderon	9	53 K	8K	10	2
Mabet- Pacahuaras	120	700K	80K	148	0
Muebles Hurtado	46	220K	0	64	0
Somain	22	72K	9K	29	0
CIMAL	6	620K	0	12	0
Schmidt Wood	4	20K	0	8	1
Línea Rústica (*)	8	13K	0	-	0
KAOBA	0	27K	0	-	0
IBEMA	9	0.00	0	22	2
UNITED	150	1000K	0	1.238	0
SOEX	14	128K	0	1	3
SAGUSA	13	80K	0	68*	0
SALI	4	27K	0	6	0
PROMAD	11	12K	0	4	0
MONTANA	0	0	0	4	0
BTL	5	18K	0	8	2
ECOWOODS	2	4K	0	3	0
IMAPA	18	45K	0		0

				27	
COMAS	6	0	0	12	0
CHINGA DECORACIONES	1	5K	0	3	0
MUEBLERIA LOPEZ	5	0,00	7K	3	0
SME'S TARIJA				15	
SAN JOAQUIN				10	
CARPINTERIA CASTAÑON				5	
SAN JORGE	15	0.	0	22	0
LA ITALIANA	7	0	0	12	0
TOTAL	517	3,259K	104K	1,788	22

* 23 in the factory and 45 in the forest.

The following are the companies assisted by BTBC during this quarter:

- **INDUSTRIAS MADERERAS SALI (Cochabamba):** The drying system of one kiln was repaired. The drying time was reduced in 10 or more days depending on the wood species (25-30% of the total time). In order to achieve this result, important equipment improvements were made, primarily in the ventilation and humidification systems. Charts of the recommended air speed and humidity levels were developed.
- **MADEREX (Cochabamba):** The Company asked for a diagnosis and recommendations to improve the quality of its products, especially related to the joints of the different parts and pieces. The results and recommendations were:
 - The depth of the wooden pegs or stoppers should be increased to mitigate possible expansions and allow the adequate distribution of the glue.
 - The type of glue used was improved.
 - The sanding times were too long. Pneumatic sanders should be used to shorten times.
 - Additional recommendations were made in the area of machinery, equipment and production systems
- **Mabet-Pacahuaras (La Paz, Rivalta):** Mabet bought Bolholz, a plant that stopped operations more than a year ago. With BTBC's help, the plant was reconditioned during the first quarter. The operation of the drying kilns and of the rest of machinery and equipment was evaluated. The purchase of additional machinery has been recommended to avoid bottlenecks. The production capabilities of the four plants owned by Mabet (Mabet, Pacahuaras, Deckma and Bolholz) are

being balanced. The yield of each machine has been measured and registered to better project production capabilities.

- **SOEX (La Paz):** Most of our support (75%) was directed to PROMAD, which is producing garden furniture for SOEX. Production has been planned for the next six months for the mother company and all subcontracted SMEs (MAVER, Ultimate Design and PROMAD). Raw material needs, production capabilities and drying capacities have been considered. A new drying kiln has been constructed in coordination with Ultimate Design and Schmidt Wood.
- **PROMAD (La Paz):** Firm orders for the production of parts and pieces of garden furniture were closed. Training and supervision for the corresponding production has finished during this quarter. Wood was dried in January and production started in February. BTBC's support included worker's training and cost management to be competitive.
- **Chinga Decoraciones (Santa Cruz):** With BTBC's support, this company participated in Expoforest and was subcontracted by SOEX to produce living room sets. In addition, BTBC's support included the organization of the whole plant, allowing more flexibility to produce different pieces and personnel management that clearly established responsibilities and functions.
- **Muebles Hurtado (Santa Cruz):** BTBC has supported the development of production plans for four purchase orders from New Hemisphere, including a benches order. Our support started with the classification of the wood, supervision of the drying process and the production itself. BTBC also prepared San Jorge and Muebleria Italiana so that Muebles Hurtado could subcontract them to fill orders from New Hemisphere. BTBC also developed the packaging according to client specifications, which were particularly demanding.
- **San Jorge (Santa Cruz):** BTBC started with a diagnosis of the company so that it could be a supplier for New Hemisphere. BTBC supervised the sample production, including the development of the finishing requested by the client. The areas of support included cost analysis, pattern development, tools sharpening, production planning and control, and advise on export regulations. This company produced 95 Jesuit benches and was selected because of its experience in the areas of carving, finishing and adequate layout.
- **Muebleria Italiana (Santa Cruz):** This Company was also identified by BTBC to produce samples for New Hemisphere. Nevertheless, given its limited production capacity, it will produce only 45 Jesuit benches. Technical assistance has been provided in the areas of layout, costing, subcontracting and export practices.
- **San Joaquin (Santa Cruz):** BTBC is assisting this company in the development of a new layout, production balance, patterns development, and training in the areas of export regulations, quality control, finishing and others. We have also helped them coordinate with INFOCAL for the drying of wood.

- **Casablanca International (Santa Cruz):** Our support consisted basically in the development of a supplier network for garden furniture. The network is located in Tarija and Santa Cruz.
- **COMAS (Tarija):** BTBC's ample technical assistance was instrumental in having COMAS selected by the Danish Cooperation Agency (DANIDA) to receive their assistance, including a joint venture with the Danish company Jacob Berg. DANIDA will provide COMAS with 80,000 Swedish Crowns to buy machinery, equipment, improvement of physical premises, participation in international events, development of marketing strategies and others. BTBC is now assisting COMAS in identifying the needed machinery and equipment, as well as the best suppliers. In addition, BTBC is helping the company prepare for a tradeshow in Denmark.

COMAS personnel has also been trained to produce garden furniture for Casablanca International, including patterns, documentation, machinery maintenance, industrial security, costing, and quality control. Finally, BTBC is providing assistance and advice for a joint venture with COMASUR, also in Tarija.

- **Consorcio Maderero del Sur S.R.L. (Tarija):** BTBC has provided detailed training and technical assistance to this five-company group to prepare them for serial production for export. The group is following our recommendation and is moving to the Industrial Park in Tarija and the plants are being installed according to the layouts developed by BTBC. The group is producing the same prototypes as COMAS, in order to supply the corresponding parts and pieces.
- **IMTAR (Tarija):** A drying kiln started operations with our support. This was a unique case, because the kiln has a hybrid technology. Nevertheless, the equipment was fine-tuned, tests were conducted and drying curves were generated. The kiln will offer its services mainly to SMEs, given its limited drying capacity.
- **Aid to Artisans:** This USAID program has requested BTBC's support to control and reduce the humidity of wide parts and pieces (8" X 8") that were exported to the U.S. Although this requirement was quite late considering the delivery date, BCCN trained the artisans on how to reduce humidity using domestic procedures. The humidity was reduced to 18%; it is not possible to go below that without the use of vacuum technologies.

B.3 Fine Fibers, Leather and Jewelry

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

This quarter BTBC continued expanding its activities in the fine fibers sector by starting assistance programs in new areas. On the other hand, BTBC's activities in the jewelry and leather sectors expanded with interventions in two new companies.

Fine fibers. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed at medium and high-end markets, being exported in low volumes. Most alpaca garment manufacturers need support in design, employee training and marketing. It is important to market the benefits of camelid fibers (alpaca and llama) in the target markets. It is perhaps even more

important to adjust Bolivian designs so that they are appealing to target market consumers. It may also be important to differentiate Bolivian products from the ones produced in Peru. The llama fiber and the use of natural dyeing products may be a way of achieving this goal.

The following is a summary of BTBC's activities in the fine fibers sector:

- **Production Systems.** This quarter BTBC has worked extensively to help companies improve the following key areas: productivity, increased production capacity, production planning and control, inventory management, implementation of additional production lines and cost management.
- **Quality Control.** In many of the interventions BTBC has helped implement various quality control systems and mechanisms. Quality control is fundamental to secure clients. It is also important for reducing costs through early detection of defects and minimizing rejects.
- **Design.** During this quarter we supervised the production of the prototypes of the Winter 05/06 collection for Fotrama, took the pictures of the whole collection and designed the catalog. The collection was designed, based on the market trends and major wool inventories owned by the company. We have also started a training program in the area of design for more than 200 artisans. This program is being coordinated with COPROCA.
- **Opening Markets.** BTBC supported the Bolivian participation in the Magic Trade Show that took place last February. Six Bolivian companies participated in the fair; as a result we expect sales for \$180,000.
- **Training.** BTBC is providing training in a diversity of areas, including design, quality control, costing and quoting, production systems and broad management.
- **Diagnoses and recommendations.** BTBC has done in-depth diagnostic evaluations of several companies to help them identify their internal constraints and develop recommendations as to how to overcome them. These diagnoses have been followed by BTBC interventions to help apply the recommendations.
- **Hand-knitting garments.** BTBC is providing assistance to four hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women; Altifiber/Altiknits, a company outsourcing production to a further 300 women; ASARBOLSEM, an association which groups approximately 1,000 women, 400 directly and the rest through production cooperatives and farmer associations, and COPROCA, with 200 knitters.

Leather Sector. Macaws continues being our major project in the leather sector. We helped Macaws maintain the ISO 9001 certification and obtain the OSHAS 18000 certification, making it the first Bolivian company to obtain the latter. At this point the company is ready to obtain the ISO 14001, which is programmed for late April 2005. In addition, thanks to our support in the area of training, Macaws consolidated its export business to Venezuela and has continued observing substantial growth of its brand Bellagio in the U.S., which is marketed through the Internet.

During this quarter we started providing assistance to Pielbo, a company which produces leather with basic finishing used for the production of shoes, some small leather products and garments.

Jewelry Sector. Exportadores Bolivianos, the gold and silver jewelry manufacturer which received BTBC assistance in 2003 to open a new production plant in Bolivia, continues growing and generating very substantial exports to the U.S. Minerales y Metales (M&M), the producer of gemstones which received BTBC assistance last year to implement a new jewelry manufacturing plant, is expanding its local jewelry business, having opened two retail jewelries in Santa Cruz. CECADEM, a jewelry training and production center is working with the project to train 12 female jewelers in the area of management, so that they can start their own SMEs.

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

The fine fibers sector has to date generated more than 100 new jobs and new exports for more than \$650,000. In addition, BTBC has made a major effort this quarter by providing training to more than 550 people in fine fiber activities.

In the leather sector, the assistance provided to Macaws has contributed to an increase of 108% in the company's total exports with respect to last year. With BTBC assistance this company has trained 210 people, hired 62 and incorporated 60 new SMEs into its production and export chain.

In the jewelry sector, the majority of jobs created in Exportadores Bolivianos with BTBC assistance have been maintained. In 2004 this company's exports reached \$39.9 million, an increase of 31% versus the same period the previous year. Additional exports attributable to BTBC are \$12 million, more than double the company's original commitment of \$5 million.

The table below reflects BTBC's employment and export results in the Fine Fibers, Leather and Jewelry Sectors:

**Summary of Cumulative Results: Oct '03-Mar '05
Fine Fibers, Leather and Jewelry**

Company	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
Milos International	17	83K	21K	3	0
Origenes Bolivia	9	37K	3K	4	1
Altifashion	14	86K	4K	2	1
Altifibers	17	43K	0	2	6
Fotrama	1	140K	116K	330	0
Knitted Apparel	0	36K	0	2	0
Gloria Thaine	0	9K	0	-	0
Alpaca Style	0	18K	0	-	0
Terraltas	0	10K	0	-	0
Intiwara	3	2K	0	5	0
Shalom	20	205K	81K	31	0
BCP	2	6K	40K	1	0
COPROCA	10	0	65K	235	0
ASARBOLSEM	0	0	0	75	1
Patterning and Design Workshops	0	0	0,00	60	0
Design Workshop	0	0	0	100	8
Export. Bolivianos	89	12400K	0	138	0
Macaws	21	816K	37K	210	52+8
Pielbo	0	0	0	2	0
CECADEM	7	0	0	12	1

TOTAL	220	13,866K	340K	1,235	17
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Summary of BTBC-assisted companies:

Milos International, Fine Fibers, La Paz.

Milos' exports increased by 180% during 2004. During this quarter Milos participated in three international trade shows: Paris, Düsseldorf and Las Vegas.

Altifashion, Fine Fibers, La Paz.

Altifashion participated in an extreme sports trade show in the U.S. with very good results. The company's strategy is to enter new niche markets able and willing to pay higher prices for specialized products. At the same time, Altifashion developed especially low-priced alpaca products for the Magic Tradeshow; unfortunately these were not successful competing against similar but lower priced Asian wool products.

Altifiber/Altiknits, Fine Fibers, La Paz.

In the previous quarters, a BTBC diagnosis resulted in a number of recommendations to improve production systems and quality control. Implementation of these recommendations is underway and will be concluded by May. With BTBC assistance, Altifiber/Altiknits participated last February in a trade fair in Denmark organized by DANIDA. Important contacts were made and future sales are expected.

Orígenes Bolivia, Fine Fibers, La Paz.

BTBC provided support to Orígenes Bolivia in the areas of production planning and control, cost control, inventories and training of new personnel in quality control. Its General Manager was trained in the area of production because her associate and expert in the area of production left the company.

Orígenes Bolivia participated in the Magic Trade Show in February, with moderate results. Although the company presented a new and fresh collection, it was not aggressive enough. The prices presented by the company were too high for the kind of products featured.

Millma, Fine Fibers, La Paz.

Through a BTBC contact, DANIDA invited Millma to participate in the Danish garment fair in February. Millma concentrates most of its sales in the US and has a limited presence in Europe until now.

Knitted Apparel, Fine Fibers, La Paz.

No new activity. Eddie Estrada, *Knitted Apparel's* general manager is very ill, and is being treated in Chile. The plant has stopped operations.

Shalom, Fine Fibers, La Paz.

During this quarter Shalom's second plant "Sucursal Parque Riosinho" was installed. New Assets investments for approx. half a million dollars were completed. With this new plant, Shalom's production capacity has almost doubled. BTBC designed the new lay out, supported the installation, calibrated the new machinery and trained middle management. and operators. Operations started in March, but are currently at a dead point because of the lack of trained personnel. Brazilian companies offered better salaries, and the company lost 50% of its personnel. The objectives of the new plant is to produce high value garments, using alpaca and

other fine fibers.

In addition, BTBC completed the assistance to Shalom's mother plant in management, production systems and quality control.

Fotrama, Fine Fibers, Cochabamba.

BTBC provided extensive assistance to Fotrama in production systems, quality control and cost analysis to prepare quotations. Over 300 women were trained in the new quality control and production systems. In addition, BTBC assisted FOTRAMA in the development of its 2005/6 Winter Collection and in the establishment of the company's design and development department. Prototypes have been produced, photographed and a digital catalog has been completed with our support. The new designs are already being produced by the knitting groups. The new collection considers not only market trends, but also the extensive wool inventories owned by the company. BTBC also organized a fair at the US Embassy where FOTRAMA garments were sold.

Intiwara, Fine Fibers, La Paz.

BTBC provided assistance to Intiwara in patterning and design. The company aims to expand its production to include a line of alpaca coats, jackets and suits. Initial sample orders for more than \$1,500 have been dispatched, but it is still necessary to work on patterning and sizing for the European market.

Intiwara was one of the most successful Bolivian companies that participated in the Magic Tradeshow last February, because of the richness and variety of their designs. They have initial orders for \$5,000, but are developing samples for two important catalogs - Smithsonian and National Geographic - and expect orders for over \$40,000 in 2005.

Asociación Artesanal de Bolivia Señor de Mayo, ASARBOLSEM, Fine Fibers, La Paz

ASARBOLSEM is an Association composed of 19 production groups employing over 400 people, of which 95% are female. ASARBOLSEM exports handicrafts and alpaca garments mainly to Europe and has received various awards in Europe and from the United Nations in recognition of its work.

BTBC is assisting ASARBOLSEM since December 2004 with a "Training Program in Textile Craft Production" for two new groups with over 75 additional people. Six trainers, all Aymara, participate in this program. This allows a perfect level of communication between the trainers and the trainees, many of whom only speak Aymara. The two groups "Mar para Bolivia" and "Puya Raymundi" participated actively in the training, and some of the participants were able to produce garments to fulfill ASARBOLSEM export orders even before finishing the program. It is estimated that 60 of the 75 trainees will successfully conclude the program and will be incorporated into ASARBOLSEM production.

Beatriz Canedo Patiño, BCP, Fine Fibres, La Paz

BCP Alpaca Designs is a pioneer in the Bolivian fashion industry and has been in operation for 18 years, competing in the international high fashion markets with designer garments made from Bolivian fine fibres. The company currently exports to Asia, Australia, Canada, Europe and the United States. It sells locally in Bolivia through three company-owned retail

boutiques in La Paz and Santa Cruz. About 40% of BCP's production is exported and the rest is sold in the local market.

BTBC provided technical assistance to help BCP transition from tailor-made to industrial manufacturing, including:

- production planning and control
- development of a cost system based on production capabilities and raw materials used,
- development of a codification system to follow garments during the whole production process,
- introduction of an in-process quality control system,
- inventory management and control of raw materials and final products
- training of a junior industrial engineer to help in these tasks.

In addition, a marketing and promotional plan for the local market was developed with BTBC support.

COPROCA, Fine Fibers, La Paz

COPROCA is a cooperative composed of approximately 1,200 families that raise alpaca herds. COPROCA's main activity is spinning alpaca yarn, and importantly they are beginning to spin de-haired llama yarn. Last quarter BTBC began an assistance program to help COPROCA obtain ISO 9001 certification. COPROCA has had so many quality problems in the past that they now need to improve the quality image of the company and gain the confidence of Bolivian sweater producers and exporters. All basic documentation and procedures for ISO 9001 certification were completed and the first internal audits were performed.

COPROCA needs to improve the quality of the dyed alpaca yarn, where there is a big market potential. BTBC provided technical assistance in this area, as well as in the area of design. A five week training program for 200 artisans is underway, which includes design history, color, design, quality and market analysis.

Exportadores Bolivianos, Jewelry, La Paz.

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, exports continue to grow as a result of BTBC's pivotal intervention in 2003. To date over \$12 million in new exports have been generated as a result of BTBC's intervention.

CECADEM, Jewelry, La Paz

CECADEM (Woman and Family Training and Development Center) is an NGO that helps organize groups of women for the production of jewelry. They have a training facility with the basic machinery and tools. They organize two courses a year, each of them 6 months long. BTBC is supporting the training of 12 women in this area. These women, between 15 and 40 years old, are already organizing their first small company. They will start producing for the local market and expect to export small volumes later this year mainly to the "Fair Trade Market" in Europe.

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

No new activity.

Macaws, Leather Goods, Cochabamba.

Macaws has closed a deal with a Venezuelan buyer for 300,000 celular phone cases, valued at half a million dollars, almost doubling the orders of 2004. This new order exceeds Macaws' installed capacity and will require the hiring of 60 new workers.

BTBC helped Macaws obtain ISO 9001 and OSHAS 18000 certification in 2004, and is currently assisting the company to achieve ISO 14001 certification, expected by April 2005.

PIELBO, Leather, La Paz

Pieles Bolivianas S.R.L. (PIELBO) is a Bolivian tannery that produces finished leather for the local market and exports semi-processed leather (wet blue) to Asia. PIELBO is a member of Cordill S.A. (Corporación Industrial Dillman S.A.), whose major business is in the food sector. Cordill S.A. also owns Genuine Top Leather, being PIELBO its major leather supplier.

With BTBC support, Pielbo will develop three types of specialized products: Softy leather, Pullman leather and "Culatas" leather for the production of small leather products. BTBC is providing technical assistance in the area of leather finishing and training of specialized labor. The leather obtained will be used by Genuine Top Leather primarily for the manufacture of small leather goods, but also for leather upholstery and leather apparel. Pielbo will also improve the quality and variety of finished leather offered in the local market, which in turn will improve the competitiveness of local companies that produce small leather goods.

B.4 Market Linkages Activities

B.4.a Market Linkages in Textiles and Apparel

- BTBC coordinated itineraries for the visits to La Paz by two Chilean garment wholesalers with showrooms near Patronato and Estacion Central in Santiago, which are traditional garment-trading areas of that city. The wholesalers met with a number of garment manufacturers in La Paz, including Bentex, Botama, Val Fal, Texmabol, Taller Carmen Gutierrez and Electro Fashion. These two wholesalers are already procuring denim goods in Cochabamba and Santa Cruz, but on this occasion they were particularly interested in seeking new suppliers for winter clothes, polo shirts and t-shirts.
- BTBC is helping the Mexican company Baby Creysi S.A. identify potential suppliers in Bolivia. Baby Creysi currently outsources all of its production in Asia and is seeking alternative supply sources in Latin America. Through BTBC contacts, Baby Creysi is currently in negotiations with Ametex, Maquibol and Mitsuba.
- BTBC is assisting Alfach in its approach and negotiations with the U.S. garment company Chicos. The prospective order is for 20,000 blue jeans and BTBC is helping Alfach develop cost structure, product technical specifications, types of finishing and other aspects.

B.4.b Market Linkages in Secondary Wood Products

- Danida has already confirmed support to COMAS. Jacob Berg is in Denmark, presenting prototypes to potential clients; all requested changes are being incorporated to the prototypes with BTBC's help and will be ready for final presentation in May.
- COMAS and COMASUR are being assisted to close a \$13,500 garden furniture deal with Casa Blanca.

- We are assisting Muebles Hurtado, San Jorge and La Italiana in fulfilling an \$85,000 order with U.S. wholesaler New Hemisphere.
- Support for the celebration of EXPOFOREST

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

- Two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in a fashion fair that took place in Denmark last February.

B.5 Increasing Access to Capital

- Thanks to BTBC assistance in developing its business plan and reengineering a number of processes, Rey Wear obtained a loan for \$250,000.
- BTBC has provided extensive assistance to the State Government (“Prefectura”) of Tarija to develop the action plan for the textiles and apparel sector. The Prefectura plans to disburse Bs 150,000 in funding for the sector based on this BTBC-supported action plan.

B.6 Training for the Productive Sector

Since its inception, BTBC has provided training for 3,960 people: 1,788 in wood products, 1,224 in garment manufacturing, 588 in fine fibers, 210 in leather and 150 in jewelry. Much of this training was on on-the-job, but we also trained people in structured workshops or seminars. Some examples of BTBC training during this quarter include:

- Two hundred artisans from COPROCA in the area of alpaca design.
- In coordination with CECADEM, 12 jewelers in the area of management.
- ASARBOLSEM (El Alto): 75 people in production and knitting techniques.
- Fotrama: 300 people in quality control related to knitted garments.
- 370 women trained in Rey Wear
- Trailer Jeans: 40 people in industrial sewing.
- Wood classification seminar: 50 participants.
- 25 workers from the wood sector trained for the production of pieces and parts.
- 48 wood craftsmen trained in cooperation with CONAMYPE.
- 15 workers from three companies trained in wood-drying techniques.
- Training of wood artisans as collaboration to Aid to Artisan (8 courses).
- We trained Maderex’s managers on gluing and joining techniques for garden furniture for the German market.

B.7 Major Events and Other Activities

Magic Marketplace, Las Vegas

The participating companies were Alpaca Natures, Alpaca Style, Origenes Bolivia, Intiwara and Mel Confecciones. Aggregate expected sales resulting from the tradeshow are US\$ 180,000 (see the table below), considerably less than previous versions of Magic Marketplace. We believe that this is in part a consequence of increased competition from Chinese goods as a result of the discontinuation of U.S. quotas on Chinese textiles.

Company	Expected Sales	Participation in previous Magic Shows
Alpaca Natures	\$5,000	2003

Alpaca Style	\$23,000	2004
Intiwara	\$45,000	None
Origenes Bolivia	\$6,000	2004
Mel Confecciones	\$100,000	2003
TOTAL	\$179,000	

EXPOFOREST, Santa Cruz

This event was organized jointly with FEXPOCRUZ, CADEFOR and BOLFOR II. Ninety-eight companies participated in the event, presenting over 160 products, including raw materials, manufactured goods, indigenous communities, programs that support the development of the sector, related services, training, etc.

The trade fair included a forum on “Economic development based on renewable resources” as well as a business roundtable. It tripled in size with respect to last year, to over 3,000 m², and counted over 7,000 visitors, including from Germany, Costa Rica, Brazil, U.S. and Mexico.

Small Enterprise Assistance Fund (SEAF) Visit to Bolivia

A BTBC representative accompanied Arturo Rivera of SEAF Peru SAFI and SEAF’s Bolivian consultant, Fabrizio Nuñez to ten company visits in La Paz and Santa Cruz. Of the ten companies, four are considered prospects with immediate potential, two are prospects with potential in one year and four are start-ups or not viable investment prospects at present. These are as follows:

<i>Immediate potential</i>	<i>One-year potential</i>	<i>Start-ups or not presently viable</i>
Santa Monica Cotton	Andean Valley Quinoa	Highland Organics
Minerales & Metales	Kral Juices & Sauces	Colosa
Alcos Farmaceutica		Joyería Andrea
Unete Telecomunicaciones		Gallery Textiles

SECTION IV

Project Issues

A. Imminent Project Close

As the close of BTBC was programmed for 31 March, the level of activity this past quarter wound down and consultant pools were downsized as a number of short-term contracts expired. With confirmation in the latter part of 1Q05 that BTBC will be extended to 31 May, the level of activity is being accelerated for the two additional months.

Although there are still many requests for technical support, we are now in a phase in which we cannot execute most of them due to time constraints to complete the assistance. Short time extensions are not very effective, since there is not enough time for planning, approvals and execution. In addition, most of the interventions executed by the end of the project and even during 1Q05, won't show results before the end of BTBC 1.

B. Counterpart Contributions to BTBC Interventions

The quantity and nature of counter-part contributions has evolved during BTBC. We are now consistently obtaining counter-part contributions for all of our interventions.

C. Wood Collection Hub Reactivated

Meetings between interested parties have been held. IMR-RODA has qualified as strategic partner and is willing and ready to have all the installations ready before September 2005.

D. Social Unrest

This quarter was characterized by social unrest throughout the country, which delayed the execution of many of our projects. Two resignation attempts by current President Carlos Mesa compounded a fragile political situation which included road blocks, demonstrations and strikes all over the country. The business, and in particular the export sector, was significantly affected by these circumstances.

SECTION V

Major Activities for Next Quarter

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

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

- Close of Campaign event.
- Completion of the regional workshops for the wood and textile sectors.
- Final report of the Communication Campaign.

A.2 Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia

Conclusion of the pilot program for the institutional strengthening of SENAPI, including the following activities:

- Implementation of the new Organizational and Management Model.
- Implementation of the new administrative, financial and control procedures.
- Final adjustment or adaptation of the management, budgeting, treasury, planning and investment systems.
- Development of the interactive Internet website.
- Development and implementation of simplified registry procedures.

A.3 Preparing SMEs for the “Buy Bolivian” Program

BTBC considers that the “Buy Bolivian” Program implemented by the GOB can be a powerful tool to promote the growth of SMEs in some of our sectors, particularly garments and wood furniture, by generating additional and significant local demand. We believe that if we help some of our clients participate in this program, this will not only generate production and employment, but will also serve to prepare some of these companies for the challenges of exporting.

For these reasons, and at the request of the Confederación Nacional de Micro y Pequeñas Empresas (CONAMYPE), we are looking into the possibility of teaming with this organization to celebrate a national seminar aimed at preparing its members to participate in the “Buy Bolivian” Program.

A.4 Bolivian Competitiveness Forum

Towards the end of this quarter the Ministry of Economic Development (MDE) asked USAID/B for their support in the implementation of the Bolivian Competitiveness Forum, a major event where public and private sector representatives of the highest level will discuss policies and actions to improve the productivity and competitiveness of the Bolivian economy. The Forum – to be held the first week of June - is being organized by the Unidad de Productividad y Competitividad (UPC) of the MDE, which is charged with coordinating the Sistema Boliviano de Productividad y Competitividad.

BTBC has been asked to finance the communicational component of the Forum, including press conferences and releases, informational material, transcripts of presentations, and design and publication of the proceedings.

Once USAID/B has approved the funding for this project, BTBC will move quickly to put out a Request for Proposal that will be sent out to qualified Bolivian public relations firms. Both the RFP and the selection process will be done in coordination with the UPC.

B. Activities to Stimulate Production and Exports

B.1 Textiles and Apparel

- BTBC is coordinating a commercial mission to Chile with CEPROBOL and CAMEX. Approximately 10 Bolivian garment manufacturers will travel to Santiago and Iquique to meet with interested wholesalers previously identified by the Bolivian Consulate in Santiago in conjunction with the Chilean Chamber of Commerce. The mission is scheduled for the middle of May.
- BTBC plans to provide technical assistance to Julio's in Cochabamba, with a view to helping the company diversify its product lines for women. The new product lines will be used to supply new seasonal inventory to Julio's stores.
- BTBC will follow up on the implementation of the Premier Group's finishing plant in Tarija.
- In April BTBC will conclude its technical assistance to Rey Wear.
- BTBC plans to provide technical assistance in management techniques to Alfach in Cochabamba.
- In collaboration with CANEB, BTBC is coordinating an exposition in which three Italian designers and 14 Bolivian designers will exhibit their collections in a high level event.

B.2 Secondary Wood Products

- Support GINKO in the installation process.
- Support COMAS to produce with the required quality within acceptable price ranges.
- Help SOEX to subcontract new SMEs.
- Consolidate the Schmidt Wood exportation order to the U.S.
- Support New Hemisphere operations in Bolivia through subcontracting.
- Support the development of activities of Globex in Bolivia.
- Support the production of Maderex in Cochabamba.
- Support sample development of Tarija SMEs.

B.3 Fine Fibers, Leather and Jewelry

Finalize BTBC assistance to Asarbolsem in training and quality improvements for 75 women that hand-knit in El Alto and are exporting their products. Due to the social unrest in January and March in El Alto this program was extended until May 2005.

Continue BTBC's assistance to COPROCA, particularly in the areas of design, yarn dyeing and ISO 9001 certification.

Support CECADEM in the area of design, to develop a silver jewelry collection for the European market

Continue with our support to Pielbo to produce high quality leather finishings, which will improve not only Pielbo's competitiveness but that of Genuine Top Leather and other companies that manufacture small leather products.

Complete the support to Macaws with the ISO 14001 certification.

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

Start Date: July 29, 2003

End Date: September 30, 2006

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

Quarterly Progress Report:

1. Background

Chemonics International, Inc. and its subcontractors, Deloitte Touche Tohmatsu Emerging Markets Group, Ltd. and the National Center for State Courts (NCSC), were selected to implement USAID's Fostering an Investment and Lender-Friendly Environment (FILE) commercial law project. The project, which will run approximately three years, covers a variety of commercial law issues, including bankruptcy and collateral law, court administration, and World Trade Organization (WTO) accession. Project activities are described more fully in the related Task Order (TO) and in FILE's previously submitted workplans.

The lack of investments and long-term lending is impeding the growth of the private sector in Bosnia and Herzegovina (BiH). It also impedes the country's recovery from the war and transition from a command to a market economy. FILE is designed to assist its BiH counterparts in four key areas. First, to make the collateral law regime work through professional education and training of relevant parties (i.e., judges, lawyers, trustees, appraisers, notaries, bankers, law students, etc.). Second, to make the bankruptcy and liquidation laws and procedures work through professional education and training of relevant parties (including judges, trustees, lawyers and appraisers), and by shepherding a number of pilot bankruptcy cases through the judicial process. Third, to assist BiH in its accession to the WTO by providing procedural assistance and developing a workplan of remaining tasks in the accession process. Fourth, to streamline the ability of BiH courts to adjudicate commercial cases in a timely, predictable, and efficient manner by installing new computer hardware and software, training court personnel, and improving the legal and regulatory framework for efficiently handling small commercial claims.

Each of the following sections corresponds to a TO component. Within each section, FILE describes the specific activities undertaken and accomplished during the reporting period.

2. Component One: Collateral Law

Training Activities. In January, FILE corresponded with the court presidents of Municipal and Basic courts throughout BiH, inviting their judicial associates, enforcement officers and other court staff to participate in training sessions on the enforcement law and soliciting their input for issues to address. In light of favorable response and interest, FILE began including judicial associates in its training programs for judges.

FILE's collateral law team held two training sessions for judicial associates, enforcement judges and other interested judges during the reporting quarter. The sessions were designed in consultation with the directors of BiH's two Judicial Training Centers (each a "JTC").

The first session was held in Sarajevo on February 25th for participants from both the Federation and the Republika Srpska (RS). The training focused on creating greater efficiencies in processing enforcement matters, and highlighted issues that delay the effective processing of enforcement cases involving real property and movable collateral. The session was attended by eleven judges and five judicial associates, as well as representatives from the BiH Association of Bankers and Volksbank.

The second session was held on March 25th in Banja Luka. This session, which also focused on creating greater efficiencies in processing enforcement matters, was attended by 37 judges and judicial associates from both the Federation and RS.

During the reporting period, the collateral law team also made preparations for two enforcement officer training sessions. The first session is scheduled to take place on April 1st in Sarajevo. Thirty-three participants confirmed attendance. The second session will take place in Tuzla on April 19th. These sessions are the first training sessions ever held for enforcement officers. The purpose of the sessions is to provide formal instruction on the enforcement law under the supervision of a leading enforcement judge, and to aid in developing "best practices" for the enforcement officer profession. Handbooks designed specifically for enforcement officers, that contain recommended forms and information on the law and related issues, will be distributed at the sessions.

Development of Resource Materials. To assist in the institutionalization and sustainability of its training programs and resource materials, FILE will transfer such items to BiH's High Judicial and Prosecutorial Council (HJPC). In this regard, the collateral law team focused on updating existing resource materials – its judge's benchbook, in-house counsel manual, and enforcement officer's manual - with an eye towards transferring these materials to the HJPC.

During a March 31st meeting with HJPC President, Branko Peric, FILE and Judge Peric briefly discussed the provision of hard (paper) versions of FILE's training and implementation resource materials to HJPC to facilitate their use by training participants. The parties agreed to postpone a decision on the number of hard copies to be printed pending further discussion with

appropriate parties.

Partnership with Banks. During the quarter FILE continued efforts to collect updated data from banks and courts to determine how many collateralized loans are in enforcement action, the status of their processing, and if and where the processing is “bottlenecking.” Pursuant to the Workplan, the collateral law team is tasked with providing hands-on monitoring of and training on the resolution of non-performing, secured loans with cooperating banks. During the reporting period, the team worked with cooperating banks on three pilot cases. The pilot cases were selected in order to:

- Identify typical problems that the partner banks face in the enforcement procedure;
- Help the partner banks to overcome problems and develop the best strategy possible in the each particular case;
- Analyze identified problems in order to find the ones caused by legal and judicial system; and
- Propose eventual changes in legislation or court practice.

All three cases are typical foreclosures, where the bank tries to collect a delinquent loan through the judicial system. Two cases belong to Volksbank BiH and one case belongs to Ljubljanska Bank. The status of each case was summarized in FILE’s “Report on March 31, 2005 Deliverables,” submitted to USAID on the same date.

Website. FILE’s Task Order for both its collateral law and bankruptcy law components requires FILE to identify or create a website where matters relating to FILE’s training and resource materials can be posted. As noted in prior reports, FILE has undertaken various efforts to meet this requirement, including assessing potential “partnering” opportunities with existing and/or proposed websites, as well as assessing the development of its own website (the content of which could be subsequently transferred to an appropriate indigenous institution or association).

In recent discussions with USAID, however, FILE has been directed to transfer training and resource materials to the HJPC and work with the HJPC to ensure that FILE’s training and resource materials are posted on its website. During the March 31st meeting with Judge Peric mentioned above, FILE and Judge Peric discussed the different training and implementation resource materials FILE has developed and the possibility of posting them on the HJPC website. Judge Peric agreed that it was important to provide access to all final training and resource materials and that these materials should be made available on the HJPC website. He asked that FILE coordinate this with the HJPC’s IT department.

Other Activities. Additional activities included the following:

- **New Collateral Law Specialist.** In January, Boris Maslo joined FILE’s long-term staff as a Collateral Law Specialist. Mr. Maslo previously served on USAID’s Pledge Registry and Business Finance projects. In January, Mr. Maslo analyzed GTZ’s recent draft of the Law on Obligations. If adopted, the draft could undermine the secondary market for debt/loans by requiring the debtor’s approval before the accessory right (i.e., security interest) can be successfully transferred to another creditor. As such, the draft undermines
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progress made by USAID and the Bulldozer Committee, which addressed this very issue in 2003. FILE has sought USAID's direction on appropriate follow-up.

- **Enforcement Backlog.** In January, the collateral law team sent letters to all court presidents of municipal and basic courts of BiH inviting their enforcement officers and court staff for training on the enforcement law. Related training sessions are being scheduled for April/May 2005. The letters also sought information about existing enforcement backlogs and issues confronting effective enforcement practice in the courts.
- **Systemic Change.** During the reporting period, the collateral law team began summarizing its research on problems faced by BiH and other Eastern European countries in implementing enforcement of judgments relative to asset based lending. The research and findings laid the foundation for the work of short-term enforcement expert, Wade Channell.
- **Enforcement assignment.** During the reporting period, FILE's short-term enforcement expert, Wade Channell, began his analysis of the present state of enforcement to identify gaps and develop recommendations for systemic improvement. The analysis provides the foundation for future reports contemplated by FILE and USAID relating to (i) changes to the collateral law system and (ii) systemic challenges to effective commercial and related enforcement practices and solutions thereto. Mr. Channell will return to BiH in April to conduct two roundtables with local partners to obtain practical input on issues impacting enforcement practice and discuss potential solutions thereto; and to finalize a report recommending specific interventions that will have the highest impact on enforcement practice over the short and medium terms.

3. Component Two: Bankruptcy Law

New Court Administration Team Member. Gleb Glinka joined FILE in January to lead the bankruptcy team's efforts.

Training for Bankruptcy Judges. During the reporting period, the bankruptcy team conducted its fourth training session for bankruptcy judges. The session was held in Tuzla on March 10th – 11th and focused on the sale of the bankruptcy debtor's property and distribution of related proceeds. Twenty three bankruptcy judges attended the session. Furthering FILE's goal of ensuring that its training be institutionalized, the training was organized in conjunction with BiH's two entity-level JTCs and included two bankruptcy judges as part of the training team.

Training for Trustees. In 2004, FILE trained trustees on their role and responsibilities in the preliminary stages of a bankruptcy proceeding. With training on preliminary proceedings complete, FILE moved on to the next phase of training – five sessions focused on issues relating to bankruptcy's Investigation and Reporting hearings.

The first session of this second phase took place in Sarajevo on December 17, 2004. FILE conducted two additional sessions in January - in Mostar on January 11th (10 attendees) and in Tuzla on January 26th (24 attendees). The final two sessions were held in Banja Luka on February 8th (19 attendees) and Doboje on February 9th (17 attendees). These day-long trainings focused on the legal and financial aspects of bankruptcy's Investigation and Reporting Hearings,

including: the legal consequences of the opening of the bankruptcy proceeding; the role and responsibilities of the Trustee from the moment of opening until the Investigation and Reporting Hearings; preparation of the Trustee's Reports for the Investigation and Reporting Hearings (with practical examples); inventory and assessment of assets for the Investigation and Reporting Hearings; the definition and implications of the bankruptcy estate as a new legal entity; and the legal consequences of the Investigation and Reporting Hearings.

With these training phases complete, the bankruptcy team prepared to introduce the next phase of bankruptcy training - a series of five training sessions relating to the liquidation of the bankruptcy estate and distribution of sales proceeds. The sessions are scheduled to take place on April 5, 7, 8, 14 and 15 in Tuzla, Sarajevo, Mostar, Banja Luka and Doboј, respectively.

Training for Appraisers. Building on the success of its two December 2004 sessions, two advanced training sessions for appraisers were held on February 21st and 22nd and on February 23rd and 24th, in Banja Luka and Sarajevo, respectively. There were twenty-four participants in Banja Luka (covering the regions of Banja Luka, Bihac, Doboј, and Travnik) and twenty-eight participants in Sarajevo (covering Sarajevo, Tuzla, Brcko, Mostar and Zenica) who were trained in depth on how to conduct valuations professionally under the Appraiser's Code of Ethics and on how to read and apply the International Guidelines on Valuation.

These sessions provided an excellent opportunity to update all attendees about new valuation Guidance Notes introduced in February 2005, and to refresh their grasp of the International Valuation Standards related to the valuation of market values, non-market values, and standards related to reports on valuations. The participants were mostly concerned about valuation of real property, plants and equipment, intangible assets, personal property, businesses, and agricultural properties. Representatives of USAID's TAMP Project also attended these sessions.

Training for Trade Unions. FILE's workplan contemplated that it would conduct "train-the-trainers" programs for ICFTU and related personnel on or before March 31st. These sessions have not yet taken place, as additional time was required to coordinate program dates and participant schedules. The sessions are now scheduled to take place in May 2005.

Resource Materials. During this quarter, the bankruptcy team undertook the following activities related to bankruptcy reference materials:

- On January 31st, FILE completed and delivered to USAID a bilingual version (local language and English) of the Federation and RS bankruptcy laws, with all amendments incorporated. The document identifies the differences between the entity-level bankruptcy laws and presents a complete, reliable English translation that was previously lacking (which will be very useful for all donors working on related implementation issues).
 - The bankruptcy team drafted an informational brochure that concisely summarizes the purpose of BiH's bankruptcy laws. The brochure also describes how bankruptcy works, describes reorganization and liquidation procedures, and highlights the benefits of the bankruptcy process for the general public.
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- The team drafted a model agreement with trustees for the pilot cases and other major interventions of the bankruptcy team, setting out the terms under which FILE will assist the trustee in fulfilling his statutory duties, the respective obligations of the parties, and the waiver of any liability.
- On February 28th, FILE delivered its “Pilot Cases Progress Report” covering the period January - February 2005. The report describes the progress and current status of FILE’s then current bankruptcy pilot cases - Unis Tativ and Livnica; summarizes the bankruptcy team’s activities for each case in chronological order; enumerates specific issues in the order that they arose and describes the measures taken to address them; and identifies the significant steps in these bankruptcy proceedings that are due for resolution in the next reporting period.
- The team laid the groundwork for Valery Khandus, an expert in financial modeling, analysis and forecasting, to adjust USAID’s Corporate Restructuring Model to the BiH bankruptcy environment. The Corporate Restructuring Model (CRM) is a powerful computer-based software tool that enables users to analyze companies in financial trouble and model the various options for restoring the company to solvency. Once the historical and current financial data about a company is entered, the CRM tool will graphically and precisely model the impact of various operational, managerial, structural, financial, and legal measures and indicate the effect of adjustments in any one or several of these parameters. The CRM, once adjusted to a specific bankruptcy law and its particular provisions, will ensure that trustees and others shepherding a bankruptcy case along will follow the timelines established by the law, generate various scenarios for a plan of reorganization, depict the projected results for the creditors in a reorganization or liquidation, and generate the forms and supporting data for the plan itself. Mr. Khandus will join the project in April 2005.

Pilot Bankruptcy Cases. During this quarter the bankruptcy team continued shepherding the two pilot cases currently on its docket - Unis Tativ, a state-owned machine tool and fastener manufacturing concern located in Konjic, and Livnica, a state-owned metal foundry located in Sarajevo. In addition, the team began work on the newly approved pilot case, Podgradci. Specific activities for each case are summarized below:

- **Unis Tativ.** January was an important and productive month for Unis Tativ. Both the Investigation Hearing and Reporting Hearing were successfully concluded, and the trustee was instructed to prepare a plan of reorganization. Both hearings also presented interesting technical and procedural issues. The technical issues will be addressed in future training programs, while procedural matters have been referred to FILE’s court administration team with certain preliminary recommendations to improve the efficiency and decorum of proceedings.

The Investigation Hearing was successfully concluded on January 14th. At the hearing, the judge established the table of claims and the first assembly of creditors met and elected a five-person Board of Creditors, which was duly empanelled. The results were positive, but the hearing itself – which lasted nearly six hours - highlighted the need for additional substantive and administrative interventions by FILE’s bankruptcy and court

administration teams.

The Reporting Hearing was successfully concluded on January 31st. The hearing was attended by the Trustee, the debtor's manager, approximately sixteen creditor representatives and the bankruptcy team. At the hearing, after some desultory discussion, the creditors voted unanimously in favor of, and the Judge ordered, the following: (1) to accept the Trustee's Report and retain the Trustee; (2) to continue the business operations of the debtor; and (3) to direct the Trustee to prepare a Plan of Reorganization within 30 days. Thanks to the extensive and thorough preparatory work of the bankruptcy team, the Trustee's Report was accepted with little discussion and the decision to reorganize Unis Tadv was passed quickly and without opposition.

In early February, the bankruptcy team, together with Tadv's Trustee and Production Manager, began developing Tadv's reorganization plan. In March, the bankruptcy team and Trustee made two presentations to stakeholders about the potential plan. The first presentation, on March 18th, was for Tadv's employees, and was intended to educate employees about the plan and the value they would receive thereunder. The second presentation, held on March 25th, was to review the plan with Tadv's Creditors' Committee.

The draft plan is the culmination of months of intensive, hands-on guidance and input from the bankruptcy team. It will be filed by the Trustee with the court on April 1st, was negotiated with all the major creditors, and prepared with the concerns of the Creditors' Committee in mind. Under the plan, all the employees (161) will retain their jobs. The total debt has been significantly reduced (six fold) through objections to claims, paying workers and suppliers with shares, persuading the principal secured creditor to waive its secured claim, surrendering the collateral to two other secured creditors, and structuring payments over the first and second years. The surviving secured creditor will be paid 100 per cent of its principal debt, without interest. The general unsecured creditors will recover 10.5 per cent of their claims.

The process, to date, has yielded many valuable lessons learned that have been, and will continue to be, captured in FILE's resource and training materials so that others can repeat the successes created along the way.

- **Livnica.** In February, the bankruptcy team worked closely with the Trustee on developing his report for the Reporting Hearing, including drafting recommendations to Livnica's creditors. Considerable time was also expended in reconciling the assets to be included in Livnica's bankruptcy estate.

Both the Investigation and the Reporting Hearings took place on February 16th. With regard to the Investigation Hearing, it is interesting to note that Livnica's largest creditor, Energoinvest, did not file a claim. The other creditors were the workers, the tax administration, the Pension and Health Funds, and one lawyer who had provided legal services to Livnica. The Trustee disputed the claim of the Health Fund because health services were not actually available to the employees. Accordingly, the only

creditors' objection at the hearing was raised by the representative of the Health Fund, in response to which the judge rightly directed him to Civil Court.

At the Reporting Hearing, the Trustee presented his report to the Assembly of Creditors. The Trustee pointed out that he had released all the workers in order to reduce the costs to the bankruptcy estate and, that under current conditions, resumption of production was not a realistic option. Additionally, the Trustee discussed the dismal reorganization prospects of the debtor and the lack of any serious interest by investors. The recommendations specifically proposed sale of the company's assets in four groups through a bankruptcy liquidation.

After some discussion, the creditors decided to: accept the Trustee's report; elect three members to the Creditors' Committee; authorize the Creditors' Committee to determine the method of sale of Livnica's assets and, together with the Trustee, sell the assets of the bankruptcy estate according to his recommendations; ask the judge to appoint court experts to appraise the value of the bankruptcy estate; and contract with an auditing company to complete the financial reports of Livnica.

After the Reporting Hearing held on February 16th, the judge appointed court experts to appraise the value of the bankruptcy estate. The appraisal process was still ongoing in March and is expected to be completed in April.

- **Podgradci.** In prior months, based on considerable due diligence, review of available documentation, and interviews with various stakeholders, the bankruptcy team compiled recommendations for commencing a pilot bankruptcy case in the RS. FILE presented its findings and recommendations to USAID on March 3rd. At the conclusion of the presentation, USAID and FILE agreed that FILE should adopt Podgradci as its RS pilot case.

Podgradci is a wood processing company located in Gorni Podgradci, near Gradiska. It is a strategic enterprise, with 61% state-owned capital. The remaining capital is owned by the workers (26%), pension fund (9%), and restitution fund (4%).

A bankruptcy petition was filed against Podgradci by one of its creditors on April 26, 2004 (the underlying claim was for 293,207KM). The case is currently pending in Banja Luka's Basic Court and has been assigned to Judge Milijevic. The Interim Trustee will submit his Preliminary Report to the Court during the first week of April 2005 and will recommend the opening of bankruptcy proceedings. The Opening Hearing and a decision on the opening of the case should be made within twenty days after submission of the report.

Other Activities during the Quarter: In addition to the foregoing, the bankruptcy team worked with:

- the RS Trustees' Association to assist them in drafting a proposal for regulations on the compensation of Trustees pursuant to Article 237 of the Bankruptcy Law to present to the Minister of Justice;
- the Association of Appraisers to discuss improving FILE's Appraisers' Guidebook, jointly producing additional materials, and forming a nationwide association;
- USAID's Cluster Competitiveness Activity to explain the prospects of reorganization in bankruptcy of companies working in the timber industry and to establish model solutions applicable throughout the industry, including work-outs in the shadow of bankruptcy;
- The Office of the High Representative (OHR) to deliver two separate presentations and answer questions about the purpose, workings, benefits, and effectiveness of the bankruptcy laws to cantonal and line ministers and other governmental representatives;
- the Local Development Initiative Project to explain the application of bankruptcy proceedings to agricultural enterprises and explore cooperation;
- BiH's commercial divisions, gathering additional and current data on the case load and progress of bankruptcy cases, and providing a summary of such cases to USAID and other donors interested in bankruptcy matters; and
- the JTCs to prepare for upcoming judicial training sessions and to establish framework for transferring the bankruptcy team's teaching materials, lesson plans, resources, and methodology to the HJPC and/or the JTCs.

The team also:

- **Completed and delivered to USAID on March 31st a "Report on Bankruptcy Activities" for the first quarter of 2005. This report lists all meetings, deliverables, training sessions, resource materials, and other activities that the team conducted in during the quarter.**
- Completed and submitted, in conjunction with FILE's Monitoring and Evaluation Specialist and other substantive teams, FILE's Performance Monitoring Plan for the six-month period ended February 28, 2005. The plan was submitted to USAID on March 15th and includes roadblocks identified and solution models developed, and could serve as a solid basis for further developing and preparing the bankruptcy team's next deliverable set of hypothetical solution models, which is due on May 31, 2005.
- Made a presentation at the second annual BiH Business and Investment Summit, held on January 24th – 25th in Sarajevo. The presentation highlighted the relationship of privatization to bankruptcy reorganization, delineating the advantages of bankruptcy in preparing viable companies for privatization through reorganization or liquidating companies that are not viable under the law.

4. Component Three: World Trade Organization Accession

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

5. Component Four: Court Administration

New Court Administration Team Member. Timothy Bates joined the court administration team in February to lead FILE's case management software (CMS) development efforts.

Development of Integrated Case Management System Software. During previous reporting periods, FILE's court administration team reviewed various approaches for building its software development capability, interviewing several software development firms and individuals, and further evaluating physical requirements and software architecture. These activities continued, with the following developments:

- **Staffing.** The court administration team determined its overall approach for developing CMS, concluding to use a vendor partner instead of in-house resources for development efforts. The bids from three potential vendor partners were evaluated and the risks of each option weighed. Although the team's financial analysis indicated that the in-house option could possibly be more cost effective, its risk analysis showed selection of a vendor partner to be the more prudent approach.

Risks associated with staff volatility and lack of depth of knowledge is not controllable in the current BiH environment. PING Company, a local Oracle business partner, has been selected as FILE's vendor partner and contracts have been drafted to engage them in this project. PING recently completed the design and implementation of the CIPS project based on the Oracle development tools, giving them a depth of knowledge not present in other bidders.

To complete the staffing of the CMS Development Team, an offer will be extended to Enes Hukic to fill the position of Senior Technical Analyst. Mr. Hukic has a thorough understanding of Oracle development tools, most recently being engaged as a trainer on Oracle products, and also has software development experience. This position will be created and filled once FILE's pending Task Order modification is executed. Until such time, Mr. Hukic will provide other short-term services required under the current Task Order.

- **IRM/PMO Review.** To gain complete approval of the CMS development effort and subsequent approval of the PING subcontract, a USAID IRM/PMO review was conducted. The appropriate paperwork was submitted to USAID's Project Management Office and approval of the project by the IRM/PMO team was received. This approval, along with additional supporting documentation, has been submitted to FILE's Contracting Officer for approval of the PING subcontract.

- **User Group.** To ensure effective CMS development, FILE desires to form a CMS User Group, including judges, court staff and other system users, to oversee and define the functional change in court practice that can result from implementation of the CMS application. This group will be actively involved in periodic reviews relating to software development, review of implementation and training plans (court readiness), and review of
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the results of implementation in FILE's pilot courts. Judge Ognjenka Skoro, President of Mostar's Municipal Court, has agreed to head the CMS User Group. Judge Mladen Jurisic, President of Mostar's Cantonal Court, Deputy President of the HJPC and chairman of its court administration committee, is also a member of the User Group. Overall, the User Group is comprised of six judges, two court Secretaries, two Chiefs of Registry Offices and one HJPC Council representative. The first meeting of the CMS User Group will be held April 14th in Mostar.

- **Architectural Decisions.** In joint discussions with HJPC, it has been determined that the Oracle RDMS product and related development tools are most appropriate for development and deployment of the CMS application. This decision centers on the desire to provide BiH's seventy first and second instance courts with centralized databases and support capabilities. PING has accepted responsibility for providing all Oracle development tools required to complete Phase I software development. This minimizes the amount of funds FILE needs to acquire software licenses.

Development of Software for Collection of Data on Pending Commercial Cases. One of FILE's goals is to create an environment that protects creditors' and investors' rights by strengthening the capacity of BiH's commercial divisions to adjudicate commercial cases in a timely and predictable manner. Existing inefficiencies in the court system and its practices discourage positive developments, such as foreign and local investment.

During the reporting period, FILE utilized a group of law students to collect data about the backlog of commercial and enforcement cases currently confronting Mostar's Municipal Court, using software designed by FILE and the HJPC for the task. In addition to these resources, Judge Skoro, under a unique agreement with the law faculty, has provided the services of three law clerks to assist in the project.

This ongoing work paves the way for the introduction of CMS, as it (1) allows court staff to gain familiarity with database software and keyboarding skills and (2) populates the database with validated case information that can be readily transferred to the CMS application when it comes on line. The project also provides the opportunity to introduce additional process changes that will create greater efficiency in case processing. A measure of FILE's success is the support and buy-in of Judge Skoro, a champion of reform who understands and desires the process improvements being jointly created and continues to provide FILE with more personnel from, and access to, her court. Similarly, the use law students, arranged in cooperation with the court and Mostar's two law faculties, lays additional foundation for developing real practicum as part of the law curricula.

The final outcome of this project will be significant improvement in execution of enforcement cases and the development of a set of processes that can be easily transitioned into other courts. Furthermore, the data collected can be readily transferred to the CMS application when it comes online in late 2005.

Memorandums of Understanding with Pilot Courts. Previously, FILE, HJPC and ICITAP had

negotiated an “omnibus” memorandum of understanding setting forth the respective roles of each group in the court automation process. FILE, USAID and HJPC have since concluded on a different approach. FILE will enter into memorandums of understanding (MOUs) with its first three pilot courts for automation – Mostar Municipal Court, Mostar Cantonal Court, and Konjic Municipal Court. The purpose of the MOUs is to establish a formal, cooperative relationship between FILE and its partners in the courts to ensure successful and timely installation and utilization of the software. Under the MOUs, the signatories agree to take all actions reasonably necessary to ensure that the case management software is installed, tested and ready for regular, operational use by courts in early 2006. A signing ceremony will be held on April 14th in Mostar, as part of the first CMS User Group Meeting.

E. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy (SEPIC), TO#822

Start Date: August 4, 2003

End Date: August 13, 2006

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

A. PERSONNEL SUMMARY

A1. Local Professionals

- *Chief of Party and Task Leader for ANAR: Liviu Ionescu (LI)*
- *Assistant to the Chief of Party: Virgil Ionut Dobre (ID)*
- *Task Leader for EMS/P2: Andreea Milea (AM)*
- *Assistant to the Task Leader for EMS/P2: Ioana Stanescu (IS)- Currently on maternity leave*
- *Task Leader for WATMAN: Mary-Jeanne Adler (MJA)*
- *Technical Expert: Rodica Stefanescu (RS)*
- *Office Manager: Gratzia-Felicia Vascencu (GFV)*
- *Technical Expert: Ana Maria Moldoveanu (ANM)*
- *IT Expert: Florin Lazar (FL)*
- *IT Expert: Paul Negritu (PN)*

A2. Expatriate/TCN Specialists

- *EMS Senior Technical Advisor: Avrom Bendavid-Val*
- *WATMAN Senior Technical Advisor: Glen Anderson*
- *ANAR Senior Technical Advisor: Chris Perine*
- *Environmental Specialist/Engineer: Phil Brown*
- *Environmental Specialist/Engineer: Daene McKinney*

A3. Home Office Project Management

- *Project Manager: Avrom Bendavid-Val*
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- *Deputy Project Manager: Chris Perine*
- *Project Administrator: Kristen Totino*
- *Assistant Project Administrator: Ryan Flory*

B. SUMMARY OF PROGRESS ON MAJOR IMPLEMENTATION STEPS

The main accomplishments during this period were:

B1. Component B: EMS and P2

- First EMS cycle completed according to the EMS&P2 work plan and schedule except for Nova Textile (former Novatex)
- Second implementation seminar organized
- P2 Action Groups, including more than 20 enterprises, in place in Pitesti and Braila
- Substantial pollution reductions for BOD, solid suspended, phosphorous and nitrogen recorded by the pilot enterprises, due to P2 programs implemented
- Substantial reduction of water and energy consumption accomplished by the pilot organizations, due to implemented P2 programs and working in P2 Action Groups
- Detailed work plan for the next period developed, including new activities

B2. Component C: TAIWAT/ WATMAN

- Technical annexes of the feasibility study report completed in Romania and English per ExIm Bank procedures
- Pilot-related IT equipment purchased
- DSS models applications for the pilot activities, related to dispatch activity in the Arges River basin installed, and associated training conducted
- WATMAN website developed and operating in Romanian and English
- Briefing presentation of WATMAN/TAIWAT provided to the new State Secretary for Water and staff at MEWM, in cooperation with the TDA team

B3. Component D: ANAR

- Work plans for three new activities developed: detailed work plans for (a) inventory of non-core ANAR activities and assets for externalization; and (b) strengthening ANAR capabilities to reduce pollution at the source by working with upstream polluters in P2 Action Groups; and an indicative work plan for (c) the study of Black Sea coastal erosion socio-economic opportunities

C. IMPLEMENTATION PROBLEMS AND ACTIONS TO ADDRESS THEM

C1. Component B: EMS and P2

- As top management was not available in March 2005, “Management Review” sessions in Alprom, Novatex and Apa Canal 2000 Pitesti and Promex Braila were rescheduled for the first half of April
- Due to internal restructuring (privatization) Nova Textile delayed the implementation of the first EMS & P2 cycle
- Nova Textile will continue EMS implementation of the first EMS Cycle in the finishing department, in parallel with developing limited system documentation
- Due to extreme workload, it finalizing EMS & P2 website materials and sending them to Romanian Water Association was rescheduled for late April 2005

C2. Component C: TAIWAT/WATMAN

- In view of developing the feasibility study report for ExImBank, the TAIWAT team has to provide TA and training in cooperation with local administration and Civil Protection Commission officials on the WATMAN alarm system

C3. Component D: ANAR

- Due to changes in the top management of ANAR and MEWM, start-up of new activities was delayed, but we believe the time lost has by now been recovered

D. SUMMARY OF DISCUSSIONS WITH COUNTERPART(S)

D1. Component B: EMS & P2

- UGIR: AM met with UGIR representatives, Ms. Elena Laslu and Ms. Denise Arsene. UGIR representatives asked for help to deliver additional training on EMS and dedicated P2 measures to specific industrial associations and consulting companies. Considering this request, the series of training workshops initiated in October 2004 under Task 2.3 - Dissemination will continue between May 2005 and January 2006. In addition to specific industrial associations, participants to workshops will include representatives of MEWM, Romanian NGOs, and Romanian consulting companies.
 - Romanian Water Association (ARA): The US-based Project Manager, Romanian COP, and EMS & P2 Task Leader met with top management of Romanian Water Association (ARA), to discuss potential future cooperation under the EMS & P2 Component. ARA representatives agreed to involve ARA in P2 Action Groups activities and to host an EMS & P2 website on ARA's website, with links to MEWM, ANAR, UGIR and other Romanian institutions.
 - Regular review meetings with EMS & P2 subcontractors conducted on bi-monthly basis;
 - Regular meetings for assessment of the EMS & P2 status in partner enterprises conducted as follows:
 - RA APA Braila: Scope of the meeting was Management Review. AM and LI participated in the management review with top management and members of the EMS Committee. Activities in the first EMS & P2 cycle were reviewed. Activities established at end of the Initial Environmental review (IER) were accomplished according to the schedule. P2 measures to improve the washing system of the sieves in the drinking water treatment plant
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wee finalized. Economic results documented. P2 Action Groups were set-up. More than ten enterprises are included in five P2 Action Groups. P2 measures were recommended to partner enterprises and compliance schedules for implementing these measures developed. Protocols for monitoring enterprises included in P2 action groups developed and implemented. Management of RA APA decided to complete EMS implementation by the end of May 2005, considering the condition set by the National Regulatory Agency for Communal Services for licensing water operators. For the second EMS cycle, top management asked for help to support developing a model approach to establishing sewerage and wastewater treatment tariffs for different groups of users, based on the polluter pays principle.

- ALPROM Pitesti: On different field trips, AM and ID met with members of the EMS Committee in Alprom Pitesti to discuss the status of their EMS & P2 work, including EMPs implementation and monitoring, and structure of EMS scope in the second EMS cycle. Except for the two winter months when the fiberboard plant was shut-down, all activities scheduled for the first EMS cycle are running well. The delay was almost recovered. During pilot implementation additional equipment needs appeared, such as for an underground water meter for monitoring the wastewater flows discharged from the fiber board plant. Also, parts of delivered equipment, such as nozzles in the washing system, needed modifications. The water meter is needed in order to assess the benefits of the EMP measure¹. Alprom decided to "piggy-back" on the existing quality management system, and will implement EMS in all departments having a quality certification. AM provided guidance and support to Alprom team to conduct the EMS & P2 performance audit and to prepare audit reports. ID provided support to establish the baseline for implementing a technical solution for separating organics in the effluent discharged from the fiber board plant in order to allow maximum recycling of the wastewater in the process.
- Nova Textile Pitesti (former Novatex): During the field trips to Pitesti, AM met with top management and members of the EMS Committee to discuss EMS & P2 status, including EMPs implementation and monitoring, and the structure of and scope of the second EMS cycle. EMS & P2 results in Nova Textile are poor. The company went through a major restructuring following change of ownership, between July and November 2004. The Novatex team just began using the equipment provided by USAID to monitor process parameters in order to establish baseline values. Personnel awareness and knowledge is very poor also, except for the technical manager, Mr. Popa, who is an excellent technical person and aware of importance of accomplishing environmental goals while achieving production targets.
- APA CANAL 2000 Pitesti: During the field trips in Pitesti, AM and ID met with members of the EMS Committee to review activities in the first EMS & P2 cycle. Activities established following the IER were accomplished as scheduled. P2 Action Groups are active. More than ten enterprises are included in two P2 Action Groups. P2 measures were recommended to partner enterprises and compliance schedules for implementing these measures were developed and carefully monitored. Protocols for monitoring enterprises included in P2 action groups were developed and implemented. The EMS Committee in APA CANAL is working to develop a protocol of collaboration in P2

¹ The water meter was included in the initial list of equipment. Before delivery, we wanted to test the viability of the measuring during pilot implementation.

Action Groups with another 110 enterprises, which have recently renewed their permits. For the second EMS cycle, top management asked for support to establish a P2 Action Group to minimize biological contamination of the wastewaters. Top management offered to continue to support project activities until the end of the project by participating in all training sessions and workshops that we'll conduct.

- PROMEX Braila: After a long break of direct contact caused by internal management restructuring in Promex, LI and AM's last meeting with Promex top management was very fruitful. Mr. Spiridon, the new general manager, showed strong commitment to tackle technical and managerial problems of the organization. He asked SEPIC representatives to provide necessary support and promised to provide needed resources to finalize EMS implementation in all facilities. He asked for support to conduct a thorough and detailed environmental review of all activities and environmental media. Regarding the implementation of P2 measures in the chromium plating shop, EMS Committee in Promex implemented additional P2 measures that will generate additional annual savings of around \$20,000. Documented results are based on systematic monitoring. AM provided guidance and support to Promex team to conduct the EMS & P2 performance audit and to prepare audit reports.
- AM met with Hotel Parc representatives to organize the second SEPIC EMS & P2 implementation seminar.
- Supporting other components: Details on these meetings are provided in paragraph D3 - ANAR Component
 - ANAR: Together with ABV, LI and MJA, AM attended a meeting with ANAR representatives to discuss ANAR needs. ANAR representatives requested support to develop a methodology for working in P2 Action Groups with polluting industries, based on the experience gained in the SEPIC EMS & P2 component. The work plan for this activity was developed and submitted to ANAR for review and approval.
 - Dobrogea-Litoral Water Directorate (DADL): Together with LI and ID, AM met DADL representatives to discuss activities related to the Black Sea coastal erosion socio-economic opportunity study that will be carried out under the ANAR component.

D2. Component C: TAIWAT/ WATMAN

- Meetings at MEWM: The newly appointed management team at MEWM was briefed on SEPIC activities, the WATMAN activity, and the proposed new WATFRAME activity. Both WATMAN and WATFRAME have received the Ministry's support, and some new activities have been discussed which will require additional analysis and design for possible inclusion in SEPIC.
 - Technical meetings:
 - meeting with Romanian IT vendors to clarify SEPIC procurement requirements
 - separate meeting with potential vendors of wireless communication systems on detailed technical requirements
 - meeting with ANAR leadership, MEWM and GM, to discuss future SEPIC activities
 - with GeoEcoMar and three of the Ministerial Councilors, regarding support for Black Sea coastal erosion mitigation
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- MJA was invited to brief the new leadership at MEWM, on the SIMIN, DESWAT and WATMAN inter-correlations
- also, she had to confer with the new leadership at National Weather Authority (ANM), about the Interoperate/ meteorological component of the project
- MJA has elaborated and provided presentation material to ANAR/MEWM regarding the WATMAN project goals and achievements, to be included in the conference papers that were produced for the International Water Day Celebration event, in Romania
- per GM's request, met with the consultant hired by USAID to explore opportunities to implement Pool Financing in Romania.

D3. Component D: ANAR

- ANAR Bucharest: Together with the CTO, ABV, LI, AM, MJA and ID met with ANAR representatives to discuss ANAR needs for support. ANAR representatives requested support on: (a) developing a methodology for working in P2 Action Groups with polluting industries; (b) developing an opportunity study for Black Sea costal protection against erosion and drafting ToR for an application for a grant to finance development of a feasibility study to establish the technical solution and investment needs for reducing costal erosion, based on available studies and works; (c) develop recommendations for externalization of assets and activities and (d) provide support under WATFRAME project.
- MEWM: Met with the CTO, ANAR and newly appointed officials in MEWM to learn about the priorities of MEWM and ANAR top management, in order to adapt the work plan for this SEPIC component accordingly.
- Dobrogea-Litoral Water Directorate(DADL): Met with ANAR top management, DADL top management and local resources to discuss issues related to coastal erosion and its impact on the local economy, as well as availability of relevant technical information. DADL requested that the scope of the study be in the area extending from Agigea to Cape Tuzla. A copy of the Integrated Coastal Zone Management (ICZM), study developed by Royal Haskoning was delivered to the SEPIC staff.
- Supporting other components:
 - RA APA Braila: EMS Management review (LI)
 - ALPROM Pitesti: EMS performance audit. ID provided support for conducting the EMS & P2 performance audit and developing a baseline for implementing a technical solution for separating organics in the effluent discharged from the fiber board plant in order to allow maximum recycling of the wastewater in the process
 - Nova Textile Pitesti (former Novatex): EMS performance audit. ID provided support to for conducting the EMS & P2 performance audit and developing a baseline for implementing a technical solution for pH reduction
 - APA CANAL 2000 Pitesti: EMS Performance audit. ID provided support for the conducting the EMS & P2 performance audit and reviewing activities in the first EMS & P2 cycle
 - PROMEX Braila: LI met with the newly appointed general manager to discuss activities in the second EMS & P2 cycle.

E. IMPACTS ACHIEVED AS A RESULT OF THE PROJECT

E1. Component B: EMS & P2

- All partner organizations revised their environmental policy emphasizing commitment to environmental compliance, pollution prevention, and continual improvement
- Relationships with environmental authorities improved and transparency increased
- Improved management in all partner organizations and top management involvement in developing EMS and implementing P2 measures
- Due to P2 Action Groups, relationships between water utilities and polluters (industries) improved. Water operators established compliance schedules with industries including P2 and other measures to reduce pollution, rather than impose heavy penalties
- Substantial cost savings of around \$1,000,000, as a result of P2 measures and activity in P2 Action Groups reported by the partner enterprises
- Pollution reduction of organics, nitrogen and phosphorous by 70%
- Substantial water savings of 540,000 m³/year reported
- Substantial energy savings of 5000 MW/year reported
- Improved operational practices and increased awareness regarding employee health and safety in industrial organizations

E2. Component C: TAIWAT/ WATMAN

- Technical Annexes of the feasibility study report for ExIm Bank , including the analysis of alternative investment costs completed
- Purchased the IT equipment for the pilot
- DSS model applications for the pilot activities, related to dispatch activity in the Arges River basin completed and installed; training provided to Arges River Basin Directorate staff on the use of the DSS applications
- The WATMAN website, both in Romanian and in English, developed and is operational
- Support of the new MEWM management for continuing WATMAN activities and implementing WATMAN investment secured

E3. Component D: ANAR

- Report on water pricing delivered to ANAR and river basin directorate staff were trained to use the computerized financial model
- New activities defined with ANAR and MEWM top management and work plans developed for new activities

F. IMPLEMENTATION NEXT STEPS

F1. Component B: EMS & P2

- Conduct second implementation seminar on April 8, 2005
 - Conduct management review sessions in the first half of April 2005
 - Finalize EMS & P2 website materials and send them to RWA in April 2005
 - Initiate second EMS & P2 cycle
-

- Follow up on results obtained during implementation of the first EMS & P2 cycle, including periodic review of activities in P2 Action Groups;
- Initiate preparation of the second workshop for the water facilities, including RWA association in the program
- Initiate activities for developing P2 Action Groups for ANAR

F2. Component C: TAIWAT/ WATMAN

- Conduct public consultation on proposed WATMAN equipment for the 11 river basins
- Finalize the FS for ExIm Bank
- Develop DSS software for the Rausor dam
- Analyze pollution models, and GIS connected application, for the pilot area
- Initiate procurement of Wireless Communications and Water Sensors
- Upgrade Website with equipment data

F3. Component D: ANAR

- Negotiate with ANAR and USAID changes to work plans resulting from comments made by ANAR for "Develop and analyze an inventory of non-core ANAR activities and assets for externalization" and "Strengthening ANAR Capabilities to reduce pollution at source through working with upstream polluters in P2 Action Groups"
- Hire subcontractor(s) and begin implementing these two tasks
- Develop the work plan for the coastal erosion task, submit it for review to HO, CTO and ANAR, and proceed

G. STATUS OF PROJECT PERFORMANCE INDICATORS

STATUS OF PROJECT PERFORMANCE INDICATORS

#	PROJECT TASKs & RELATED INDICATORS	ACHIEVEMENTS
Component C: EMS & P2		
1.	Pilot enterprises document substantial cost savings as a consequence of P2 actions undertaken	All pilot organizations reported substantial cost savings as a consequence of P2 actions undertaken, amounting to \$1,017,000/year.
2.	Pilot enterprises document significant reduction in polluting effluents as a consequence of P2 actions undertaken	Due to P2 actions undertaken, the following pollution reduction is achieved: - waste water flows: reduced by 180,000 m3/year - pH reduced from 13 to 11.5 at Novatex - BOD reduced by 60% at Alprom - pH adjusted in the allowed limits of 6.5-8.5

#	PROJECT TASKs & RELATED INDICATORS	ACHIEVEMENTS
3.	Pilot enterprises document improvements in spill prevention and emergency preparedness and response capabilities	<ul style="list-style-type: none"> - All partner organizations revised and completed their emergency preparedness and response plans as required by Romanian Legislation; - Due to low cost P2 measures undertaken all partner enterprises documented improvements in spill prevention on site. Additionally, in Promex Braila personnel exposure to hexavalent chromium was reduced.
4.	Pilot enterprises document improved regulatory compliance	<ul style="list-style-type: none"> - All partner organizations up-dated their environmental legal database; - For indicators like pH and organics partner organizations improved regulatory compliance.
5.	P2 Action Groups document significant reductions in polluting effluent as a consequence of P2 actions undertaken	<p>Due to P2 actions undertaken, the following pollution reduction is achieved:</p> <ul style="list-style-type: none"> - waste water flows: reduced by 420,000 m3/year - P and N loads in waste waters reduced by 60%
6.	P2 Action Groups permanent in the pilot sites and have expanded beyond the initial enterprises	<p>P2 Action Groups are permanent in pilot sites and expanded from three initial enterprises in each site to more than ten. By September 2005, P2 Action Groups will include 110 enterprises in Pitesti and 25 enterprises in Braila.</p>
Component C: TAIWAT/ WATMAN		
1.	GOR prepare decision for WATMAN investment	The Cost Evaluation and Financing Strategy was finalized in March 2005, as the basic reference for this.
2.	GOR secures financing for \$80 million investment	NA – this indicator may be evaluated and achieved once a decision is taken by the GOR to provide a sovereign guarantee and apply for an international loan to ExIm Bank or another financial institution.
3.	GOR takes decision to implement Rapid Response Centers (RRC)	Mini-work plan for this pilot activity completed; institutional and infrastructure requirements analyzed; demonstration activities in Arges River Basin planned; establishment of RRCs is stipulated in legislation for intervention in case of emergency situations, under revision by GOR.
4.	ANAR River Basin branches prepare emergency response communication plans	Assessment field visits to identify existing alarm systems and communication means and equipments in progress; data collection and analysis, and equipment acquisition plans must be concluded, and recommendations made, prior to achieving this indicator.
5.	Water management procedures developed for the Pilot river basin	Assessment of current situation in progress; however, management procedures may not be developed until the project will accomplish its tasks, and elaborate the Final Report, in October 2005.

#	PROJECT TASKs & RELATED INDICATORS	ACHIEVEMENTS
6.	ANAR River Basin branches develop specific spill prevention and containment procedures	Inventory of pollution sources of risks for spills initiated; draft proposal on RRC role and functions drafted; for the roll-out stage, the pilot activity will be completed by October 2005.
Component D: ANAR		
1.	MoEWM approves ANAR structure for EU accession	ANAR structure will be approved by the new government. A legal document was drafted by the former government, but was not discussed in the Parliament in a final form. Suggestions made in the report "ANAR in Transition: Charting a Path to Sustainability" may have been included in the draft law. However, it is difficult to assess at this time to what extent.
2.	Business plans developed by Pilot River Basin Authorities	SEPIC provided the tool and guidance for the development of business plans in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania", in the form of the financial model and the scenarios included in the report. Relevant staff of River Basin Directorates was trained at ANAR headquarters on the use of the financial model.
3.	New methodologies for price determination <i>applied</i> in pilot river basins	SEPIC provided the financial model as a tool and made concrete proposals for determining prices in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania." Relevant staff of River Basin Directorates were trained at ANAR headquarters on the use of the financial model. The methodology will be approved at the same time as the new law setting up ANAR.
4.	New effluent pollution charges <i>tested and approved</i> at pilot level by ANAR	SEPIC provided the financial model as a tool and made concrete recommendations for determining pollution charges in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania". The methodology will be approved at the same time as the new law setting up ANAR.
5.	At least three projects developed and financed by the Water Fund	Law 310/2004, modifying the Water Law cancels the Water Fund. Funds previously funneled into the Water Fund constitute now regular ANAR revenue.
6.	ANAR externalization processes completed	A work plan was agreed upon with ANAR for SEPIC to make recommendations on ways to externalize ANAR non-core activities and assets.

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

Start Date: August 1, 2003
End Date: November 30, 2004
Amount of Delivery Order: \$1,160,376

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

Background

On August 1, 2003, under the Umbrella GBTI IQC Contract, USAID awarded a task order contract to Chemonics for the *Institutional Strengthening of the Kosovo Electric Corporation (IS-KEK)* project. This program, which builds on prior USAID work under the Community Infrastructure Support Program (CISP), is working to improve the ability of Kosovo Electric Corporation (KEK) to assess and collect revenue to finance services and operations.

The period of performance for this task order is August 1, 2003 – April, 2005.

Quarterly Overview

The IS-KEK program moved into it's final phase. The program concluded a sustainability arrangement where the the entire local professional staff will transition to a direct contract with the counterpart, the Kosovo Energetic Corporation (KEK), upon the conclusion of the program on April 30, forming an auditing team for revenue and providing ongoing training and support. During the quarter the team provided support to new disconnection procedures being developed and rolled out by KEK.

G. Columbia Forestry, TO#824
Start Date: August 11, 2003
End Date: August 10, 2006
Amount of Delivery Order: \$22,700,000.00

CFDP Quarterly Progress Report: Fourth Quarter 2004



Members of the *Comisión Quinta* visiting natural forestry production sites in Bolivia.

CFDP QUARTERLY REPORT: OCTOBER – DECEMBER 2004

I. Executive Summary

During the final quarter of 2004, CFDP accomplished the following:

- CFDP launched the Co-Investment Fund and received Expressions of Interest from 90 proponents.
- CFDP convened a *Junta Asesora* composed of private and public sector representatives to recommend Co-Investment Fund proposals for funding.
- CFDP selected two companies, Econometria and Araujo y Ibarra, to implement key activities in support of the Co-Investment Fund, forestry activities and policy issues.
- CFDP awarded a grant to Reforestadora San Sebastian (RESS) to consolidate its genetic research on eucalyptus.
- CFDP fielded technical consultants to integrate CFDP forestry activities into three *Familias Guardabosques* nuclei.
- Forest inventories were completed in Bajo Mira y Frontera in Nariño and *Organización Indígena de Antioquia* (OIA) areas in Urabá. Bajo Mira y Frontera has submitted a forest management plan for review.
- CFDP built significant consensus on the new forestry law among the public and private sectors. The trip of the Congress' *Comisión Quinta* to Bolivia and Chile was pivotal in reopening the law for further modifications.
- USAID approved a budget modification authorizing a reallocation from grants to contracts and other areas.
- CFDP submitted a work plan for 2005-2006.

CFDP Key Indicators Generated to Date

	Cumulative	Quarter 4 CY 2004
Families Benefited	1,400	1,400
Hectares of Natural Forest	9,705	9,705
Jobs Created	71	71
Workdays Created	4,696	3,620
Institutions Strengthened	3	3

Key Objectives for Next Quarter

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

- Develop business plans for promising Co-Investment Fund proponents.
- Begin planting *Familias Guardabosques* demonstration parcels.
- Finish natural forest management plans in Nariño and Urabá.
- Submit a revised work plan.
- Assist the GOC to modify and improve the senate-approved forestry law.

II. Background

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program will expand the production of marketable and profitable forest products that will increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector will serve to draw people away from illicit activities.

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

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

Program activities will focus on four components:

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

Significant program results include establishing 15,000 hectares of industrial plantations and agro-forestry, establishing 3 wood processing centers, creating 500 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

A. Forestry Law

CFDP carried out significant policy activities from October to December. In early October, CFDP transported decision-makers to forestry site tours in Valle del Cauca (to visit forest plantation schemes) and Putumayo (to visit natural forest management activities) to raise their knowledge about the Colombian sector's needs and potential.



CFDP's Walk in the Woods in Putumayo

In response to the GOC interest in pushing through a revised forestry law in 2005, CFDP organized a study tour to Bolivia and Chile for 15 members of the *Comisión Quinta* to acquaint them with other international forestry experiences and legal frameworks. The trip was highly successful and resulted in the forestry law becoming a priority in the Colombian legislature and fomented critical debate on its content.

In addition, CFDP sponsored international consultants who analyzed drafts of the forestry law and held conferences and round tables with public and private stakeholders to build consensus on needed changes. These consultants were supported by policy reports generated by CFDP local sub-contractors and legislative experts from Araujo y Ibarra (A&IA), a CFDP IQC sub-contractor. Based on these efforts, CFDP hopes that a revised forestry law will be passed by the end of April 2005 and is planning its policy activities accordingly.

B. Forestry Finance

CFDP sub-contractors also completed an important report on existing and needed financial incentives for the sector and presented it to key stakeholders such as Finagro. The report concluded that Colombia possesses the needed financial instruments to generate substantial investments in the sector, but it lacks a track record for such investments. To that end, CFDP will promote the securitization of forest activities in NE Antioquia, an effort that will be funded through the Co-Investment Fund.

C. Consejo Consultivo

CFDP held its quarterly meeting with the *Consejo* on November 17. Presentations focused primarily on natural forest management by communities.

IV. Support to Plan Colombia

Below is a table of the projected indicators for activities related to Familia Guardabosques.

Familias Guardabosques Projected Indicators²

Areas	Hectares of Natural Forest	Hectares of Agro-forestry	Families Benefited	Jobs Created
Urabá	2,000	2,140	3,200	976
Santa Marta	1,000	670	800	444
Sur de Bolívar	-	1,120	2,700	634
Total	3,000	3,930	6,700	2,054

During the quarter, CFDP hired five technical consultants needed to catalyze forestry activities in the FGB target areas. The consultants were dispatched to their respective zones, integrated into the three *Familias Guardabosques* nuclei and began developing forestry projects for CFDP approval.

In Urabá, technical consultants conducted a regional tour of Bajo Cauca with 28 FGB beneficiaries to acquaint them with agro-forestry technologies relating to cocoa and rubber, in conjunction with plantains and wood-producing trees such as *roble*, *cedro*, *teca* (teak) and *nogal*. CFDP plans to establish 40 hectares of demonstration plots and plant nurseries during the next quarter. These plots will be used to train beneficiaries on the technological package for each crop and the nurseries will serve as a source of initial income for the community enterprise. A proposal containing large-scale implementation activities is currently being evaluated under the Co-Investment Fund. In addition, CFDP has begun initial explorations of natural forests in the area to place under sustainable management plans.

In Santa Marta, technical consultants have proposed demonstration plots for cocoa and organic coffee totaling 20 hectares. Planting is scheduled to begin next quarter. FGB has also proposed a large-scale agro-forestry plan that is currently being evaluated by the Co-Investment Fund. CFDP is also evaluating a joint proposal with the UNODC to invest in 150 hectares of organic cocoa and coffee. In addition, CFDP will begin exploring natural forest management areas during the next quarter.

In Sur de Bolívar, technical consultants have begun identifying interested families and are formulating the final proposal for demonstration plots. Planting is scheduled to begin late in the next quarter. Sur de Bolívar has also proposed an agro-forestry project to the Co-Investment Fund.

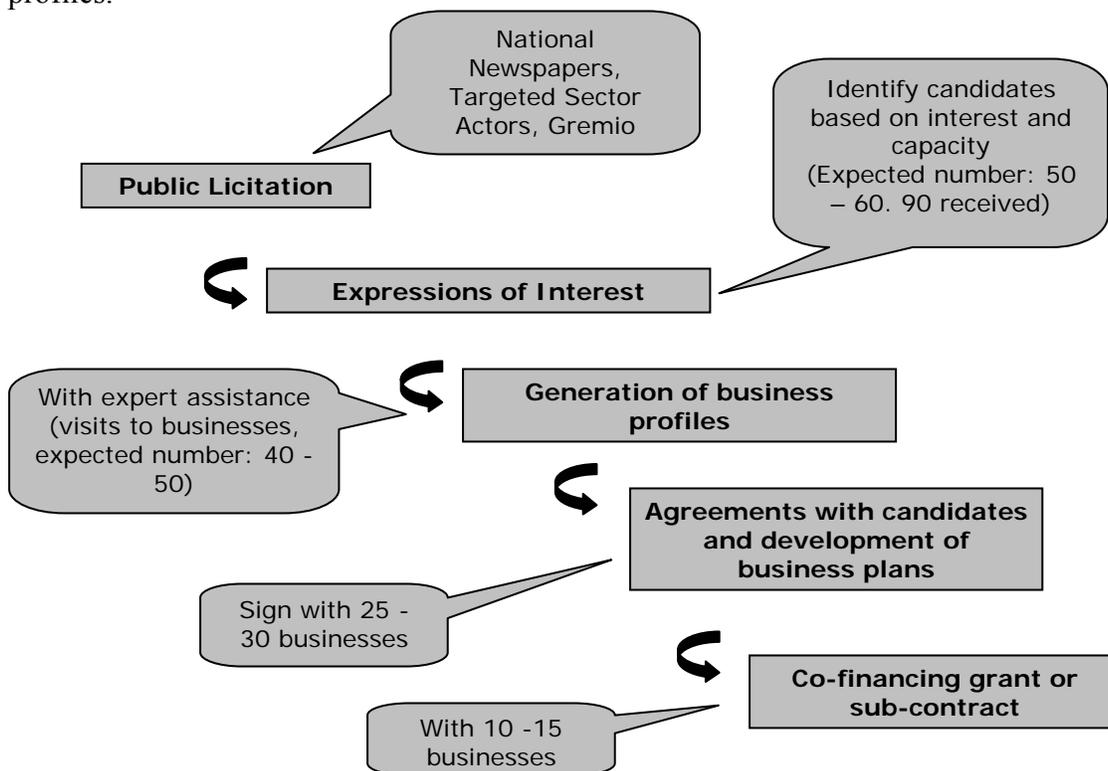
² Figures include indicators from projects proposed to the Co-Investment Fund.

V. Improving Forest Products Production Chains

A. Co-investment Fund

During the past quarter, CFDP set up the Co-Investment Fund to channel its grant and sub-contract funds under this component. Forestry actors can gain access to these co-investment funds by successfully completing a four-step process: 1) expressions of interest, 2) developing business profiles, 3) signing agreements and developing business plans, including financial and feasibility studies, and 4) signing co-investment grants or sub-contracts.

On October 31, 2004, CFDP published a Request for Expressions of Interest (EI) in regional and national newspapers. EIs contain basic information about the company, the size of the activities, geographical information, and the proposed co-investment project. As of December 31, the closing date for all EIs, CFDP had received 90, far surpassing the expected 50-60.³ In early December CFDP prioritized the first round of applicants and sent out consulting teams to develop business profiles.



Business profiles will be developed by CFDP sub-contractor Econometría and the profiles will contain an assessment of the company and the proposed opportunity. Once the profiles are received, CFDP's *Junta Asesora*, composed of private sector actors representing the finance and forestry community, will evaluate them and recommend they more forward to the next phase, business plan development. CFDP is conscious of time restrictions due to growing seasons and is

³ CFDP received 23 for Northeastern Antioquia, 26 for Bajo Atrato/Urabá, 17 for the Pacific Coast, 16 for Bajo Magdalena and 8 for other regions.

moving ahead with necessary plant material arrangements.

A.1 Junta Asesora

CFDP hopes to prove to the private sector that forestry is a profitable, bankable enterprise. The members of the *Junta* are expected to promote investment in forestry as a result of their experience with the sector. The *Junta Asesora* consists of five representatives of the private and public sector and a representative of CFDP: César Pardo – President of Finagro, Gustavo Bernal – President of the Bolsa Nacional Agropecuario, Victor Giraldo – President of Smurfit, Gonzalo Toro – Vice President of Business Banking for Bancolombia, Luis Alfonso Jaramillo – Incuagro and Vincent Ruddy – CFDP COP. The *Junta* will recommend business profiles and plans to CFDP/USAID for funding.

A.2 IQC Mechanism

On October 4, CFDP held a bidders conference for interested proponents in Bogotá. Proposals were received on October 15 and CFDP selected two companies to support three key programmatic areas. The review committee selected Econometria for the business and finance area and Araujo y Ibarra Asociados (A&IA) for the forestry and policy/institutional strengthening areas. During the quarter, Econometria has provided valuable assistance to the co-investment fund, while AyIA has provided key assistance to the policy component and forestry trade association Fedemaderas.

B. Natural Forest Management Support

B.1 Community Business Training Program

Given the lack of Colombian experience in managing community forestry enterprises, CFDP supported the development of a training program geared toward preparing Afro-Colombian, indigenous and *campesino* communities to manage community enterprises. The program has been vetted with CFDP managers and forest communities and will be implemented during the next quarter.

B.2 Forestry Management Forum

On November 8 and 9, CFDP held a forestry management forum for communities involved in the program's two natural forest regions. The forum provided a space for communities to discuss the conditions of their forests and their relationship to them. Sixty community representatives, CFDP managers, CAR representatives and industrial leaders attended. The forum participants concurred on the following points: 1) communities are conscious that their management practices are seriously lacking; 2) the forest industry is obsolete and informal; 3) communities recognize the need for community enterprises but have reservations given the low level of community organization, presence of illicit crops in their areas, lack of state presence and presence of illegal groups; and 4) communities are interested in pursuing productive linkages with private businesses.



Participants in CFDP's Forestry Management Forum

C. Bajo Atrato - Uraba

Below is a table including projected indicators for the current Projects in the Bajo Atrato – Uraba region.

Regional Projected Indicators for Current Projects

Project	Families	Hectares of Natural Forest
OIA	650	65,000
Corpourabá	1,100	80,000

C.1 Indigenous Organization of Antioquia (OIA) / Chigorodó - Mutatá

During the quarter, OIA completed its statistical inventory and submitted the technical portion of its management plan to CFDP for review. OIA has committed to submitting its Forestry Management Plan to Corpourabá by April 2005 and to developing practical models of harvesting that would allow them to begin implementing their Annual Harvest Plan immediately upon Management Plan approval. OIA has committed to selling their wood to PRODES, a regional consortia of wood processors.

C.2 Corpourabá / Vigía del Fuerte - Murindó

During the quarter, Corpourabá conducted community trainings on species identification and began exploratory inventories. Unfortunately, the exploratory inventories were halted in November after local armed groups demanded additional community socialization. This socialization was provided in November and December and work is expected to resume early in the next quarter.

C.3 Co-Investment Projects

As of December 31, CFDP had received 26 EIs for the region.

D. Pacific Coast of Nariño and Guapi

Regional Projected Indicators for Current Projects

Project	Families	Hectares of Natural Forest
Bajo Mira y Frontera	1,400	9,705
Satinga/Sanquianga (canceled)	-	-
<i>Semillas de Agua</i> / Alto Guapi	450	63,000

D.1 Bajo Mira y Frontera

During the quarter, CONIF completed the statistical inventory and a draft of the management plan. The plan will be finalized and submitted to Corponariño for approval next quarter.

D.2 Satinga and Sanquianga

CONIF's zoning exercises revealed that forest resources in the area are very fragmented, over-harvested and difficult to extract given the lack of infrastructure. In addition, the communities are poorly organized and the area has a significant presence of illegal groups. Currently the technical

team is exploring new options in the area, including agro-forestry.

D.3 Semillas de Agua / Alto Guapi

The technical team completed the informative inventory during the last quarter and will focus on the statistical inventory during the next quarter. The informative inventory showed good forest volumes.

D.4 Co-Investment Projects

As of December 31, CFDP had received 17 EIs for the region.

E. Bajo Magdalena

E.1 Reforestadora San Sebastian (RESS) - Genetics

On October 8, CFDP signed a fixed-obligation grant with RESS to consolidate and analyze the genetic information they have on their eucalyptus clones. This information will then be published on a website for public consultation. CFDP hopes to use RESS's clones in its reforestation efforts under the Co-Investment Fund. During this quarter, RESS consolidated its internal records and plans to begin analyzing the data shortly.

E.2 Co-Investment Projects

As of December 31, CFDP had received 16 EIs for the Bajo Magdalena region.

F. Northeastern Antioquia

F.1 Regional Feasibility Studies

CFDP consultants finished a final study on pine volumes, ages and quality for the entire region. They concluded, given the quality of pine available and the products that could be made with it, that the area will support a 120 tons per year sawmill. CFDP presented the study and its findings to regional stakeholders from the public and private sector.



Extraction methods in NE Antioquia.

F.2 Co-Investment Projects

As of December 31, CFDP had received 23 EIs for Northeastern Antioquia. Among those was a proposal for a regional sawmill based on the CFDP regional feasibility study. This proposal is of interest to Incuagro. They have offered to co-invest approximately \$4 million in the project if CFDP can meet a February 28 project presentation deadline. Consequently, CFDP is accelerating this project through the selection process, assuming that it meets the requirements, in order to accommodate the deadline. CFDP also advanced information concerning possible DCA support of several projects in the region to USAID. CFDP will further develop these and other projects during the next quarter.

VI. Commercial Forestry Development Fund

A. CAR Institutional Strengthening

On October 14 and 15, CFDP held a workshop on strengthening forest regulation with five regional CARs, ASOCAR and the Ministry of Environment. The workshop introduced the concept of implementing pilot projects in five CARs in CFDP's assigned geographical areas as a way of tangibly improving the forestry regime. At the workshop, CFDP, in conjunction with the Ministry of Environment, reached a consensus with the CARs on mutual areas of interest. From December 13-21, CFDP met with each of the CARs and ASOCAR to review their proposed pilot projects. The following projects were identified:

TOPICS	PROYECTOS PILOTOS POR CORPORACIÓN					
	Corponariño	Corpourab á	CRC	Corantioqu ia	Corpama g	Asocar s
Promote forestry management in communities	X		X		X	
Use of forest regents		X				
Reducing transaction costs			X			
Controlling illegal logging	X	X				
Revising technical norms for sustainable forestry management		X		X		
Implementing a forestry information system						X

Final drafts for the pilot projects are expected to be received in January 2005 and CFDP hopes to begin implementing in March 2005.

B. Support to Fedemaderas

During the quarter CFDP finalized an institutional assessment that 1) developed both a strategic and business plan for Fedemaderas; 2) identified key, value-added services for members; and 3) identified initial support required to catalyze new activities. Based on this evaluation, Fedemaderas presented a grant application for further assistance to strengthen its capacity and consolidate its position of private sector leadership and service provision for the forestry sector. The grant provides funds to several key areas: 1) increase Fedemaderas' national affiliates to 40% of the forestry community, 2) develop an information system for the sector containing key technical, statistic, economic and social information, 3) develop a services portfolio for its members thus providing reliable income and 4) develop a corporate image and improve public relations with national media. CFDP plans to award this grant during the next quarter

C. FSC Auditors' Training

On October 3-7, CFDP sponsored an auditors' training for the Forestry Stewardship Council's auditor certification process. FSC auditors certify the sustainable forestry management practices of producers. This certification allows wood producers access to restricted and lucrative markets. Twenty Colombian forestry professionals participated and graduated as auditors.

VII. Progress Toward SO2 Goals

Due to advances in natural forest management in Bajo Mira y Frontera, this is the first quarter in which CFDP has contractual indicators to report. Given activities in FGB nuclei and other natural

forest communities, CFDP expects additional hectares and families to be reported in the next quarter.

CFDP Contractual Goals Indicators Generated to Date

Indicator	Quarterly	Cumulative	Contractual Goals
Jobs Created	71	714	500
Families Benefited	1,400	1,400	3,000
Industrial Parks Created/Productive Infrastructure	-	-	3
Hectares of Agro-forestry and Plantations	-	-	15,000
Policies and Incentives Reviewed and Diffused	1	1	1
New Markets Identified	-	-	3
Increased Percent Usable Wood	-	-	50%
Increased Value Per M3 of Wood Sold	-	-	TBD ⁵
Higher Quality Standards Applied	-	-	25%

In addition to its contractual goals, CFDP monitors other indicators included in its technical proposal, such as hectares of natural forest under management, and indicators requested by USAID, such as workdays.

⁴ Of this total, 50 are direct jobs created and 21 correspond to jobs created by taking the amount of workdays generated and dividing by 222, a reference given by USAID's M&E Specialist David Cano.

⁵ The increase in value per cubic meter will be monitored and reported on, but no specific percentage was specified.

Other CFDP Indicators Generated to Date

Indicator	Quarterly	Cumulative
Hectares of Natural Forest Under Management	9,705	9,705
Workdays Created	3,620	4,696
Institutions Strengthened	3	3

In addition, the CFDP management scale for natural forest was designed in conjunction with technical managers in order to define more precisely improved forest management mentioned in TO Result 8. Natural forest indicators, like hectares and families, are counted once a draft forest management plan has been completed, while other indicators such as workdays are reported continuously.

Progress on Natural Forest Management Scale (Hectares)⁶

Operator / Area	Rapid Diagnostic	Signed Agreement with Communities	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera				9,705		
Semillas de Agua / Alto Guapi		63,000				
Corpouabá / Vigía del Fuerte - Murindó			80,000			
OIA / Chigorodó - Mutatá				65,000		
Total		63,000	80,000	74,705		

VIII. Program Management and Support Activities

A. Grants and Contracts

During the quarter, major contracting actions included: 1) selecting sub-contractors Araujo y Ibarra Asociados and Econometría to provide needed technical assistance in forestry, business plan development and policy and institutional strengthening; 2) signing a fixed-obligation grant with Reforestadora San Sebastian on October 8; 3) launching the Co-Investment Fund and 4) contracting consultants for CFDP's *Familias Guardabosques* activities.

⁶ This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

CFDP's APS completed its final cycle in October and was not renewed. Of the three proposals received, only one by Fedemaderas was recommended for grant development. The other two were referred to the Co-Investment Fund. The Fedemaderas grant will be passed to USAID for approval during the next quarter.

B. Budget Modification and Work Plan

On December 3, USAID approved a revised budget modification. CFDP sent its 2005-2006 Work Plan to USAID for approval on December 2. Following a review process, USAID provided verbal comments to the CFDP. CFDP will submit a revised plan during the next quarter.

C. Monitoring and Evaluation

Based on USAID instructions and changes to indicator definitions, updated indicator sheets were sent to all implementers.

D. Communications

During this quarter CFDP published its first quarterly newsletter, *La Corteza*, which was widely distributed to stakeholders and the general public. Website design began and is expected to be launched during the next quarter.

E. Personnel

CFDP welcomed new grants manager Carmenza Becerra on October 11. Giovanni Ramirez, formerly CFDP's accountant, became the assistant grants manager as of November 15. CFDP also hired Andrés Sánchez to fill the second vacant administrative assistant position, he started on October 11. A selection process was held for the position of Office Administrator and the candidate approval for Martha Penagos was passed to USAID in mid-December. Ms. Penagos is expected to begin in early 2005.

CFDP's regional office in Apartadó opened on October 14. Yasmina Castrillón was hired on October 12 as the regional administrative assistant. During the next quarter, CFDP expects to establish a second regional office in the Colombian Southwest to supervise regional natural forestry activities.

2. Co-Investment Projects

By December 31, CFDP had received 23 EIs for Northeastern Antioquia. Among those was a proposal for a regional sawmill based on the CFDP regional feasibility study. This proposal is of interest to Incuagro. They have offered to co-invest approximately \$4 million in the project if CFDP can meet a February 28 project presentation deadline. Consequently, CFDP is accelerating this project through the selection process, assuming that it meets the requirements, in order to accommodate the deadline. CFDP also advanced information concerning possible DCA support of several projects in the region to USAID. CFDP will further develop these and other projects during the next quarter.



Extraction methods in NE Antioquia.

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TOPICS	PROYECTOS PILOTOS POR CORPORACIÓN					
	Corponariño	Corpourabá	CRC	Corantioquia	Corpamag	Asocar s
Promote forestry management in communities	X		X		X	
Use of forest regents		X				
Reducing transaction costs			X			
Controlling illegal logging	X	X				
Revising technical norms for sustainable forestry management		X		X		
Implementing a forestry information system						X

Final drafts for the pilot projects are expected to be received in January 2005 and CFDP hopes to begin implementing in March 2005.

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VII. Progress Toward SO2 Goals

Due to advances in natural forest management in Bajo Mira y Frontera, this is the first quarter in which CFDP has contractual indicators to report. Given activities in FGB nuclei and other natural forest communities, CFDP expects additional hectares and families to be reported in the next quarter.

CFDP Indicators Generated to Date

	Quarterly	Cumulative	Contractual Goals
Families Benefited	1,400	1,400	3,000
Hectares of Agro-forestry and Plantations	-	-	15,000
Hectares of Natural Forest	9,705	9,705	-
Jobs Created	71	717	500
Industrial Parks Created/Productive Infrastructure	-	-	3
Workdays Created	3,620	4,696	-
Institutions Strengthened	3	3	-
Value of Sales	-	-	-

7 Of this total, 50 are direct jobs created and 21 correspond to jobs created by taking the amount of workdays generated and dividing by 222, a reference given by USAID's M&E Specialist David Cano.

Progress on the Natural Forest Management Scale⁸

	Rapid Diagnostic	Signed Agreement with Communities	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera				5,636 HA		
Semillas de Agua			63,000 HA			
Corpourabá			80,000 HA			
OIA				65,000 HA		
Total			143,000	70,636		

The CFDP management scale was designed in conjunction with technical managers. Related indicators, like hectares and families, are counted once a draft forest management plan has been completed.

VIII. Program Management and Support Activities

A. Grants and Contracts

During the quarter, major contracting actions included: 1) selecting sub-contractors *Araujo y Ibarra Asociados* and *Econometría* to provide needed technical assistance in forestry, business plan development and policy and institutional strengthening; 2) signing a fixed-obligation grant with *Reforestadora San Sebastian* on October 8; 3) launching the Co-Investment Fund and 4) contracting consultants for CFDP's *Familias Guardabosques* activities.

CFDP's APS completed its final cycle in October and was not renewed. Of the three proposals received, only one by *Fedemaderas* was recommended for grant development. The other two were referred to the Co-Investment Fund. The *Fedemaderas* grant will be passed to USAID for approval during the next quarter.

B. Budget Modification and Work Plan

On December 3, USAID approved a revised budget modification. CFDP sent its 2005-2006 Work Plan to USAID for approval on December 2. Following a review process, USAID provided verbal comments to the CFDP. CFDP will submit a revised plan during the next quarter.

C. Monitoring and Evaluation

Based on USAID instructions and changes to indicator definitions, updated indicator sheets were sent to all implementers.

D. Communications

⁸ This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

During this quarter CFDP published its first quarterly newsletter, *La Corteza*, which was widely distributed to stakeholders and the general public. Website design began and is expected to be launched during the next quarter.

E. Personnel

CFDP welcomed new grants manager Carmenza Becerra on October 11. Giovanni Ramirez, formerly CFDP's accountant, became the assistant grants manager as of November 15. CFDP also hired Andrés Sánchez to fill the second vacant administrative assistant position, he started on October 11. A selection process was held for the position of Office Administrator and the candidate approval for Martha Penagos was passed to USAID in mid-December. Ms. Penagos is expected to begin in early 2005.

CFDP's regional office in Apartadó opened on October 14. Yasmina Castrillón was hired on October 12 as the regional administrative assistant. During the next quarter, CFDP expects to establish a second regional office in the Colombian Southwest to supervise regional natural forestry activities.

H. Paraguay Poverty Reduction, TO#825

Start Date: August 15, 2003

End Date: August 15, 2006

Amount of Delivery Order: \$4,252,308

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

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

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

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

Intermediate Result 1—Business Development Strategies:

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

Intermediate Result 2—Financial Services

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

Intermediate Result 3—Business Environment

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

Results

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

1. Employment: 750,000 days of employment generated
 2. Increase in Business volume (sales): \$9,000,000
 3. Increased Investment in plant and equipment: \$1,000,000
 4. Increased Exports (may be a subset of sales reported in indicator #2 above): \$3,000,000
-

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

A. Summary

This section presents an overview of the project's activities during the past quarter. The information is sorted by continuing technical assistance and new technical assistance projects initiated this quarter. The chart below details the firms that Paraguay Vende is currently assisting.

N°	Company	CSE	Promoter	Product	Status USAID approval	Market	Rating
1	Upisa	CDE	FL	Carne porcina	Aprobado	Externo	A
2	Xtreme	CDE	FL	Molduras de madera	Aprobado	Externo	A
3	Dalazen	CDE	FL	Cabinas para tractores	Aprobado	Externo	A
4	Estancias FD	CDE	FL	Yerba mate orgánica	Aprobado	Interno	A
5	Bariri LTDA	CDE	JEGE	productos plásticos	Pendiente	Externo	A
6	Metalforte	CDE	JEGE	Cabinas y pulverizador	Aprobado	Interno	B
7	Guaraní Crop Science	CDE	JEGE	Stevia	Aprobado	Externo	B
8	El Cardúmen	CDE	JEGE	Distribución de pescados	en trámites	Interno	B
9	Motopar	CDE	JEGE	Venta de Motocicletas	en trámites	Interno	B
10	Transtrade	CDE	JEGE	Alquiler en zona franca	Aprobado	Interno	C
11	KTC Paraguay	CDE	VB	Frutas tropicales	Aprobado	Externo	D
12	Braview	CDE	JEGE	Monitores reacondicionados	Rechazado	Interno	D
13	Chortitzer	CDE	NF	Productos Lácteos	Aprobado	Externo	A
14	Castilla	CDE	NF	Alcohol Carburante	Aprobado	Interno	A
15	MAPASA	CDE	NF	Resortes para colchones	en trámites	Externo	A
16	Cooperativa Yegros	CO	PI	Alcohol Carburante	Aprobado	Interno	A
17	Bosques de Asunción	CO	PI	Miel	Pendiente	Externo	A
18	Delfín Ruíz A.	CO	PI	Aceite Crudo	Aprobado	Interno	A
19	Shirosawa Company	CO	PI	Sésamo	Aprobado	Externo	A
20	Industria Casera aho poí	CO	PI	Prendas artesanales	Aprobado	Externo	A
21	Fibrac	CO	PI	Tanques de fibra de vidrio	Aprobado	Interno	A
22	Infosa	CO	PI	pisos parquet	Pendiente	Externo	A
23	ERSA	CO	NF	Harina/Pet Food	Aprobado	Externo	B
24	ORO VERDE	CO	FF	Yerba Mate	Aprobado	Externo	B
25	Agroplus	CO	PI	Balanceado con Stevia	Pendiente	Interno	B
26	El Agricultor	CO	PI	Yerba Mate	Aprobado	Interno	C

Nº	Company	CSE	Promoter	Product	Status USAID approval	Market	Rating
27	Magro Plan	CO	NF	Te adelgazante	Aprobado	Interno	C
28	SUR-PY S.A	PJC	RM	Prendas artesanales	Aprobado	Externo	A
29	James A. May	PJC	GA	Te con yerba mate y stevia	Aprobado	Externo	A
30	Semillas Kemagro S.R.L	PJC	OO	sésamo premium	Aprobado	Externo	A
31	Confecciones Catedral	PJC	RM	Prendas artesanales	Aprobado	Externo	A
32	Naturit	PJC	RM	Té en saquitos	Aprobado	Externo	A
33	DTP	PJC	RM	Paquetes de ecoturismo	Aprobado	Externo	A
34	Telnet	PJC	RM	Hojas de stevia	Aprobado	Externo	A
35	One World Trading	PJC	OO	Productos orgánicos	Pendiente	Externo	A
36	Scampi	PJC	OO	Cámarones de agua dulce	Aprobado	Interno	A
37	Hierbapar	PJC	RM	Hierbas aromáticas y especias	Aprobado	Interno	B
38	La Lechuza	PJC	OO	Envasado e imprenta de té	Aprobado	Interno	C
39	Fruterra	PJC	OO	Exportación de Frutas	Pendiente	Externo	A
40	Imperio Guaraní	PJC	RM	Stevia cristalizada	en trámites	Interno/Externo	A

Rating

A= Strategic cases
 B=Normal
 C=Declining
 D=Termination

The chart below shows the preliminary results from the first quarter. Please note that these numbers have not yet been finalized by the monitoring and evaluation unit and may change prior to submission of the quarterly report to the CTO's office at USAID/Paraguay.

Results

Of the forty firms associated with Paraguay Vende, thirteen have demonstrated results results this quarter. If we include results from the beginning of the project, it is evident that seventeen companies are actually showing results. The first table below shows results from this quarter and the second table shows the results to date for the project.

2nd Quarter, FY 2005 Results In Guaranies and Dollars

Q2								
Nº	COMPANY	CSE	Additional Exports USD	Additional Exports Gs.	Additional Sales q2 USD	Additional Sales q2 Gs.	Additional Employment q2 in person days	Investment q2 USD
1	BRAVIEW	CDE	0	0	0	0	0	0
2	DALAZEN	CDE	0	0	52.989	332.084.657	3.156	0
3	METAL FORTE	CDE	0	0	38.952	243.869.897	2.320	0
4	XTREME	CDE	61.056	383.526.635	0	0	7.732	0
5	UPISA	CDE	359.247	2.250.361.764	0	0	31.273	0
6	ESTANCIAS FD	CDE	0	0	9.704	65.995.425	1.907	0
7	Delfin Ruiz	CO	0	0	908	7.532.990	76	0
8	MAGRO PLAN	CO	0	0	0	0	0	0
9	FIBRAC	CO	0	0	22.222	154.341.675	2.118	0
10	Cooperativa Yegros	CO	0	0	0	0	0	7.960
11	HIERBAPAR	PJC	645	4.051.206	15.308	105.252.361	2.312	0
12	DTP	PJC	0	0	14.350	89.864.312	2.510	0
13	TELNET	PJC	103.825	664.075.847	0	0	20.407	0
Total			524.773	3.302.015.453	154.433	998.941.317	73.811	7.960

Total sales this quarter (includes exports): US\$679,206

Results to Date (September 2003-March 2005)

In Guaranies and Dollars

Project Report 2004-2005								
Nº	COMPANY	CSE	Additional Exports USD	Additional Exports Gs	Additional Sales USD	Additional Sales Gs.	Additional Employment in person days	Investment USD
1	BRAVIEW	CDE	0	0	201.617	1.197.028.111	25.948	0
2	DALAZEN	CDE	0	0	444.668	2.610.366.000	26.485	0
3	METAL FORTE	CDE	0	0	120.239	725.569.297	7.162	0
4	XTREME	CDE	279.518	1.689.814.026	0	0	35.398	735.418
5	UPISA	CDE	1.109.721	6.785.025.741	0	0	96.604	0
6	ESTANCIAS FD	CDE	0	0	145.089	867.376.958	28.513	0
7	Delfin Ruiz	CO	0	0	356.016	2.117.461.324	29.559	0
8	MAGRO PLAN	CO	0	0	5.929	31.585.530	858	0
9	FIBRAC	CO	0	0	45.276	296.087.319	5.500	0
10	Cooperativa Yegros	CO	0	0	0	0	0	7.960
11	Bosques Asunción	CO	0	0	0	0	0	13.163
12	LA LECHUZA	PJC	0	0	30.607	183.539.017	1.731	0

Project Report 2004-2005

N°	COMPANY	CSE	Additional Exports USD	Additional Exports Gs	Additional Sales USD	Additional Sales Gs.	Additional Employment in person days	Investment USD
13	HIERBAPAR	PJC	645	4.051.206	39.227	247.346.240	5.775	0
14	DTP	PJC	0	0	38.968	239.149.455	6.815	0
15	TELNET	PJC	133.527	856.598.305	0	0	26.245	42.811
16	FRUTERRA	PJC	4.547	29.563.632	0	0	894	0
Total			1.527.958	9.365.052.911	1.427.636	8.515.509.251	297.485	799.352

Total sales to date (includes exports): US\$2,955,594

A1. Continuing Technical Assistance

In the first quarter of 2005, the Paraguay Vende project continued to work with 36 companies to whom they had been providing technical assistance in the previous quarter.

A2. New Technical Assistance During this Quarter.

The project initiated assistance with 4 new firms in the final quarter of 2004. They include 3 companies in the Eastern Corridor, Chortizar, Castilla, and MAPASA. In the Northern Corridor, the project added Imperio Guarani. These new companies bring the total number of firms receiving assistance to 40 for the first quarter of 2004 (2nd Quarter, FY2005).

During this quarter, Ms. Marialyce Mutchler traveled with Mr. Sebastien Ezyaguirre, the owner of Semillas Kemagro, S.A., to attend the Fancy Foods Show in San Francisco and then traveled to Chicago and New York to meet with several potential buyers of Paraguayan sesame. Ms. Mutchler and Mr. Ezyaguirre met with a number of potential buyers and were able to identify specific actions to expand Semillas Kemagro's exports to the U.S. market.

Dr. James Riordan and Ms. Marialyce Mutchler traveled to Paraguay in March to evaluate project performance to date, work with Mr. Reinaldo Penner and Mr. Juan Carron on the structure of the Strategic Alliances and Marketing Initiatives (SAMI) Unit, and plan activities for the coming year.

A3. Consortium Management

During this quarter, Chemonics has continued to work closely with its subcontractors. In Paraguay, the management of the ESCs continues to proceed smoothly. There have been some contractual issues with regards to the subcontract for the FPC with CADEP. The Paraguay Vende team has worked closely with CADEP, and these issues should be completely resolved in the next quarter. Crimson Capital consultant, Mr. Steve Caiger, recently completed a short-term assignment for Paraguay Vende, and there are no ongoing activities under that subcontract at present.

B. Technical Activities Planned for Next Quarter

Paraguay Vende is currently pursuing a number of assignments in the MERCOSUR region using local consultants. Mr. Juan Carron is working with the SAMI unit to identify potential technical activities in the coming quarter for short-term expatriate and third country nationals.

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

Start Date: October 27,, 2003

End Date: December 31, 2005

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

A. Introduction

This report details the activities completed in the first quarter of 2005. As with previous reports under this contract, it is structured according to the work plan and schedule of tasks set by Chemonics.

In addition to the description of activities undertaken, the report presents our qualitative evaluation of those activities, along with a description of difficulties encountered in implementation and delays occurring with respect to the project's Moroccan partners.

A. Assistance for Regional Investment Centers

A.1 Organization and improved administration of Regional Investment Centers.

Analyzing and evaluating the single form

The single form for enterprise creation was adapted by Jean-Michel Mas and Maria Bahnini to accommodate the anticipated modifications to the Commercial Registry. There are now nine single forms. The modifications were then submitted to the Regional Investment Centers (RICs), who made comments and suggestions which were taken into consideration as much as possible. As soon as supplementary graphics work on the forms is completed by ARGAZE, we will forward sample papers to all the RICs as well as the Direction de la Coordination des Affaires Économiques (DCAE) at the Ministry of Interior, which will draft the ministerial circular needed to formally adopt the modified forms.

Manual of procedures for investment projects

The manual of procedures for investment projects is now complete. It encompasses all of the investment-related procedures currently delegated to the Regions and managed by the RICs. The objective of the manual, which is to normalize the services offered by the different RICs to domestic and foreign investors, will be achieved only if all the RICs and other administrations agree to adopt the recommended standardization, and to work together to build a cooperative and transparent inter-

administrative environment.

Certain actions are needed to make the initiative sustainable. The manual must be validated by all the administrations concerned. This entails:

- a) Confirming the list of documents requested in the manual of procedures
- b) Specifying, for each procedure, the time necessary for the regional administrations to complete their work and populate their files.⁹

Once this validation process is complete, we intend to set up a national committee to oversee the procedures. Composed of representatives from the RICs, DI, and permanent administrations members of the Regional Commission of Investment, this Committee will have as its mandate:

- Clarifying administrative procedures with the relevant administrations for new delegations of authority to the Regions, as each such delegation of authority occurs;
- Simplifying investment-related procedures by reducing the administrative procedures managed jointly by the RICs and/or the DI and the various related administrations.

The outline of our plan is more or less as follows:

Stages	Objectives
Stage 1 (Complete) Cataloguing, digitizing and analyzing existing procedures	<ul style="list-style-type: none">• Capitalize on the experience of the RICs and DI by indexing all the procedures related to the devolution of investment• Improve transparency for potential investors and other customers• Harmonize and unify existing procedures to bring them in line with the requirements specified under Moroccan law
Stage 2 Validation of the manual of procedures	<ul style="list-style-type: none">• Solidify existing procedures while making the manual applicable to all pertinent administrations• For each procedure, identify the maximum length of time for execution to which all the regional and/or national administrations through the country will be held
Stage 3 Creation of a	<ul style="list-style-type: none">• Foster cooperation between the RICs, the DI and the various

⁹ Once this information has been entered into the system, an electronic reminder alarm will automatically sound whenever the agreed-upon time limit is exceeded.

national committee on investment procedures	<p>investment-related administrations</p> <ul style="list-style-type: none"> • Simplify procedures by eliminating redundancies and unnecessary steps
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The underlying principles for the simplification of procedures include supporting best management practices, promoting the principle of administrative uniformity, and requiring complete transparency for any document to be provided to or by the administrations, to name only the most obvious.

We request the advice and support from the project Steering Committee as to the best manner of proceeding with the implementation of stages 2 and 3 according to the process described above.

Performance Indicators and Outputs for Regional Investment Centers

We took advantage of the semi-annual meeting of RIC Directors in Marrakesh to share the report of our consultant Fouzi Mourji on performance indicators with all the RICs¹⁰, with Mr. Mourji present.

The RICs appreciated the enormity of the work completed by the consultant and were sensitive to the difficulties which confronted him in fulfilling his mandate.

As background, it should be stressed that the RICs are currently working without a unified work plan. They have differing perceptions as to their mission and their mandate, and thus different opinions on their relative performance.

The unanimous opinion of our partners is that it is premature to hold them accountable for performance. The majority of them feel that they must first come to a better definition of their internal structure. Basic questions were posed at the meeting, such as which indicators to use for which clients, and to evaluate what mission(s) and function(s). The RICs unanimously agreed that their explicit role and mission must be clarified. Several felt that this debate constitutes an essential step in the definition of performance indicators. According to the RICs, this process must take place in stages. The RICs asked that the initial step be the development of simple and credible indicators which would enable them to evaluate the quality of their services, and to self-evaluate according to their individual means and constraints. Such indicators would be suitable for each RIC according to their level of development, rather than being intended only for those which are most advanced.

If we understand this request correctly, the RICs seem to be looking for a metric which will make it possible for the RICs to evaluate their initiatives and guide them in the strategic allocation of their resources. With this in mind, we produced a methodology and tools which will be sent to the RICs and the DCAE for comments.

Development of software applications

¹⁰ Mourji, Fouzi. Rapport sur les Indicateurs de Suivi des activités et des performances des CRI. Jan 2005.

Following the study of Jean-Michel Mas on investment-related procedures, specifications were written for a software application to manage these procedures. The application is currently being developed by ARGAZE. It will enter the beta testing phase on June 15, with testing limited to selected RICs. It will be made available to all RICs following the completion of beta testing.

The functions of this application were explained to the RIC Directors during their recent semi-annual meeting in Marrakesh. The software was also the subject of longer presentations in certain RICs, which invited Mr. Mas to spend a full day presenting the application to their employees.

At the Marrakesh meeting, a committee was created to guide the project in its technological choices and to use the experience of the more advanced RICs to enhance the menu of available options. This committee includes the directors of Casablanca, Agadir, Marrakesh, and Tangier. It is chaired by Mr. Jamai of Casablanca, and we have asked him to convene the committee as soon as possible.

A.2 Creation of Public/Private Partnerships for Regional Economic Development

Training of Regional Decision-Makers

The project offered two additional regional trainings during the first quarter of 2005. Our consultants, Andrew Thorburn and Abdellatif Mazouz, met with regional decision-makers in Meknès and Fès. This brings the total number of regions benefiting from this training program to ten. Of this number, eight programs were clear successes, while in two regions, the sessions were not received terribly well. As always, Mr. Mazouz and Mr. Thorburn delivered a general program which they – to the greatest extent possible – attempted to adapt to the economic realities of each region. This adaptive process obviously represents a significant challenge which makes it difficult to satisfy the expectations of very diverse regions. We believe that, despite all the work required and the difficulties encountered along the way, the success rate we have achieved remains very encouraging. These training programs will continue throughout the remainder of the project.

Web-based newsletter

As we mentioned in our 2004 annual report, the objective of the Web-based newsletter was to place at the disposal of our counterparts all information related to best practices, investment promotion techniques and services required by/for investors. Accordingly, the project produced the first edition of the newsletter in October and a second edition was scheduled for release during the winter quarter. However, due to the fact that relevant information circulates well on both formal and informal levels between the RICs, we inquired with the directors themselves about whether they considered the newsletter a valuable tool. In response, a significant majority of the directors did not feel that this platform for exchange was worthwhile and therefore did not desire to contribute to it.

Accordingly, we decided not to devote further scarce resources to this activity.

Semi-annual conference of Regional Investment Center officials

After numerous delays, the project held the second semi-annual RIC Directors' meeting in Marrakesh on March 4th and 5th. Each of the 16 RIC Directors and two representatives of the DCAE attended.

Mr. Ahmed Lahlimi, Minister and High Commissioner of Planning (HCP) opened the meeting with a very pertinent address. The objective of his presentation was to exchange news of the statistical and economic studies that the HCP either produces or will be able to produce for the RICs' use in their efforts to meet the needs of investors. The RIC Directors expressed their need for regional economic information and Minister Lahlimi promised to look into this question while designating a team to work directly with the RICs within the framework of a partnership between them and the HCP.

Just as the with the previous meeting held in Tangier in June 2004, the Marrakesh conference allowed us, once more, to further unite the RICs. We feel it is essential that the semi-annual meeting schedule be maintained, for the RICs rarely have the occasion to meet. Even if these meetings appear only nominally productive at first glance due to the fact that they do not offer concrete results, they do provide a rare and unique opportunity for the RICs to listen to each other and to transform and improve themselves through the identification of new synergies and positive emulation.

A.3 Capacity-building for Investment Promotion

RIC Web sites

Our work on the development of a Web site for the Meknes RIC, which will be our first site to go online, has progressed rapidly. Four other RICs are currently expanding their informational content, which will then follow Meknes' site online before the summer.

Management trainings for RICs and DI

Three communications training sessions have been scheduled for April 28th and 29th in Rabat, May 12th and 13th in Fes, and May 26th and 27th in Agadir. These trainings will target the development of effective communication skills and the delivery of convincing presentations. The trainers were recruited by Synergy Formation in Casablanca.

At the request of the RICs, we will offer a new training on Foreign Direct Investment (FDI) and regional economic development. The dates proposed are April 14th and 15th, and the training will be held in Casablanca. This program was offered by Abdellatif Mazouz and Andrew Thorburn in Settat in May 2004 and was extremely well received by the 26 participants, who represented 9 RICs and the DI.

Development of regional economic development strategies

The work on the development of regional economic strategies essentially aims to identify regional statistics and other information while taking into consideration the investment decision criteria of

investors. A methodology program was established by Andrew Thorburn and Abdellatif Mazouz, and the implementation of this program continues with the regions of Casablanca, Settat, and Marrakesh. These regions have shown a commitment to confronting the significant problem of the lack of availability of necessary regional economic information for investors. Furthermore, what information is available is often very difficult to obtain from the various administrations overseeing its collection and collation. In addition, other important data that exists at a national level cannot be generated for the regions (GDP, value-added for different economic sectors, etc.), while still other data simply do not exist at all (inventory of available property such as buildings and industrial sites, etc.).

These difficulties have, at best, considerably hindered the work of the RICs and their regional partners. Nevertheless, thanks to the efforts of everyone involved, we have succeeded in creating a database which the regions feel is more-or-less complete. The three regions have each identified and installed an information network, which must be maintained in order for them to be able to be consistent with international best practices in regional economic development and to promote the most competitive sectors in each region.

This process has been undertaken by the other regions as well in order to establish databases of economic data responsive to the principal needs of potential investors. This database groups together data on population, training and education, infrastructure, the entrepreneurial context, property and the quality of the life for each respective region. This data will allow the population of the regional Web sites with the information necessary for regional investment promotion. In addition, this exercise has contributed extensively to raising the awareness of national and regional authorities about the lack of economic data which is available for the regional decision-makers.

In terms of providing the national investment portal with necessary information for investors, we have launched, with the DI, an initiative aimed at collecting data from each of the numerous administrations involved with collecting and transmitting economic and social statistics. This effort will lead to a national database available to investors which will cover the principal dimensions of the national investment climate, thus allowing said investors to efficiently and accurately review their investment opportunities in Morocco.

B. Assistance to the Department of Investments

B.1 Strengthening the operations of the Department of Investment and its information management system

The content of the national investment portal Web site currently remains under development by a DI team, which has already made significant progress toward its finalization. The project has recruited the services of a local translator who will undertake the translation of the Web site into English, while the final text will be revised by a native English-speaking expert in marketing.

We hope that the official launch of the national investment portal Web site will occur soon, perhaps as early as the end of April.

C. Management and Administration of the Project

With respect to the project's administration, there are no significant changes to report for the first quarter of 2005.

CONCLUSION

The first quarter's activities have marked a turning point in the implementation of the project, and the engagement of the relevant Moroccan authorities over the course of the coming months will decisively impact the project's efforts and results. The validation of the Manual of procedures is critical to the intended impact in terms of improved inter-administration efficiency and transparency. As for the establishment of a real investment strategy, this goal depends upon the decision of all RICs to share in the compilation and maintenance of the database of investment projects, and upon the capacity of the relevant Ministry to convince them of this. Our work consists of developing the required tools for investment promotion, but the responsibility for the utilization of these tools rests with our Moroccan counterparts.

We thank the members of the project Steering Committee for their attention and support.

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

Start Date: December 18, 2003

End Date: December 31, 2006

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

INTRODUCTION

This second quarterly report covers the period January – March 2005 and highlights the progress made during the implementation of the Strengthening the Competitiveness of Private Enterprise (SCOPE) work plan for 2005. SCOPE is a three-year United States Agency for International Development (USAID) - funded activity, which commenced operations in December 2003 and ends December 2006. SCOPE is implemented by Chemonics International Inc. together with its consortium of implementing partners and is currently in its second year of implementation.

SCOPE Overview

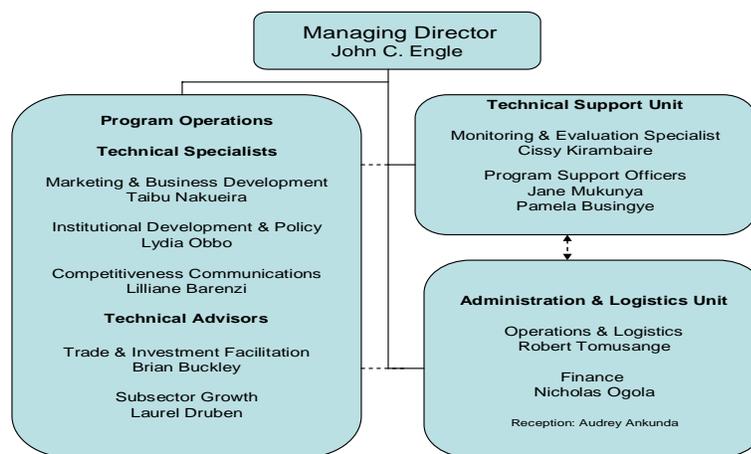
SCOPE's efforts support the achievement of results under USAID's Strategic Objective 7 (SO7) which relates to "Expanded Sustainable Economic Opportunity for Rural Sector Growth". SCOPE seeks to expand the competitiveness of targeted subsectors by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable private-public competitiveness dialogue, and supporting development of an enabling environment for broad-based economic growth through expanded trade. SCOPE facilitates the transformation of sub sectors into competitive national industries through formation of clusters which work to improve competitiveness in international, regional, and domestic

markets. SCOPE promotes formation of business-driven, economic clusters in the coffee, cotton, horticulture (flowers), grains (maize and beans), oilseeds, dairy, and fisheries sub sectors, as well as the tourism sector.

Organization Structure

The SCOPE team is headed by a Managing Director who serves as Chief of Party and technical coordinator of all SCOPE activities. SCOPE operates within three technical components which are each managed by a technical specialist. There are also two technical expatriate advisors in the areas of strategic business planning and institutional development, as well as trade and investment facilitation. The Technical Support and Logistics and Administration Units provide critical support services to the entire activity.

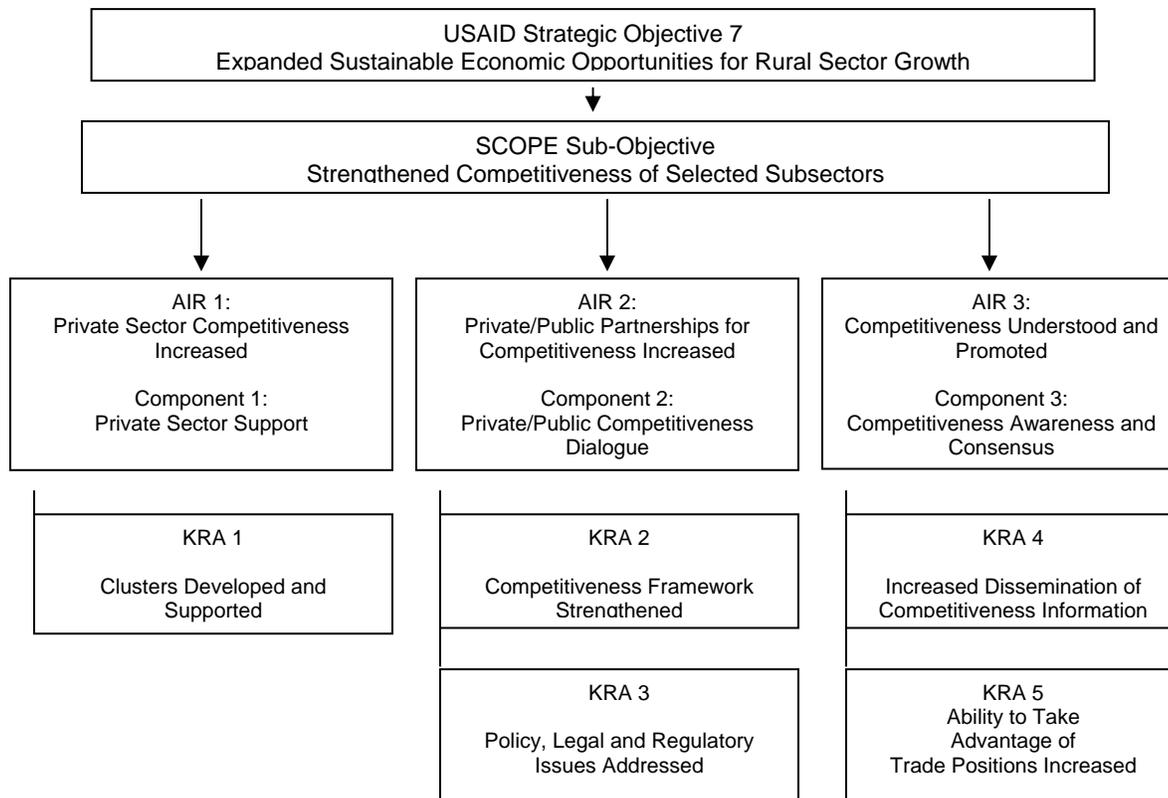
Figure 1: SCOPE Organization Chart



SCOPE's Results Framework

The SCOPE Results Framework was amended for Year 2 (Figure 2). SCOPE's three components remain the same for Year 2, but the total number of KRAs reduced from 9 to 6, with five KRAs covering technical activity while the sixth KRA deals with program management. This amendment is intended to support better application of team resources and strengthen SCOPE's ability to reach its target indicators.

Figure 2: SCOPE Results Framework



A New Approach to Reporting: Subsector Competitive Diamonds

SCOPE's activities are geared to result in sub sector growth and improvements in the business environment within which the private sector operates. The business environment as it exists with relationship to SCOPE target sub sectors is depicted in a competitive diamond. SCOPE interventions are geared to address major constraints and gaps in the environment through implementation of targeted initiatives that will translate into expansion of production, markets, and exports. During the second quarter, SCOPE created blueprint diamonds for individual sub sectors which illustrate strengths and weaknesses in each sub sector by 'quadrant' of the diamond. (See Internal Mid-Term Project Review to review diamonds.) Each sub sector is benchmarked in terms of what it requires to move forward. Specific interventions guide preparation of sub sector business plans that deliver strategic direction as dictated by market priorities (demand), and the innovations in production organization (in-pu factors) and industry transformation (clusters) that

must be in place to support sub sector growth and economic development as well as the emergence of competitive industries.

In previous quarterly reports, SCOPE showed progress by sub sector and stage as per the Stages to Ugandan Competitiveness chart. But when sub sector progress is looked at by stage only, it is not possible to see the range and type of movement that is made within each stage. Therefore, beginning in the next quarterly report, SCOPE will report on sub sectors by highlighting the activities and progress made within the quadrants of each sub sector's competitive diamond. The progress by stages chart will be included at the end of the project year to highlight overall sub sector progress.

AIR 1: Private Sector Competitiveness Increased

KRA 1: Clusters Developed and Supported

Key Activities

A. Subsector Transformation

As part of AIR1 activity, SCOPE worked with its target subsectors towards completion of the five stages of subsector transformation. Subsectors continued to progress differently with floriculture continuing to take the lead. The progress made by each subsector is highlighted below.

1) Floriculture

Floriculture is working on aspects of Stage 4 activities. The floriculture monitoring system is in place and a number of activities as spelt out in the floriculture business plan are under active implementation and are being monitored. Three partnerships were identified to drive the implementation of the floriculture national business plan forward and these were in the areas of; a) finance and financial services b) infrastructure support & investment package, and c) training, research and development and industry development support.

The infrastructure support & investment package partnership was launched in March 2005. The need for a competitive investment package to support sub sector business plans has been key in all cluster discussions. Infrastructure development is also critical for investment particularly into upland areas as growers target the production of the bigger bud flower which fetch higher prices in the international market. The major players in this cluster partnership include public sector players, particularly the relevant ministries and regulatory bodies. This partnership will develop infrastructure and investment environment that supports industry expansion both in existing and new areas and create an overall package that is responsive to industry needs and promotes Uganda as the best investment location in the region. The inaugural meeting included all of the above players.

The finance and financial services and the training, research and development partnerships were also put in motion although they are taking different approaches. The finance partnership has the main objective of developing packages of affordable, longer term finance on competitive terms. It was noted in Year 1 that availability of affordable finance was a major hindrance to competitiveness in all SCOPE subsectors and this necessitated the formation of this partnership for floriculture. The partnership includes the Ministry of Finance Planning and Economic Development, commercial banks and other financial institutions. The training, research and development & industry development support partnership has the objective of developing a training facility and setup a world class Research and Development facility to support demand-driven specialized and targeted research. The partners identified include the relevant ministries, institutions of higher learning and donors.

During the quarter, efforts to facilitate privatization of the cold storage facility continued, building on momentum raised during the first quarter. Success was also registered in packaging. Packaging had earlier been identified as a major constraint to the competitiveness of the industry. The floriculture cluster together with SCOPE, through several consultations and meetings was able to standardize the packaging to a cost effective standard packaging with Riley Packaging Company taking the lead as the major floriculture packager. On the side of volume of exports, the subsector recorded a 9% increase in the volume of flower exports over the same period last year. (Table 1)

Table 1: Comparative Statistics: Volumes of Flower Exports January to-March 2004 & 2005

	Jan-March (Tonnes)	Jan-March (Tonnes)	% change
Roses	2005	2004	
FHL	1,473	1,247	18.1
ENHAS	13	113	-88.8
Total Roses	1,485	1,360	9
Cuttings			
Total Cuttings	299	277	8
Total Flowers	1,784	1,637	9

2) Coffee

Although activity remained in Stage 2, coffee was able to complete more activities under this stage during the quarter. The coffee strategy, whose development started during the first quarter, was completed and presented to the core Coffee Private Sector Working Group which is currently finalizing input to facilitate business plan development. Coffee strategy targets include:

- i. Increasing volumes of marketed coffee
- ii. Increasing values of marketed coffee
- iii. Differentiating and positioning Uganda in coffee markets
- iv. Implementing an integrated market development program
- v. Strengthening industry support organizations

SCOPE continued to work on the Strategic Development Program for the Uganda Coffee Traders Federation (UCTF) to make the association more relevant to the coffee exporters and other players along the coffee value chain (farmers, traders, exporters and roasters). This document when completed, will offer a new direction that includes development of a sustainable production program geared at supporting the emergence of new forms of producer organization, introduction of a quality standards and certification activity, and development of an industry association that encompasses all aspects of the private sector active in coffee.

3) Fisheries

The elements of the fisheries strategy were developed and are under discussion by the fisheries cluster. The issues of operating at low processing capacity, underdeveloped aquaculture capacity, identifying and satisfying markets for value-added products still hamper the competitiveness of the subsector and will be addressed by the National Fisheries Business Plan. The discussions and work on the fisheries strategy will continue through the next quarter. The fisheries cluster is considering the following targets within a plan which integrates the sub sector:

- i. Increasing volumes of marketed fish
- ii. Increasing values of marketed fish
- iii. Positioning Uganda for Sustainable and Competitive Production

- iv. Establishing Uganda as Center for Fisheries Innovation
- v. Strengthening private sector support system

4) Cotton

Activities for the quarter focused on developing a sustainable producer organization model for Uganda's cotton industry. In line with this objective and also to support the development of the sub sector business plan. SCOPE surveyed existing cooperative societies in Nebbi District in Northern Uganda to establish among other things how farmers might best be organized so as to increase production of cotton from the current 160,000 bales to 700,000 by 2010, a target that had earlier been set by the cotton private sector working group. The survey found that the existing cooperative structure does not provide a reliable basis for the revitalization of Uganda's cotton industry but that a fresh start is required to design and develop new sustainable farm level organization models. SCOPE seeks to finalize the pilot model and the elements of the business plan in the next quarter.

5) Dairy

SCOPE worked with the Uganda Dairy Processors' Association (UDPA) to draft key elements of that organization's Strategic Development Program. With SCOPE support, the group has drafted statements of vision, mission and operating principle and sketched the outline for its core operating programs. SCOPE seeks to complete the draft SDP by the end of the following quarter.

6) Grains

The subsector built on efforts made during the first quarter of 2005, when the Uganda Grain Industry Association (UGIA) was formed. UGIA represents all actors in grain production and trade. UGIA emphasizes quality and standards enforcement in grain production and seeks to operate as a strong cluster to push the competitiveness of the grain industry forward. During the third quarter, SCOPE will work with the new association to develop the programs and functions that UGIA will need to put into place to support sub sector growth. Provisional donor support for the association has already been identified.

7) Tourism

SCOPE worked with a core private sector "think tank" to begin the job of crafting initial aspects of the tourism industry strategy. Matters in this industry are complex. Aside from the fact that there are 11 associations in the sector, even the definition of a tourist is not agreed upon by various elements within the sector. In addition, new legislation is moving forward without adequate private sector input. SCOPE worked on the terms of reference for a consultant to support SCOPE staff in the work of coordinating and organizing the various elements of the private sector. The consultant will work with SCOPE to support business plan development and launch projected for the end of September, to coincide with World Tourism Day.

8) Oil Seeds

SCOPE continued to work with Mukwano Industries and APEP to refine a model for creation of an economic development zone (a primary approach to building competitiveness) around oilseeds. This effort gave rise to the Partnership for Oilseed Production and Processing (POPP) model. The initiating sponsor for POPP is Mukwano Industries, Uganda's largest, diversified manufacturer, distributor and retailer of edible oil and fast moving consumer products. Key alliance players within POPP are smallholder farmers living in target areas who are the backbone of the production system. Other alliance participants will include international corporations, non-governmental organizations, and various Government of Uganda agencies.

The POPP initiative provides a framework within which these entities work together to build a competitive future for Uganda within world oilseed markets and do so in ways that lead to sustainable development for smallholder farmers and for their communities. Phase 1 (through 2010) activities begin in Masindi, Apach, Lira, and Sironko and extend to three or four additional districts by Year 2/3. By the end of Phase 3, the model will operate in at least 13 districts, affect the livelihoods of over 600,000 farmers, and involve a range of investors, products and markets. Activities in the third quarter will include building a Global Development Alliance around the model and working with UOSPA, the Uganda Oilseed Processors Association to find ways to incorporate their activities into the model.

KRA 1 Benchmarks

Benchmark 1.1: 6 subsector business plans developed by 9/30/05

Benchmark 1.2: 6 cluster action plans in place by 9/30/05

Benchmark 1.3: Upgraded cluster monitoring system implemented by 12/30/04

Benchmark 1.4: \$75,000 in CIF funds committed in support of cluster-defined initiatives by
9/30/05

Quarterly Performance Overview for AIR1 and Tasks for Next Quarter

Activities in this area are progressing well on schedule. The cluster monitoring system is in place and active for floriculture. CIF funds have so far been spent on the Newsletter, website and the coffee production survey. Activities during the third quarter will include;

- ◆ Complete the development of 3 business plans
- ◆ Launching 3 business plans
- ◆ Putting 3 action plans in place
- ◆ Establishing 3 monitoring systems
- ◆ Committing at least \$ 25,000 in support of cluster-defined initiatives during the quarter

AIR 2: Private/Public Competitiveness Dialogue Supported

KRA 2: Competitiveness Framework Strengthened

Key Activities

A. MTCS Support

As part of KRA2 activity, SCOPE continued to work closely with the secretariat of the Medium-Term Competitiveness Strategy (MTCS), the focal point for competitiveness dialogue within the context of the Poverty Eradication Action Plan (PEAP). SCOPE provided critical input to the MTCS revision drafting process and worked with the MTCS and MISR to begin integrating activities of these two competitiveness initiatives. This integration will have direct impact on SCOPE's ability to meet its Benchmark 2.1 target.

B. PSFU Support

SCOPE work with the PSFU – the umbrella association of the private sector in Uganda –

jumped a notch when PSFU requested SCOPE to sit on the policy board which prepares private sector input to the budget process. SCOPE continues to seek ways to reinforce PSFU's position as the institution strengthening body for private sector interests. The PSFU underwent a change in top management during the first quarter. SCOPE and PSFU staff continued to meet and SCOPE has been involving the PSFU in its major activities. SCOPE will continue with efforts to get the SCOPE/PSFU relationship on a firm footing and work on finalizing the Memorandum of Co-operation.

C. Subsector Association Support

Given the critical roles they can play in competitiveness initiatives, sub sector associations are important partners for SCOPE. During the quarter, SCOPE supported preparation of Strategic Development Programs for the Uganda Coffee Trade Federation (UCTF) and the Uganda Dairy Processors Association (UDPA). SCOPE facilitated and provided secretariat services to support the Uganda Grain Industry Association (UGIA) throughout the process of formulating the association constitution and continued to provide support to the Uganda Flower Exporters Association (UFEA). Finally SCOPE reviewed and commented upon a draft strategic plan being prepared to guide strengthening of the Association of Uganda Tour Operators.

KRA 2 Benchmarks

Benchmark 2.1: MTCS competitiveness indicators revised to better reflect the GCI context by 9/30/05

Benchmark 2.2: 6 subsector Industry Development Support Programs (IDSP) developed by 9/30/05

KRA 3: Policy, Legal, and Regulatory Issues Addressed

Key Activities

A. Facilitation of Action on Policy, Legal, and Regulatory Issues

SCOPE continued to support the ability of cluster business leaders and their associations to identify and address PLR issues through private-public dialogue and continued to address the PLR issues that had been earlier identified during Year 1. SCOPE worked particularly with the fisheries cluster to develop a proposal for amending the proposed Fisheries Bill 2005. Consultants were recruited to work with SCOPE to develop initial sub sector policy platforms that can be used to inform the work of clusters and sub sector associations (see below).

B. Sub Sector Advocacy Mechanisms

Efforts to expand sub sector capacity to carry out effective advocacy on an ongoing and sustainable basis continued. SCOPE worked with UFEA on development of an association advocacy program and supported UFEA's ability to carry out its PLR agenda on behalf of its members which involved interface with the Uganda Revenue Authority (URA), the Uganda Investment Authority (UIA), and the Ministry of Finance Planning and Economic Development (MoFPED). SCOPE supported Uganda Fish Processors and Exporters Association efforts to poll members and develop an advocacy position with regard to introduction of a proposed fisheries levy.

KRA 3 Benchmarks

Benchmark 3.1:	6 private-public partnerships to address specific and general issues established and in operation by 6/30/05
Benchmark 3.2:	5 issues papers developed in support of cluster action plans by 9/30/05
Benchmark 3.3:	6 association advocacy programs developed in support of cluster operations by 9/30/05

Quarterly Performance Overview for AIR 2 and Tasks for Next Quarter

The MTCS revision process is proceeding well and SCOPE continues to play a key role in the process. SCOPE input has already made a major impact in terms of the directions the revision is taking, and SCOPE is hopeful that, with its support, MTCS indicators will be more closely linked to the GCR. As part of activity for the third quarter, SCOPE will work with the MTCS and Makerere Institute of Social Research (MISR) to conduct the Global Competitiveness Index surveys in Mbarara, Mbale, Lira and Kampala. Projected activities for the next quarter include the following:

- ◆ Provide support to the preparation of the revised MTCS framework 2005 – 2010
- ◆ Involve the MTCS to support and collaborate with Makerere Institute of Social Research (MISR) for implementation of the Global Competitiveness Index (Executive Opinion) survey
- ◆ Integrate work of MISR and MTCS around competitiveness indicators for Uganda
- ◆ Finalize SDPs/IDSPs for UFEA, UCTF and UDPA
- ◆ Commence development of IDSP for UFPEA
- ◆ Facilitate preparation and presentation of issues papers in at least grains and fisheries

◆

AIR 3: Competitiveness Understood and Promoted

KRA 4: Increased Dissemination of Competitiveness Information

KRA 4 Activities

A. Competitiveness Newsletter and Website

During the quarter, SCOPE improved links to, and updated the *competeUganda* website which became fully operational during the first quarter of 2005. Work on the third volume of the newsletter commenced with completion and dissemination scheduled for mid April 2005. The two previous volumes of the newsletter are currently available on the website. The newsletter and website continue to be vehicles for communications cooperation between SCOPE and strategic partners like PSFU, MTCS, MISR and sub sector associations.

B. Communications Strategy and Media Cluster

SCOPE continued to work with the media cluster to promote competitiveness awareness in Uganda. SCOPE is currently regularly engaging 4 media organisations namely, K.FM radio, Uganda Television, the New Vision, and the Monitor newspapers, to promote competitiveness awareness. During the third quarter, SCOPE will engage three more media organisations in up country areas. As part of the communications strategy, SCOPE supported associations to carry out strategic assessments of their communications needs and provide technical support in the areas of design and implementation of communication programs, conduct of media relations, and preparation of newsletters, brochures, and newspaper supplements. SCOPE effectively worked with UFEA, UFPEA and UCTF on these issues.

Media cluster activities during the quarter included covering and reporting on the launch of the University Competitiveness Club (UCC) in Nkozi during the month of February. The media also covered and reported on cluster activities in fisheries, coffee, cotton and floriculture particularly in the print media. During the quarter, 6 competitiveness communications were made, of which 5 were print media articles and one talk show on K.FM radio.

D. Promoting Regional Dialogue

The promotion of regional competitiveness dialogue was achieved initially during the first quarter with the Competitiveness Awareness survey in Central Region (Kampala), Western region (Mbarara) and Northern region (Lira). During the second quarter, regional workshops to increase competitiveness awareness and discussion amongst rural-based stakeholders are scheduled in the three regions above, and will be expanded to include the Eastern region (Mbale). The workshops will amongst other things, communicate findings of the 2004 Competitiveness Awareness Survey, present opportunities for discussion of Uganda's competitiveness context and the Global Competitiveness Report.

C. Student Organizations

During the second quarter, a University Competitiveness Club (UCC) was launched in Uganda Martyrs University, Nkozi with 65 members. The Nkozi University students were introduced to competitiveness and engaged in competitiveness dialogue throughout the quarter. The students had familiarization tours of four enterprises that SCOPE works with, namely; Dairy Corporation Ltd in the dairy subsector, Intercontinental Fisheries and Green Fields fisheries in the fisheries subsector and Rosebud flower farm in the floriculture subsector. An essay competition was also commissioned with

responses expected during the third quarter. During the third quarter, SCOPE will also work with Makerere University Business School (MUBS) as the second university to be engaged in University Competitiveness Clubs' activities.



Members of Nkozi UCC

KRA 4 Benchmarks:

Benchmark 4.1: 2 association communications programs underway by 9/30/05

Benchmark 4.2: 10 media organizations regularly contributing to competitiveness dialogue as evidenced through coverage levels

Benchmark 4.3: 2 regional dialogue activities initiated by 9/30/05

Benchmark 4.4: 2 university competitiveness programs under active implementation by 9/30/05

KRA 5: Ability to Take Advantage of Trade Positions Increased

Key Activities

A. Trade Benchmarking Report

By the end of the quarter, work on this report was still being undertaken by one of the subcontractors; International Law Institute (ILI). This document will provide strategic information on trade opportunities and potential to all players in SCOPE subsectors. Following completion, opportunity profiles for the sub sectors will be distributed to all stakeholders. Completion of this report is expected during the third quarter.

B. Branding

Branding Uganda is important to differentiate Uganda and Ugandan products from other African countries and worldwide suppliers. SCOPE worked with the AGOA office on a campaign to re-brand Uganda during Year 1 and the first quarter of 2005. As a major activity during the third quarter, SCOPE will use the University Competitiveness Clubs and selected secondary schools in the country to develop a slogan and logo to introduce the “new” Uganda to the world. SCOPE will also work on at least 2 commodity branding campaigns by September 2005.

KRA 5 Benchmarks

Benchmark 5.1:	1 national branding activity underway by 9/30/05
Benchmark 5.2:	Uganda trade agreement benchmarking report prepared and distributed by 2/28/05
Benchmark 5.3:	4 sub sector trade agreement opportunity profiles prepared and distributed by 9/30/05
Benchmark 5.4:	2 commodity branding activities identified and supported by 9/30/05

Quarterly Performance Overview for AIR 3 and Tasks for Next Quarter

In general, SCOPE’s progress toward meeting its awareness benchmarks progressed well, but the date for completion of the trade agreement benchmarking report slipped a quarter when the contractor found that more time was needed. Although SCOPE is currently engaging 4 media organisations namely; The New Vision, K F.M, The Monitor and Uganda Television, the target of engaging 10 media organisations will be met by involving three additional media organisations per quarter. The newsletter and website are fully operational and one University Competitiveness Club is in place in Nkozi. Tasks for the next quarter will focus on, among others:

- ◆ Supporting communication plans for UCTF, UFPEA and UFEA
 - ◆ Identifying and engaging 3 additional target media organizations
 - ◆ Initiating and sustaining regional dialogue
-

- ◆ Introducing competitiveness programs in Makerere University Business School (MUBS)
- ◆ Initiating 1 national branding activity, and two commodities
- ◆ Completing and disseminating the trade benchmarking report

Program Management

Key Result Area 6: Operations Support Provided

The SCOPE office administrative and management staff continued to work closely with the Chemonics home office PMU to maintain systems for contract management and to provide adequate and timely support for all SCOPE activities. Specific activities for the quarter included;

A. Contract management

- ◆ Monthly invoices, LOE employed statements, and subcontractors LOE employed statements for December 2004 , January 2005 and February 2005 were submitted to USAID
- ◆ SCOPE continued working with the USAID VAT/Duty Refund Coordinator to process VAT and duty on fuel claims
- ◆ Mission approval for a variety of activities was processed

B. Administrative Support for SCOPE activities

- ◆ Healthy, safe, efficient and professional working environment provided to SCOPE
 - ◆ Support provided to SCOPE activities
-

Stages to Ugandan Competitiveness

Subsector Transformation		Competitiveness Framework
<p>Subsector Positions Defined</p> <ul style="list-style-type: none"> • Market opportunities defined • SWOT analysis #1 carried out • Comparative advantages determined • Target markets and products identified • Private and public sector actors reviewed • Value chain and linkages profiled • Pre-cluster activity defined • Preliminary APEP, PRIME, SPEED opportunities identified • Economic baselines established 	Stage 1	<p>Framework Assessed</p> <ul style="list-style-type: none"> • Subsector policy/legal/regulatory frameworks mapped • Review of MTCS programs completed • Assessment of MTCS position carried out • Review of PSFU programs carried out • Assessment of PSFU capacities completed • Assessment of subsector associations carried out • Subsector association profiles prepared • PSFU profile completed • MTCS profile completed
<p>Cluster Business Plans Developed</p> <ul style="list-style-type: none"> • Private sector caucuses held • Private sector champions identified • Business surveys carried out • Market expansion targets set • SWOT analysis #2 carried out • Business plan agreed upon • Cluster participation defined • Cluster formation meeting(s) held 	Stage 2	<p>Framework Strategy Developed</p> <ul style="list-style-type: none"> • MTCS strategic development program prepared • MTCS roles re clusters defined • PSFU roles per cluster defined • Plan for upgrading competitiveness framework prepared • Communications requirements assessed • Communications program developed • Baselines developed • Association strategic development programs defined • Legal/regulatory issues identified
<p>Cluster Strategies and Action Plans Developed</p> <ul style="list-style-type: none"> • Cluster members recruited 		<p>Capacities Expanded</p> <ul style="list-style-type: none"> • Baselines incorporated into MTCS monitoring framework

<ul style="list-style-type: none"> • Cluster roles defined by private sector, regulatory bodies, associations, research and training organizations, government • Cluster leadership appointed • Cluster strategy developed and negotiated • Implementation/action plan in place • MOU signed by cluster members • Cluster monitoring and reporting system developed and operational 	Stage 3	<ul style="list-style-type: none"> • Communications program installed in initial participating organizations • MTCS capacity to analyze and report on competitiveness supported • PSFU capacity to report on competitiveness increased • Association capacities to support cluster activities supported • Competitiveness capacities of key public sector agencies expanded • National awareness program developed
<p style="text-align: center;">Cluster Action Plans Implemented</p> <ul style="list-style-type: none"> • Market linkages expanded • Regular meetings supported • Resources leveraged • Business partnerships developed and supported • Export linkages coordinated • Monitoring and reporting carried out 	Stage 4	<p style="text-align: center;">Framework Strengthened</p> <ul style="list-style-type: none"> • Standards, certification, quality, branding programs developed and supported • Trade, regulatory issues constraining subsector growth addressed • Association revenue generation programs operational • National awareness program implemented • MTCS established as focal point for Uganda global competitiveness conference • Partnerships expanded and strengthened
<p style="text-align: center;">Clusters Sustained</p> <ul style="list-style-type: none"> • New clusters emerging based on SCOPE model • Regular media coverage provided for all cluster-initiated activities 	Stage 5	<p style="text-align: center;">Framework Sustained</p> <ul style="list-style-type: none"> • Clusters operational within sustainability plans • Subsector associations provide support services as part of sustainability strategies • PSFU private sector policy platform firmly established • Competitiveness Council/Forum in place to sustain effective dialogue

How the Stages Work

Subsector Transformation	Competitiveness Framework	
<p>Competitive Positions Defined Competitiveness planning, whether for an industry or commodity sub sector, requires assessment and analysis of competitiveness potential. The steps within this stage represent different aspects of assessment required to support analysis of competitiveness potential. Time needed for completion depends upon, e.g., complexity of industry/sector, availability of data, ability to access subcontract or TA support for the process.</p>	Stage 1	<p>Framework Assessed As a way of thinking and operating, competitiveness needs to be internalized within organizations and entities – whether public or private -- that have ongoing roles to play in the process. Stage 1 includes assessment of relevant private and public organizations in terms of their levels of competitiveness awareness and their institutional capacity to undertake roles within the competitiveness process.</p>
<p>Cluster Business Plans Developed Stage 2 represents steps carried out to introduce business leaders to competitiveness and to work with them to set targets, to identify constraints to growth and strategies for addressing them. The stage culminates with production of a written business plan which includes definition of areas for private-public partnerships. The length of time required depends upon the complexity of the sub sector/industry and the quality and availability of private sector champions. In cases when parts of Stages 1 and 2 can move together, time-frames are shortened.</p>	Stage 2	<p>Framework Strategy Developed Stage 2 activities cover work carried out to assist framework organizations and institutions to define their roles with regard to competitiveness and to develop plans for strengthening their ability to play these roles. Sub sector associations are of particular importance to work within this stage. Tools used to support capacity building are Strategic Development Programs or Industry Development Support Programs, which outline strategic directions and define the range of programs and services needed to support capacity building activities</p>
<p>Cluster Strategies and Action Plans Developed The private sector moves from its core planning group to expand the cluster to include other relevant actors, from both the private and public sectors. The business plan is presented and discussed and agreed upon. Cluster members develop and agree on strategies and targets for moving the business plan forward</p>	Stage 3	<p>Capacities Expanded Stage 3 covers work carried out with target entities to build organization capacities to support competitiveness. Particular focus is placed on capacity to analyze and report on competitiveness effectively. Stage 3 involves developing full programs plans to support implementation of the strategic directions defined in Stage 2. Stage 3 activities, therefore, include</p>

<p>within the context of action plans that define how cluster members will work to support the plan. Where possible, these plans are agreed to in writing. In cases where business plans are clear-cut, Stage 3 can take even longer than the three month minimum, in cases such as Uganda, where it is difficult to schedule meetings, to get cluster priorities discussed and sorted out.</p>		<p>assisting target organizations to put their identified programs into place and to develop revenue generation and sustainability strategies to support their operations. At this stage in building the competitiveness framework, the groundwork has been laid so that it is possible to develop and launch national awareness activities.</p>
<p>Cluster Action Plans Implemented Stage 4 activities include all intensive work carried out to support successful implementation of cluster strategies and action plan. The stage includes a wide range of technical activities, including provision of support for preparation of financial proposals, facilitation of meetings</p>	<p>Stage 4</p>	<p>Framework Strengthened In Stage 4, framework activities are focused particularly on providing implementation support for programs of particular importance to competitiveness across sub sectors, such as: policy and advocacy, standards and certification, competitiveness awareness, training and workforce development, research and development. Stage 4 requires the provision of support for a wide range of defined private-public partnerships.</p>
<p>Clusters Sustained Cluster sustainability is directly related to the success of activities undertaken within the Competitiveness Framework as outlined to the right. If and as competitiveness and cluster concepts become clear and well accepted, the number of clusters will grow even without direct involvement of SCOPE; expanded media coverage will support continued emergence of clusters as a vehicle for competitiveness.</p>	<p>Stage 5</p>	<p>Framework Sustained Each Strategic Development Program or Industry Development Support Program put into place by a sub sector association contains a sustainability plan and outlines the association's ongoing roles in support of cluster operation. Most programs have a three-year timeframe; SCOPE continues to work as an advisor to implementing organizations within the framework of such plans.</p>

Annex B

Report on a Survey of Cooperative Societies in Nebbi District Conducted February 7 – 11, 2004

A. Introduction

The purpose of this exercise was to survey existing cooperative societies in Nebbi District to assess their current status and the role they play in cotton production and marketing. Another objective of the survey was to identify a follow on crop to cotton taking into account farmers' preferences. As a result of the drastic fall in farm gate prices for cotton from Sh.600 per kilogram last year to Sh.350 this year (including a Sh.50 Government subsidy), there is an urgent need to cushion farmers' income by introducing a follow on crop to cotton.

The survey was SCOPE's initiative after discussions with lead ginners revealed that the major issues in the cotton sub sector hinge on production not only in terms of quantity and quality but also in the way farmers are organized for production and marketing.

It has to be pointed out at the outset that this was not a scientific survey but rather a base lining exercise to help identify the positive aspects as well as the missing links in the existing cooperative societies in order to guide the design of a new sustainable model of Producer Organizations (POs).

The APEP approach has two pieces - extension model and a PO model. In the cotton extension program APEP works in partnership with lead ginners. In the case of Nebbi the lead ginner is COPCOT(EA) an affiliate of Rinehart an international cotton trading company based in Switzerland. The COPCOT/APEP extension program has a six tier structure which cascades from the zonal coordinator through area coordinators, site coordinators, lead farmers, collaborating farmers down to ordinary farmers. The first three tiers are administrative and supervisory while the lower three are operational. The zonal coordinator is in charge of the general cotton production program for the district including the extension program. The area coordinator is in charge of an area of the district. A site coordinator supervises the activities of a number of lead farmers. A lead farmer is in charge of a demo plot which s/he looks after and uses for training collaborating farmers. Collaborating farmers are a group of selected farmers who participate in all the main training activities conducted at the demo plot and in turn train ordinary farmers in their local communities. Ordinary farmers are those farmers that do not fall in any of the above categories. Their participation in demo training activities is optional. Nebbi district has a zonal coordinator, 2 area coordinators, 33 site coordinators and 400 lead farmers. Each lead farmer works with 15-30 collaborating farmers. A demo plot is central to the APEP extension program. It is a model farm where major training activities take place. It consists of a one acre plot divided into two halves. On one half, cotton is grown using high input technology and on the other half low input technology is applied. This allows farmers to compare results directly. Technology transfer from the lead farmer to the collaborating farmer is takes place via the latter's participation in the major activities carried at the demo plots namely planting, spraying and scouting for pests.

The APEP PO model is centered on the demo plot. The lead farmer forms the basis for the PO. The lead farmer together with his group of 15 -30 collaborating farmers constitute a PO. In addition to

training the PO acts as a distributor of inputs and provides spraying services to cotton farmers. A number of POs aggregate to form a Depot Committee (CD). The CD acts as a source and channel of technical information, and allows further aggregation of input requirements and produce. The model provides a market linkage between the farmer and the ginner/cotton buyer. The model also offers opportunities for the provision of financial services.

The two elements of the APEP approach, the extension and the PO provide useful building blocks for a sustainable PO model.

B. Background

Cotton has traditionally been one of Uganda's most important export commodities. Uganda offers an excellent climate and soil for the cultivation of cotton and produces a high-grade fibre of medium-staple. It is a 'bright white' cotton for which there is a sustained international market. Cotton currently accounts for 3.6% of the country's foreign exchange receipts. While well below the contribution made by coffee, cotton ranks fourth in importance among agricultural and fish products. In 2003/04, cotton production was 162,000 bales compared to peak production of 500,000 bales achieved in 1969/70. At that time cotton contributed 40% of total foreign exchange earnings. Cotton touches the lives of over 9m Ugandans (approx. 30% of population) living at subsistence level in 33 districts of Uganda. About 4 million people are directly involved in cotton production and related activities. Cotton is designated as a strategic export for Uganda.

During the period 1974/75 through 1993/94, external and internal factors combined to dramatically reduce cotton's contribution to Uganda's economy in terms of growth, foreign exchange earnings, and rural incomes. With this decline came the decline of associated industries like ginning, textile, and oilseed processing.

Industry experts agree that production remains the major bottleneck to expanding Uganda's cotton exports and to attracting investment in value addition activities in the sub sector. They also agree that effective POs represent the best entry point for any production and market related interventions at farm level. POs are the best vehicles for delivering volume and for reducing upstream logistical costs for ginners and intermediaries while at same time reducing cost of inputs, training, extension, and marketing to farmers. Increased production will help maintain Uganda on the radar screen of international cotton buyers.

Methodology

Data collection was done through face to face interviews using a set of structured questionnaires. Interviews were conducted with cooperative society chairpersons and/or Secretary Managers. The societies were selected on the basis of recommendations from the District Cooperative Officer (DCO) and the LC 5 Secretary for Production. Since this was not a scientific study the selection was intended to showcase the better performing cooperatives and on the assumption that it is these that would have any information to offer regarding their membership and activities. A total of six cooperative societies were interviewed. These included two from Paidha, a non cotton growing area.

In addition ten farmers were interviewed and these included Site Coordinators, Lead Farmers, Collaborating Farmers and Ordinary Farmers as categorized in the APEP/COPCOT extension program.

Discussions were held with the Resident District Commissioner (RDC), the Deputy RDC, the District Production Team, the Local Council (LC) 5 Secretary for Production and the COPCOT field team.

About Nebbi District

Nebbi district has a population of 458,292 (extrapolated 2002 population census figures) growing at 2.7% p.a. compared to a national growth rate of 3.3% p.a. Farming is done mainly by women who number 238,312 (52%) while the men engage in fishing.

Agricultural crop production is the main economic activity for Nebbi District with cotton, coffee, cassava, sesame, maize, beans and groundnuts being the major crops. Coffee and cotton are the major cash crops. Arabica coffee is grown in the high altitude areas in Paidha, Akoro County while cotton is mostly grown in Jonam and Padyer Counties.

Cotton and coffee are produced mainly by smallholder farmers but they collectively produce significant quantities making Nebbi one of the major cotton and coffee growing districts in the country.

Nebbi is endowed with fertile soils, a good climate and two rain seasons making it possible to grow a variety of crops twice a year. This means the same plot of land can be used to produce cotton and other seasonal crops in the same year. There is no shortage of land in the district and a farmer who chooses to can grow different crops simultaneously on separate plots of land. It is estimated that a household owns 5 acres of land. There is also land available for hire should a farmer need to.

The table below shows the different planting and harvest seasons for the main seasonal crops grown in Nebbi.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Cotton	H				P	P					H	H
Rice¹		P	P		H	H						
Maize			P	P			H	H	P	P	H	H
Beans			P	P		H	H	P	P		H	H
Sesame		P	P		H	H						
Groundnuts			P	P		H	H	P	P		H	H

Note: -Key: P = Planting H = Harvesting

- ¹Rice is being introduced as a follow on crop to cotton starting this year**
- It is reasonable to assume that marketing of agricultural produce coincides with harvesting as in most cases farmers have no proper storage facilities.**

Nebbi District is a net exporter of food crops to the neighboring districts of Arua, Gulu and Lira – mainly cassava, beans and groundnuts.

The district boasts of a good road network which allows farmers get their produce to the markets. The feeder road network in Nebbi is considered to be one of the best in the country.

C. Key findings/Issues

Current Status of Cooperative Societies

- According to the District Cooperative Officer (DCO), Nebbi, the district has a total of 81 registered primary cooperative societies with 30 said to be active. However considering the distances covered during the survey to find the six cooperative societies surveyed the number of active societies may be much less.
- Cooperative societies are still associated with bad governance, mismanagement and corruption. This negative image is going to take a long time to erase. After losing money through cooperative societies farmers are suspicious of anybody coming up with schemes which require them to contribute money.
- Most of the officials in the existing cooperatives societies have been in their positions for 15 years plus. They have become synonymous with the institutions themselves. These are the same individuals who were presiding over these institutions at the time farmers were losing money. These people do not inspire confidence and trust among farmers.
- The existing cooperative societies are no longer providing any services to their members including Aryek cooperative society which is considered to be the best in the district. As a result cooperative societies have ceased to be relevant to farmers. It is therefore not surprising that membership is dwindling and at best, for some societies, remained static. Young farmers have shunned away from these societies and most of the old members are hanging in their basically for lack of better alternatives.
- Some of the farmers interviewed wanted cooperative societies to be left to die. They want to see, using the words of one farmer, “new organizations with new ideas”. Most of those interviewed do not believe cooperative societies under the old set up have the ability to compete in a liberalized environment. In fact farmers attribute the collapse of cooperative unions to the liberalization of the economy.

It is interesting to note that even a former senior official in the union up to the level of Board Member of the Uganda Cooperative Alliance, has no confidence in the cooperative societies, claiming they had ceased to be effective in promoting farmers’ interests. Farmers did not have

the capacity to critically question the decisions and activities of society officials. AGM's had been turned into a mockery. According to one former senior union official "Once farmers were provided with food and meat at the AGM they would not question anything".

- Many of the existing cooperative societies no longer hold AGMs mainly because they have nothing to tell their members but also, as some claimed, they don't have any money to facilitate these meetings. They don't even have money for coffee let alone lunch.

Role of Cooperative societies in Cotton Production

- Cooperative societies are not playing any major role in cotton production. Although cooperative society officials and member farmers interviewed mention provision of credit to farmers for farm inputs, training of farmers and marketing of farmers' cotton as the three most important services expected from cooperative societies, none of these services is being provided by the cooperative societies to cotton farmers.
- During this cotton season no cooperative society has participated in the buying or marketing of cotton due to lack of funds.
- Last year COPCOT advanced money to a number of cooperative societies to buy cotton but many did not deliver the cotton and COPCOT lost money in the process. As a result this year COPCOT decided to use individuals as buying agents.

Extension Services

- Nebbi District has 38 extension staff for a farmer population estimated at 300,000. All farmers interviewed claimed that they were not visited by any district extension staff in the last one year. Some remembered having attended one or two meetings called by a district extension worker but these meetings only discussed general issues and yet farmers are more interested in technical advice.
 - Farmers interviewed mentioned COPCOT and APEP as the only organizations providing extension services to cotton farmers.
 - Demo plots have been very effective in proving to farmers that it is possible to improve cotton yields using modern farming systems. There are examples of demo plots registering yields in excess of 1,000 kilograms per acre. The highest demo plot in Nebbi recorded a yield of 900 in half acre with high input. This is potentially 1,800 kg per acre.
 - Adoption of the new farming technology by both collaborating and ordinary farmers appears to be slow. One reason is that farmers were skeptical at the beginning with some claiming that they have been growing cotton for decades and that there is nothing new "those borne yesterday" can teach them. For example farmers considered planting cotton using a string tedious and unnecessary. Also farmers considered the spacing that was being recommended unworkable and that it would lead to poor yields. It is after farmers realized how well demo
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plots had performed that they wished they had “listened”. One farmer, in Vurr Lee, Kucwiny claims to have grown 5 acres of cotton this current season and is expecting a total 1,200 kilograms. He now says he has become wiser. He plans to grow only 2.5 acres next season but look after his cotton better.

The second reason for the low adoption rate is that for successful adoption farmers require not only the knowledge but also the necessary inputs. Most farmers have no money and have no access to credit for buying inputs. Most of these farmers started growing cotton under the cooperative movement when farmers received inputs on credit and paid for them at the time of selling their cotton.

- Under the current APEP/COPCOT extension program collaborating farmers do not consider the demo plots as belonging to them as a group. Some of them even consider their participation in training activities at the demo plots as a way of making them offer free labour. This may be due to the fact that all the proceeds from the sale of cotton produced on the demo plot go to either the Site Coordinator or Lead Farmer depending on who is in charge of the demo plot.

Access to Financial Services

- The new farming techniques being promoted by COP/APEP rely heavily on the use of inputs, mainly chemicals. In addition to chemicals cotton farmers need money for land opening, and for hiring labour at the time of planting and weeding. Most of the farmers have no money of their own and need assistance in form of credit. Currently farmers have no access to credit. Village banks in form of Savings and Credit Cooperatives (SACCOs) are being established but many farmers are yet to embrace them for fear of losing money and the high interest rates charged.
- Household incomes among cotton farmers are likely to increase significantly as yields improve through adoption of modern farming techniques. With increased incomes farmers’ demand for financial services will increase. Even now farmers are getting reasonable amounts of money from the sale of cotton and other crops. Farmers usually spend this money as soon as they get it by the beginning of each planting season farmers have no money with which to buy the necessary inputs. Lack of access to financial services especially savings products contribute to this situation.
- Farmers in Nebbi are being weighed down financially by the large families they support. Payment of school fees is estimated to be as high as 75% of the farmer’s income. Most farmers surveyed also support several orphans.

Marketing

- Currently the existing cooperative societies in Nebbi play no role in the marketing of members’ cotton. Some societies do hire out society stores to COPCOP and buying agents. Even then many of the stores belonging to cooperative societies have remained idle despite the
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cotton season being in full swing. Society officials are not proactive in seeking for opportunities to earn some income for their organizations.

- Site Coordinators are de facto leaders within the cotton farming communities. Many of them were recruited as buying agents for COPCOT. As a result some farmers do not regard Site Coordinators as representing their interests but rather those of COPCOT.
- Some farmers would like to see the market opened up for more competition in cotton buying. This is in spite of the investment made by COPCOT in extension programs.
- APEP with their PO model have proved that while it may be difficult to persuade farmers to organise under groups for reasons mentioned earlier, it is still possible. For example some farmers under Kucwiny Progressive Farmers Depots (KUPFAD), established under the APEP PO model, had bulked 20 tonnes of cotton by the time of the survey. Under this arrangement members part with their cotton without being paid any money. The cotton is bulked in a central store where it stays as the group looks for a buyer who offers the best price. There are however some farmers who are against this kind of marketing arrangement who try to discourage others with the Alur saying “chan tung tung” meaning -your problems are not my problems -implying that those who bulk their cotton do not have pressing financial needs and can therefore afford to wait.
- The general practice is for farmers to sell their cotton individually to agents. In one instance where farmers had bulked their cotton and delivered it directly to the ginnery, the ginnery paid Sh.400 per kilogram. The net price to the farmer was Sh.370 after paying for transport.
- Although there is a radio program which provides price information, farmers interviewed said they mostly rely on agents for market information including price information.
- Because of competition among buying agents many farmers have not had to transport cotton to buying centers. Agents collect the cotton from the farmer’s home, especially if the quantity warrants the cost.
- Competition also ensures that farmers’ cotton is bought for cash unlike during the era of cooperatives when farmers parted with their cotton and waited for months on end without getting paid with many not paid at all.
- Cases were reported where agents were not paying cotton farmers the full recommended price. Some agents were paying as low as Sh.320 per kilogram instead of Sh.350.
- Most of those interviewed agree that agents perform a good service of linking farmers to markets nonetheless they would rather have that role taken over by a PO. They say agents are selfish and do not work in the best interest of farmers.

Follow on Crop to Cotton

- All cotton farmers interviewed stated that they will continue to grow cotton even if prices fell below current levels (SH. 350 per Kg) because cotton is their only main source of income. Other crops are just coming up and farmers are not sure whether these will continue to have a ready market.
- The survey revealed that farmers individually had been deciding on a follow on crop to cotton and most of those interviewed mentioned sim sim (sesame) as their crop of choice, especially the new “white” variety. Farmers say it matures in a short time, can be harvested in time for the next cotton season and has good marketability.
- COPCOT and APEP are promoting upland rice as a follow on crop to cotton. Rice can play two roles –as a cash as well as a food crop. According to COPCOT a mono crop strategy which only focuses on a cash crop such as cotton can lead to serious food shortages and may not be in the best interest of farmers.
- COPCOT has already procured 12 metric tonnes of rice seed (Superica 2) to be distributed to the 400 Lead Farmers who will begin growing rice this year. Thirty three Site Coordinators have been taken through a Training of Trainers program and these will in turn train the Lead Farmers in rice growing techniques.
- Farmers are willing to take on rice as a follow on crop to cotton but are concerned about the lack of hulling facilities. Some recall the time when they had started growing rice but had to take it to Lira for hulling. Farmers got discouraged leading to the eventual collapse of the scheme.
- Under the Vice Presidents upland rice program, which has now been extended to include the districts of West Nile, a hulling facility will be located in Arua town which will serve farmers from within the region including Nebbi. However farmers in Nebbi think that the distance and transport costs to Arua could be prohibitive.
- There was talk of some new hulling equipment lying somewhere within Nebbi District which has not yet been installed. This equipment was supplied by Government sometime back under the poverty alleviation program. District authorities will be following up on this.
- Cooperative societies have traditionally only focused on the traditional cash crops like cotton and coffee. From the survey it is evident that other crops like sesame, cassava and beans are increasingly becoming important as revenue earners.

Conclusions and Recommendations

- The majority of cooperative societies in Nebbi exist in name only. They have ceased to be relevant to farmers as they play no role in production, marketing, and do not provide access to financial services. Also the societies and their managers no longer enjoy the confidence and trust of the farmers due to mismanagement.
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- POs represent the best entry point for production related interventions. COPCOT and the Nebbi District leadership are in favor of and would actively support any efforts to organize farmers under effective POs.
- The spirit for farmers to get together into organized groups still exists. However a new sustainable PO model which empowers farmers to take ownership and control of the organization and its activities is required. The model should steer clear of the existing structure of cooperatives and new POs should be run by new people with fresh ideas.
- The new PO model should adopt a holistic approach that incorporates agricultural, financial services as well as social programs such as health, HIV/AIDS and family planning. There should be also a mechanism, through the PO, for the farmers to have a stake in the ginning/export business in order to avoid farmers feeling exploited.
- Presently the general practice is for farmers to undertake activities like procurement of inputs and marketing individually thus foregoing benefits that would result from bulking. For bulk marketing to succeed the PO should have the financial capacity to advance some money against the produce delivered to those members that have an urgent need for cash.
- POs need to widen the scope of the crops they deal in to include the major income generating crops including rice which is being promoted as a follow on crop to cotton. This would also widen the POs' income base.
- Demo plots in Nebbi have performed well this season with the majority of them registering good cotton yields. Adoption however appears to be slow. The demo program needs to run for some more years to be able to reach more farmers and also show consistency in improved yields before we can see significant numbers of adopters.
- It would appear that any production unit where farmers are required to offer labor even if this may be for the purpose of training needs to be collectively owned by all farmers involved.
- There is a tendency for farmers to expect free inputs season after season and this threatens the sustainability of the extension program. In addition to increased farmers' income resulting from increased cotton yields other avenues for the sustainability of the extension program must be explored.
- Cotton farmers need a follow on crop to cotton. Upland rice is a potential candidate but must be promoted alongside other crops such as sesame which seems to be preferred by farmers. For the rice scheme to be successful hulling facilities must be provided within easy reach of farmers, as a well as assistance in marketing the crop.

LIST OF COOPERATIVE SOCIETIES SURVEYED

Name of Coop Society	County	Sub County	Parish	Name and Position of Person interviewed
Aryek G.C.S.	Padyer	Nebbi	Kalawang	Mateise Olarker, Secretary

				Manager
Abeju Coffee G.C.S.	Okoro	Nyapea	Abeju	Victo Jawoto, Chairman
Padel G.C.S.	Padyer	Parombo	Padel	Bonga Leone, Chairman
Pumit G.C.S.	Padyer	Wadelai	Mute	Orom Stanley, Chairman
Panyigoro G.C.S.	Jonam	Packwot	Atyak	Wadepa Isaac Japolo, Chairman
Pokwero G.C.S.	Jonam	Panyamgo	panyango	Ovon Yonasani, Chairman

LIST OF FARMERS SURVEYED

Name of Farmer	Category	County	Sub County	Parish	Village
Onyutha Peter	Site Coordinator	Padyer	Akworo	Lero	Lero Central
Beatrice Acen	Site Coordinator	Padyer	Parombo	Padel	Pamitumatutu
James Oketcha	Site Coordinator	Jonam	Panyango	Okwero	Bandawuli West
Anyolitho Benjamin	Site Coordinator	Padyer	Kucwiny	Kucwiny	Kucwiny Central
Owiny Miiye	Lead Farmer	Jonam	Panyango	Okwero	Bandawuli East
Oryem Geoffrey	Collaborating Farmer	Jonam	Panyango	Okwero	Japiem Onen East
Janena John	Ordinary Farmer	Padyer	Kucwiny	Ramogi	Ashane
Gabriella Alier	Ordinary Farmer	Padyer	Kucwiny	Ramogi	Kucwiny T. C.
Inyasio Orwodhi	Ordinary Farmer	Padyer	Kucwiny	Vurr	Vurr Lee
Tanisilawo Okwanagiu	Ordinary Farmer	Padyer	Kucwiny	Ramogi	Gotaciku

K. Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development, TO #807

Start Date: August 15, 2004

Completion Date: December 31, 2004

Amount of Delivery Order: \$339,664

As regional and international markets bring down barriers to trade, countries like Guatemala need to better position themselves to take advantage of the opportunities that will result from free trade. Incorporating the rural economy into this process is vital for the economic development of Guatemala and for helping to break the cycle of poverty. It is within this context that this intervention has targeted its technical assistance and training services.

As a result of the activities implemented through this task order, the Government of Guatemala (GOG) is in a better position to make informed decisions and to continue to make progress in the formulation of its rural development policies and strategies. High-level targeted technical assistance was compressed into the relatively short duration (total of only 6 ½ months) to provide

key inputs to government decision-making.

The task order provided a flexible, responsive mechanism to produce several important deliverables that will contribute toward an improved business and investment climate in Guatemala.

I. Project Overview

The Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development activity (referred to as Support to the Government of Guatemala in Rural Development) was implemented by Chemonics International Inc. through a task order with the General Business Trade and Investment (GBTI) IQC mechanism. Chemonics worked in association with U.S. and local organizations to produce these deliverables. The local partner organizations included three institutes from Rafael Landívar University - Institute of Social and Economic Research (IDIES); Institute of Agriculture, Natural Resources, and the Environment (IARNA); and the Institute for the Transformation of Conflicts and Construction of Peace in Guatemala (INTRAPAZ). The U.S.-based partners included Abt. Associates Inc., New Development Solutions, and the Vanderbilt Institute for Mesoamerican Archeology.

Support to GOG in Rural Development GBTI Task Order at a Glance

Final Budget: \$339,664

Period: August 2004 – February 2005

Key Impacts:

- Government of Guatemala able to make better rural policy/development decisions based on the targeted, high-level technical assistance received.
- New analytical information produced under the task order will contribute to improved decision-making by the GOG.
- CONTIERRA staff better trained and equipped with IT equipment to carry out its mandate.
- New products available to enhance eco-tourism in Chisec and throughout the Candelaria River Cave System.
- Complete database of hotels and restaurants prepared to provide INGUAT with increased tourism information.

The task order served as a rapid response mechanism to produce specific deliverables over a short period. USAID awarded the task order to Chemonics on August 11, 2004 with an initial end date of December 31, 2004. To allow additional time to complete activities, USAID issued a 60-day no-cost extension, carrying the project to February 28, 2005.

A. Project Setting and Key Partners

As corroborated by the background and objective statements in the task order contract, the development of Guatemala's rural economy is a critical component for breaking the cycle of poverty rampant in rural areas. Rural economic development is pivotal to helping Guatemala to penetrate regional and international markets with its products (e.g., tourism and its natural products) and to maximize the potential benefits from free trade opportunities. USAID/Guatemala-CAP developed the scope of work to provide critical and targeted support to the new Guatemalan government, which took office in January 2004, in its pro-business stance and commitment to rural development.

By design, the principal recipients and beneficiaries of project support were the GOG's Planning

Ministry (SEGEPLAN) and the Ministry of Agriculture (MAGA). The task order was born out of their initial requests to USAID/Guatemala-CAP for the production of deliverables. The GBTI IQC presented an ideal mechanism to rapidly respond to their requests and to help USAID/Guatemala-CAP meet its objectives.

As stated in the contract, the overarching goal was to “help advance the general business and investment climate of Guatemala” through a series of discrete, targeted activities. Although the deliverables were diverse, they all contributed to the advancement of business and investment.

B. USAID Objectives

As described in its program profile, a key objective of USAID support is to “help Guatemala improve its competitive position, lending technical support to improve the policy environment for investment [and] facilitate business development.”

Through this contract, USAID/Guatemala-CAP provided valuable support to the GOG. By producing a series of focused, short-term deliverables, the GOG is better able to take advantage of forthcoming free trade opportunities and to better strategize its approach to rural development.

C. Key Challenges

We enjoyed a collaborative and receptive relationship with the project partners, including USAID/G-CAP, which contributed to successful completion of key deliverables and relatively smooth implementation. Notwithstanding, several challenges are worth mentioning.

Short timeframe to complete deliverables. As already mentioned, the initial period of performance for activities spanned only 4 ½ months (mid-August through December). Recognizing the level of detail and depth required to complete the deliverables, Chemonics and its partners had to act quickly to accomplish assigned tasks. USAID/G-CAP support proved critical and helped activities stay on track by authorizing us to incur specific pre-contract expenses; rapidly approving technical assignments, subcontractors and consultants; providing continuous feedback and support; and for agreeing to issue a 60-day no-cost extension. All of these factors enabled us to rise to the challenge and produce the required results. The additional 60 days allowed the task order to provide better support to some of its partners. For example, task order efforts to launch in-depth training sessions for CONTIERRA staff on conflict resolution were halted because CONTIERRA staff could not afford to be away from their office for an extended period. The 60-day extension enabled us to modify the scope of work and to carry out the training at a later, more convenient time for CONTIERRA staff.

Putting limited resources to work. Financial resources to carry out the tasks were limited and additional funding was unavailable. Together with USAID/G-CAP, we monitored expenditures and prioritized activities. A modification to the scope of work is presently underway to clearly describe priorities that we could accomplish within the timeframe and budget. We recognize that some project beneficiaries expected more, but again, due to limited resources we could not move forward with all activities requested. Over-extending resources would have negatively impacted our ability to meet contract requirements. Collaborating closely with USAID/G-CAP each step of

the way helped us to maximize the use of resources.

Absorptive capacity. This is not a widespread challenge. However, in the case of our work in the promotion of tourism and economic opportunities in Chisec (www.visitichisec.com), we learned that the beneficiaries' organization, SANK (non-profit, non-governmental organization) does not yet have the capacity to adequately manage the Web site on its own. SANK did not take advantage of technical guidance offered by our partner, New Development Solutions (NDS), nor did SANK request specific assistance to help remedy this situation until the later stages. There is still time, and NDS is providing training to ensure that SANK staff can adequately manage the Web site.

Non-performing consultants. Two short-term local professionals, Jorge Enrique Torres and Walter Valencia, were contracted to develop a methodology to encourage and facilitate land dialogue among opposing groups. The project encountered several difficulties with this assignment – namely that the two consultants did not perform. Based on their non-performance and unresponsiveness to the project's extensive efforts to contact them, both contracts were terminated. This was done in close collaboration with USAID/G-CAP and the primary counterpart, the War-Torn Societies Project. This was unfortunate, but the task order was indeed able carry out activities in support of land titling and land dispute issues.

II. The Impact – Major Tasks and Accomplishments

The challenges faced in implementation (common to development) did not prevent the team from producing the required deliverables. Below we highlight the major tasks and accomplishments.

A. Economic Dynamism Maps

As indicated in the scope of work, SEGEPLAN requested “assistance in the development of a tool to monitor economic growth and its impact on poverty and equity at the municipal level and provide parameters for decisions on policies and social investments. They would like to develop a geo-referenced database containing data on poverty, inequality, and economic dynamism at the municipal level.” To help accomplish this task, we engaged the services of IDIES through Rafael Landívar University with a fixed price subcontract.

As we see from analyzing the regions of Sacatepéquez, Chimaltenango and Escuintla, the presence of infrastructure in rural economic development is key to successful growth. This aspect, combined with the role of the municipality, provides the right catalysts for rural economic growth.

B. Land

Land conflicts delay development of the rural economy in Guatemala, inhibiting the potential for economic growth and business development there. Both ingredients are necessary to become more

Impact Statement

“En cuanto al impacto que esperamos tenga el...trabajo, creemos que será una herramienta de suma utilidad para los funcionarios de gobierno que buscan dirigir de mejor manera, y sobre todo focalizar más efectivamente, las políticas públicas para el desarrollo económico y los recursos de inversión del gobierno. El índice es una herramienta diseñada para ayudar en la toma de decisiones de manera sencilla y rápida. Esperamos que el instrumento sea ampliamente utilizado al punto que se desarrollen índice de este tipo para todas las regiones del país.”

— Antonio Romero, IDIES

competitive in the domestic, regional, and international markets. To help the GOG remedy this situation, the project team was tasked with specific activities and deliverables.

B1. Land Dialogue Process

Land dialogue in Guatemala is contentious and difficult. The dispute over land in Guatemala dates back for hundreds of years.

As indicated in the text box, it is difficult to dispute that the vast majority of the best and most fertile land is in the hands of a few. The rural poor have virtually no land to work. A clear methodology is needed to encourage and facilitate land dialogue among opposing groups (e.g., the Agricultural Chamber of Commerce and the peasant land poor council). Frankly, due to the non-performance of the two short-term consultants hired to support this activity, the project was not as effective as it could have been. However, to ensure that information about the process is disseminated, the project provided assistance to monitor and compile articles in the media regarding land dialogue and rural development. The articles covered policy, migration, protests, displacement, and international support.

Land Crisis

“La carencia de tierra debe considerarse como núcleo fundamental de todo el problema social de nuestro país.”

— Project report by social scientist
Dr. Hector Rosada
*Hacia una Política de
Desarrollo Rural en Guatemala*

To support the GOG in the formulation of its rural policy and to provide pertinent information in the area of land dialogue, social scientist Dr. Hector Rosada analyzed the diverse positions affecting rural development. The activity was implemented in support of the War-Torn Societies Project. Dr. Rosada indicates in his report that the land crisis in Guatemala is a core issue that deeply divides policy makers on rural development of Guatemala. He argues that the process is impacted by the judicial, economic, political, employment, ethnic, and religious sectors of society.

These deliverables will help the War-Torn Societies Project improve their efforts in the area of rural land conflict resolution and enable them to provide key inputs into the steps taken by the GOG in its policy formulation.

B2. Socioeconomic Evaluation of Recently Titled Communities

The task order performed an analysis of the socioeconomic situation in communities benefiting from the land-titling project, as well as land use practices. This was done through a fixed price subcontract with IARNA of the Rafael Landívar University.

This evaluation emphasized that land titling alone is not enough to spur economic development. Land titling must be combined with other inputs, including extension services in agriculture, access to credit, and markets. Land titling benefits areas most where rural farmers have access to markets.

Through coordination with SEGEPLAN and other GOG entities, this deliverable will serve as a key input to assist the GOG in its policy formulation.

B3. CONTIERRA

In October 2004, the task order team prepared to launch a training event for CONTIERRA staff through INTRAPAZ, affiliated with Rafael Landívar University. The proposed training sessions involved a total of 80 class hours. Based on the extensive time commitment required for the training, CONTIERRA senior staff decided to postpone the training because they could not afford to release staff for the full duration of the sessions.

Recognizing the importance of properly equipping CONTIERRA staff and others with the necessary skills to handle conflict resolution cases, a modified land dispute resolution training session was developed. The target audience for this training was CONTIERRA staff in Guatemala City and representatives from Mesas Departamentales de Diálogo in seven departments throughout Guatemala.

Conflict Resolution Training for CONTIERRA Staff

Module I – Introduction. Provides an introduction to social conflict, land disputes, level of conflict, escalation of conflict, and provides the participants with the necessary tools to analyze and begin resolving conflict.

Module II – Negotiation, Dialogue, and Communication. Analyzes the various approaches to the negotiation table, how to use dialogue as a tool during the negotiation process, and how to address multi-party negotiations.

Module III – Third Party Intervention and the Mediation Process. Addresses the roles and responsibilities of mediators (in the case where there is more than one) and how to handle third party intervention during the mediation process.

Module IV – Continuing the Mediation Process. This session emphasizes basic skills such as: being a confident mediator, mediating in inter-cultural settings, and how to approach co-mediation.

In an effort to further strengthen CONTIERRA as an institution, the task order provided computer equipment, which will help update CONTIERRA's information systems and increase its efficiency. A total of five desktop computers, five APC Back Up Systems, two laptop computers, three laser printers, two portable inkjet printers, one digital camera, and 10 GPS units were provided to CONTIERRA. This equipment is officially being handed over to CONTIERRA by Glenn Anders, USAID/G-CAP Mission Director.

C. Support to Government of Guatemala Rural Development Policy

Supporting the GOG in drawing up its rural development policy served as a primary focus. Either through the provision of direct technical assistance by high-level economists and development specialists, or preparation of key resource documents, most project activities supported SEGEPLAN's efforts in formulating a sound rural development policy.

C1. Technical Assistance

As part of its efforts to build national consensus in its rural development policies, the GOG, through SEGEPLAN requested technical assistance for a rural development seminar. The one-day seminar was held in Guatemala City on September 30, 2004.

To provide expertise to assist the GOG in its design of a rural development policy and strategy, Chemonics provided two senior technical specialists – Dr. James Riordan and Dr. John Mellor. Dr.

Mellor was provided through a fixed price subcontract with his employer, Abt. Associates.

Both technical specialists gave presentations to the assembled Inter-Agency Donor Group, speaking about their experiences in rural development. Both talks were well received and prompted lively interest in the lessons learned that both consultants shared. Please see the text box on the following page which summarizes Dr. Riordan's presentation and recommendations made to the Inter-Agency Donor Group.

C2. Local and International Consultants

Following the technical assistance provided by Chemonics' home-office employee, Dr. James Riordan in September 2004, the Presidential Commissioner for Competitiveness, Miguel Fernandez, requested Dr. Riordan's further involvement in a late-October meeting of the "Grupos Gestores" held in Panajachel, Guatemala (Lago Atitlán).

Beneficiary Reacts to Project Support

In talking with an individual who was present at the Grupo Gestores meeting in Panajachel, he said, "Talking to my companions, it was as if Dr. Riordan had given us the gift of sight for the first time, allowing us to really look at our situation in a new way. He provided exactly the sort of assistance and insight that we have been looking for."

Dr. Riordan delivered a presentation based on his observations and experience in rural development, employment, and local economic growth. The presentation emphasized the experience of Chemonics in USAID/Peru's Poverty Reduction Activity (PRA), where the project is effectively engaging businesses throughout the country and helping them to solve real problems and constraints. The project is successfully helping these businesses to generate employment and increase sales. The presentation at Lago Atitlán served to discuss the overall applicability of these experiences to the Guatemalan context. As indicated in the text box on the following page, Dr. Riordan stressed the importance that a rural development strategy should "emphasize rural areas beyond agriculture." Its ultimate focus must be on the market and what the market is demanding. This approach, in fact, will demonstrate that much of the economic activity in rural areas is non-agricultural. Also, it is critical to lessen the distinction between rural

Reflections on the “*Diálogo Rural Inter-Agencial*”

Guatemala, September 30, 2004

James T. Riordan, Ph.D, Development Economist

The “Diálogo Rural Interagencial” not only brought together key actors concerned with rural development in Guatemala but stimulated considerable interest and enthusiasm among those actors. I am very grateful to the organizers for having invited me to participate. In what follows I offer some reflections on the issues discussed. My reflections are forward-looking, and include recommendations for possible future action.

Strategy vs. taxonomy. In putting together a strategy, it is common for those in charge to worry about inclusion – or, seen the other way, not leaving anything out. At the beginning, that is appropriate, especially to facilitate the incorporation of the views of all interested parties. But all issues are not created equal. Unfortunately, many “strategies” fail to make choices – that is, they fail to say that A is more important than B, B is more important than C, etc. – and often end up as nothing more than taxonomic exercises. As a practical matter, no government can attack all problems, at least not directly. To be effective, it must intervene strategically, thinking through where its actions can trigger the resolution of other issues by those concerned.

As the new government moves forward in the development of its strategy for the development of rural areas in Guatemala, it will be essential for it to make the transition from taxonomy to strategic choices – ideally, sooner rather than later.

Rural vs. agricultural focus. The new government is anxious to broaden its support of rural areas beyond agriculture. In part this reflects its desire to remove the issue of land from center stage, but it is also consistent with the fact that much of rural life is, in fact, non-agricultural. In his presentation, John Mellor argued that most non-agricultural activities are non-tradeables, and that their growth depends on growth in the tradeable sector, which, in effect, means agriculture. In my presentation, I used the mantra, “demand pulls supply.” The tradeable sector pulling the non-tradeable sector is a case in point.

But what pulls agriculture in the first place? In essence, agricultural supply is a function of demand, which typically is found in cities, either within or outside of Guatemala. As a practical matter, therefore, the conventional distinction between city and countryside makes little sense. Rather, the challenge is to tie the two together, that is, to link external buyers with agricultural producers, pulling agriculture – and the non-tradeables that derive from it – along in its train.

Some non-agricultural activities are tradeables themselves. In such instances, there is no reason not to promote non-agricultural activities directly. But the lemma that demand pulls supply still applies. The need to start at the demand side rather than the supply side is especially important in tourism and handicrafts, where, regardless of the approach, there is often a lag in seeing results.

Systemic vs. transactional approaches. In very general terms, there are two ways to address the problems that stand in the way of making a dent in rural poverty. The first approach, which can be called “transactional,” is classic problem solving. Under the transactional approach, one attacks the obstacles one by one as business propositions. For example, if a specific regulation stands in the way of entering foreign markets, one wages the attack against that particular regulation, not against the entire commercial code. Similarly, if insecurity of land tenure acts as a brake on the development of an export business in a defined area, one regularizes titles in that area, not nationally.

The second approach is not tied to specific transactions but is generic. For example, if existing legislation stands in the way of parents hiring and firing the teachers of their children, this approach tries to amend the legislation to solve the problem for everyone. Other examples of the systemic approach include programs to establish national agricultural research and extension systems and to legitimize agile alternative dispute resolution procedures as a way to boost the confidence of potential investors.

The presumed advantage of the systemic approach is that it addresses problems across the board. In some cases, such an approach is essential. The big disadvantage is that often the problems in question are so large, complex, or politically charged that they may be virtually impossible to solve in that way, at least in the short and medium run. Systemic solutions can obviously be far-reaching, but they can be “all or nothing” in character. In many instances, it is possible to address the concerns in question transactionally, that is, one by one, as business propositions. When feasible, the transactional approach normally is the preference. Why kill a fly with a bomb when a fly-swatter will do? The bottom line, therefore, is to be realistic from the start: if the probability of success of a systemic intervention is high, go for it; if not, think twice about embarking on a venture that may have little to show for it in the end.

There are two other reasons to favor the transactional approach. First, the accountability for one's actions is more

Continued...

Hands-on vs. hand-off government posture. The government does not have the wherewithal, by itself, to create permanent jobs for the majority of Guatemala's poor people. That task falls to private parties. Nevertheless, government policies have much to do with the degree to which private economic activity flourishes and the degree to which those relatively poorly endowed participate in that activity. In essence, the government has two fundamental roles to play: first, to set clear and transparent rules for market activity and to enforce compliance with those rules; and, second, to invest in public goods -- physical infrastructure, primarily -- essential for the conduct of private economic activity. Of all the actions that a government can take, those are the most basic -- and those that typically will have the biggest impact in lowering transaction costs in the economy and making it more competitive.

Roads probably are the most common example of public goods that reduce market transaction costs -- and, in Guatemala, investment in road infrastructure arguably is priority number one for linking the Altiplano with markets. There also are other, less obvious examples of public goods that governments and donors can invest in for the same end. The underwriting of non-financial business development services by private parties is a case in point.

Note that none of this discussion touches upon government picking "winners." In Guatemala, as in other countries, it is tempting to predetermine those sectors or products that merit priority public support. Such a strategy could be misguided: not only does it overstep the proper role of government, but it could backfire. In the Poverty Reduction and Alleviation Project in Peru, four of the top five companies are engaged in products that project designers would never have guessed beforehand. Again, the role of the public sector is to set the stage for the private sector to make investment and production decisions, not to make those decisions for them. That said, and as John Mellor argued, it does behoove government to support already established winners to assure that dynamic sectors -- fresh fruit and vegetables, for example -- do not lose their competitive edge and jeopardize hard won jobs. In such instances, the provision of public support to address public-good externalities may be not only advisable, but essential. Research tied to already established and flourishing agricultural products -- to minimize their susceptibility to sanitation and disease issues, for instance -- is an a propos example.

and urban areas and to see them as economically linked areas, i.e., or link the buyers in the urban areas with the producers in the rural areas.

To continue the project's support to the rural development of Guatemala, Dr. Judith Tendler, from Massachusetts Institute of Technology in Cambridge, traveled to Guatemala in November 2004 to meet with local representatives of the Inter-Agency Group for Rural Development (including Guatemalan Vice President Dr. Eduardo Stein). Dr. Tendler discussed rural development strategies and performed assessments in rural areas.

Dr. Tendler met extensively with GOG officials. During her in-country travel to rural Guatemala, she attended a meeting of the Gabinete Mobil, a moveable cabinet session that tours rural areas and deliberates with input from local leaders. She provided the Inter-Agency Group with comments on the presentations by drawing on her experience in Latin America. She also discussed different aspects of problems in rural Guatemala and suggested practical and implementable solutions to bring about change.

C3. Studies

The scope of work called for the preparation of studies to "provide relevant information to the Mesa de Diálogo de Desarrollo Rural..." Below we describe studies completed in this category.

1. *Incidencia de las Iglesias en los Procesos de Cambio de las Sociedades Rurales.* This study was performed by short-term consultant, Jesús Garcia-Ruiz, in support of the GOG's efforts to formalize a comprehensive rural development strategy. As part of this effort, the
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GOG is attempting to gain a better understanding of the reality faced by the rural population. In recent years, the rural population has undergone tremendous changes. These include the introduction of new technologies, the impact of the recent civil war, the effects of remittances on the rural family, as well political, economic, social, and religious changes.

Among the little understood changes has been the massive growth of Evangelical churches throughout Guatemala, many of the independent Pentecostal type. Up to 30 percent of the population of Guatemala may belong to these and other Protestant denominations. Evangelical churches have 25,000 pastors, whereas Roman Catholic clergy numbers about 1,300, including nuns. Some churches engage in community outreach programs impacting education, nutrition and agriculture.

Dr. Garcia believes that Evangelical churches have become a significant mechanism for social change and upward mobility. His report documents cases, such as the town of Almolonga, a prosperous vegetable growing town now more than 80 percent Evangelical.

The study will help the GOG to better grasp the impact of Evangelical churches on rural development and social mobility.

2. *Fondo para la producción de Semilla, Conservación de Germoplasma y Fortalecimiento Institucional* (FONSEMILLA). A team of three consultants assessed FONSEMILLA. The team included Carlos Crisóstomo, team leader/coordinator; Iris Villalobos, organizational management specialist; and Roberto Rene Velasquez, seed research and production specialist. They analyzed levels of resource use and financial and technical aspects of the institution. The report found that FONSEMILLA's management structure did not promote efficient operation and identified significant discrepancies in the financial valuation of the institution's inventory.
3. *Frente Contra El Hambre*. A team of two consultants, Leonardo De León and Nicté Ramirez, completed two studies in support of *Frente Contra el Hambre*. Mr. De León analyzed the production of *Papilla Nutricionalmente Mejorada* (PAPINUT). PAPINUT is nutrition enriched baby food. Ms. Ramirez finalized a report about a program to provide supplementary food for pregnant women and children ages 6-36 months.

C4. Seminars and Workshops

In addition to the seminars and presentations, the following information dissemination took place:

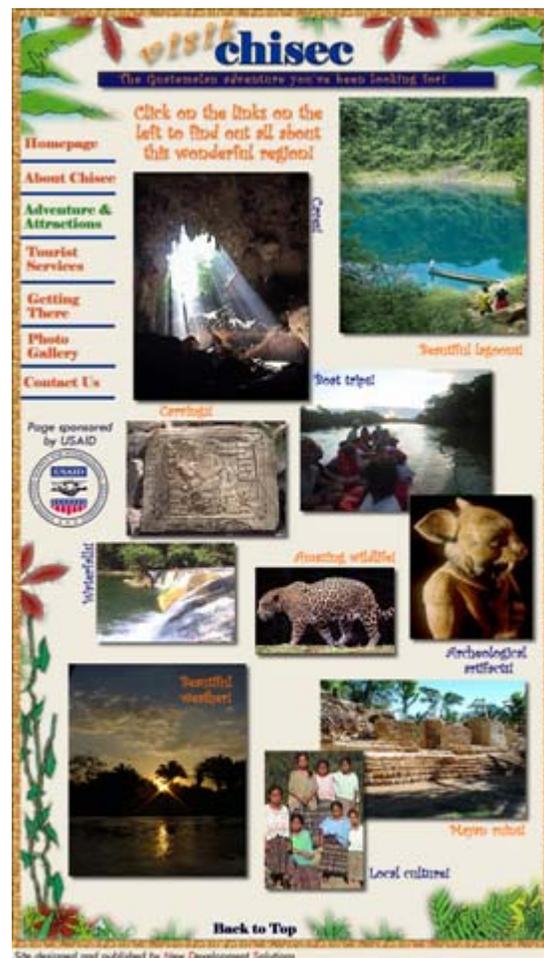
- Agexpront Training through New Development Solutions (NDS): A representative from NDS gave a presentation to the Agexpront Centros Contacto franchise holders entitled "El Mercado y su Oferta." At the conclusion, 35 copies of the "Best Practices for Rural Internet Centers" guide on CD-Rom were distributed to participants.
 - Ricardo Santa Cruz and Associates provided training to key decision makers in the Ministry of Agriculture.
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- Presentation of rural development studies to the Rural Development Cabinet Technical Group. This consists of the five most relevant studies to the work of the Cabinet given to a select group of key decision makers from the GOG and other agencies.
- **Rural Development Seminar – Gabinete de Desarrollo Rural**
- **Grupos Gestores, Panajachel, Guatemala (Lago Atitlán)**
- **Presentation IARNA/URL final results – Socioeconomic Evaluation of Recently Titled Communities**
- **Presentation IDIES/URL final results – Economic Dynamism Maps**
- **Presentation of study: *Incidencia de las Iglesias en los Procesos de Cambio de las Sociedades Rurales***
- Presentation of study: *Fondo para la producción de Semilla, Conservación de Germoplasma y Fortalecimiento Institucional (FONSEMILLA)*

D. Small Business Support

In an effort to increase the visibility and marketing of Guatemala's tourism products, New Development Solutions provided its services under a fixed price subcontract to develop the following deliverables:

- Web site to attract more tourism to Chisec and surrounding areas – the exhibit on this page is from the Web site (www.visitchisec.com). Picture used by permission.
- Databases with a directory of hotels, restaurants, NGOs, and Internet Service Providers in Guatemala
- Best practices manual/guide for use by managers of Internet Centers in Guatemala;
- Manual/guide to be used by managers of Internet Centers to understand WIFI Technology and its usefulness in Internet Centers.



Recognizing that USAID funding for this activity required that it be completed by September 30,

2004, it was one of the first activities carried out and completed on schedule.

E. Cave Tourism

The cave tourism activity was slated for completion by September 30, but was completed ahead of schedule. The Vanderbilt Institute of Mesoamerican Studies (through a fixed-price subcontract) developed a series of usage maps and guides for the Candelaria River Cave System. These maps and guides will help the communities to develop tourism while preserving the high-quality caves in the region against further damage. They are well positioned to lead cave adventure tourist activities, cave river trips, and tours highlighting Guatemala's unique geographical features and Mayan archaeological sites.

III. Conclusions

Upon first glance, it is understandable for someone to look at the series of activities implemented under this task order and see them as disparate and incongruous. Looking closer, they will come to understand that each activity serves as a building block or piece of the puzzle for the development of Guatemala's rural economy and the improvement of its general business and investment climate. The activities carried out under this task order are only one part of the bigger effort of accomplishing USAID's goals in Guatemala. Critical information and technical assistance put the GOG in a better position to achieve real change and impact in developing its rural economy. Many activities within the past six months will not result in immediate impacts, but some will, e.g., increasing tourism in Chisec, the Candelaria Cave system, or in restaurants and hotels throughout Guatemala.

Guatemala is at a key stage in developing its rural development policy, which, when implemented, has the power to fundamentally change the landscape of the country. It is with the assistance of these studies and deliverables that the key decisions regarding prioritization, investment and policy are made.

As indicated, the GBTI IQC mechanism allowed for quick provision of services requested by USAID/Guatemala-CAP and the Government of Guatemala.

Annex A. List of Deliverables

Deliverables/Reports	Author/Organization
Report: Economic Dynamism Maps (Task 1)	IDIES/URL
<i>Report: Monitoreo de la Prensa sobre el Desarrollo Rural del 01 al 06 de Julio del 2004 (Task 2a)</i>	Nora Leiva/Chemonics International Inc.
<i>Report: Monitoreo de la Prensa sobre el Desarrollo Rural del 08 al 13 de Julio del 2004 (Task 2a)</i>	Nora Leiva/Chemonics International Inc.
<i>Report: Monitoreo de la Prensa sobre el Desarrollo Rural del 19 al 27 de Julio del 2004 (Task 2a)</i>	Nora Leiva/Chemonics International Inc.
<i>Report: Monitoreo de la Prensa sobre el Desarrollo Rural del 28 al 31 de Julio del 2004 (Task 2a)</i>	Nora Leiva/Chemonics International Inc.
Report: Hacia una Política de Desarrollo Rural en Guatemala (Task 2a)	Hector Rosada/Chemonics International Inc.
Report: Analysis of Current Socioeconomic Situation in the Communities that are Benefiting from the On-Going Land Titling Project (Task 2b)	IARNA/URL
Procurement: Purchase and delivery of information technology for CONTIERRA (Task 2c)	Chemonics International Inc.
Training: Four Training Modules to Strengthen the Capability of CONTIERRA Staff to Manage the Mediation Process in the Context of Resolving Land Disputes (Task 2c)	INTRAPAZ/URL
Training: Two Training Modules Delivered in each of Seven Departments to Strengthen Capacity of Participants (<i>Mesas de Diálogo</i>) to Manage the Conflict Resolution Process (Task 2c)	INTRAPAZ/URL
Report: Planning Rural Development in Guatemala – Learning from Others (Task 3a)	John Mellor/Abt. Associates
Report: Reflections on the “ <i>Diálogo Rural Inter-Agencial</i> ” (Task 3a)	James Riordan/Chemonics International Inc.
Seminar: Rural Development Seminar – <i>Gabinete de Desarrollo Rural</i> (Task 3a)	James Riordan/Chemonics International Inc. John Mellor/Abt. Associates
Technical Assistance: Key, high-level technical assistance delivered to the GOG and relevant Cabinet members (Task 3b)	James Riordan/Chemonics International Inc. Judith Tendler/Chemonics International Inc.
Report: <i>Evaluación y Reactivación del Fondo para la Producción de la Semilla, Conservación de Germoplasma y Fortalecimiento Institucional (FONSEMILLA)</i> (Task 3d)	Carlos Crisóstomo/Chemonics International Inc. René Velásquez M./Chemonics International Inc. Iris Villalobos B./Chemonics International Inc.

Report: <i>Incidencia de las Iglesias en los Procesos de Cambio de las Sociedades Rurales en Guatemala</i> (Task 3d)	Jesús García-Ruiz/Chemonics International Inc.
Report: <i>Frente Contra el Hambre – Nutrición de Madres e Infantes</i> (Task 3d)	Nicté Ramirez/Chemonics International Inc.
Report: <i>Frente Contra el Hambre – Nutrición de Infantes</i> (Task 3d)	Leonardo De León/Chemonics International Inc.
Website: Development of www.visitichisec.com website (Task 4)	New Development Solutions
Database/Directory: Directories of Hotels, Restaurants, Small Business NGOs, Internet Technology Service Providers (Task 4)	New Development Solutions
Internet Centers: Best Practices Manual/Guide & WIFI Strategic Manual/Guide (Task 4)	New Development Solutions
Maps: Series of Maps Developed for the Candelaria River Cave System	Vanderbilt Institute for Mesoamerican Archeology
Seminars: See Section C4.	

In addition to the reports listed in the table above, Chemonics also submitted the Work Plan in accordance with the task order contract as well as a Quarterly Report for the third and fourth quarters of calendar year 2004.

- Ricardo Santa Cruz and Associates provided training to key decision-makers in the Ministry of Agriculture.

L. Dominican Republic Export Sector Analysis, TO #830

Start Date: September 15, 2004

Completion Date: July 15, 2005

Amount of Delivery Order: \$249,711

The Export Sector Analysis for the Dominican Republic task order is being implemented under the GBTI IQC with a total contract ceiling of \$249,711. This sole-source task order was slated to begin on September 30, 2004 and end on April 15, 2005; a total life span of seven months and fifteen days. The acting PMU is currently overseeing a substantial project reorganization of the DR Competitiveness Initiative in the Home Office and Field Office and it has therefore not been able to fully mobilize project start-up. As a result, the project is significantly behind on the deliverables schedule outlined in the contract and has not billed the contract to date. The PMU expects to begin limited operations and billings under this new task order in early 2005 and to seek approval for a no-cost extension of three months, effectively pushing back the contract end date to July 15, 2005.

In terms of current activities, the DR TO PMU is searching for candidates to complete analyses of key sub-sectors that are exhibiting rapid export growth potential in the Dominican Republic. They have already recruited a information and communication

technology specialist candidate and will continue the search for strong candidates in the medical apparatus and electronic equipment sectors.

II. Proposal Activity

A. Proposals Won

1. Strengthening Capacity to Implement Public Private Partnerships in Senegal

B. Proposals Pending

1. Cyprus Partnership for Economic Growth Phase II
2. Morocco New Business Opportunities Program
3. Jordan Tourism Competitiveness

III. Contract Quarterly Financial Report

This information is included in Annex A of the report which is attached separately as an Excel file.

IV. Technical Reports and Deliverables

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

- *Review of Aqaba Water Demand and Expanded Evaluation of Water Resources* and Annexes A, B, and C.

Columbia Forestry, TO#824

- Technical Consulting Report on Forest Inventories
 - Institutional Analysis of Forest Policy in Columbia
 - Analysis of the Bolivian, Chilean, Costa Rican, and Ecuadorian Institutional and Legal Frameworks in the Development of a Natural Forestry Law.
-