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PARAGUAY VENDE ANNUAL REPORT FY 2005 & QUARTERLY REPORT JULY– SEPTEMBER 2005

PARAGUAY PRP, VENDE POVERTY REDUCTION PROGRAM

SEPTEMBER 2005

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PARAGUAY PRP, VENDE POVERTY REDUCTION PROGRAM

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Paraguay Vende’s Annual Report FY 2005 & Quarterly Report July– September 2005*

A. Summary

This report covers FY 2005 for the Paraguay Vende project and discusses progress towards second year targets which are summarized in the following table:

Table 1: Accomplishments and Targets

	Targets per Modification No. 6	Accumulated from 2004	Accumulated FY 2005	Achievements Q4 - 2005
Increased sales, \$US	15,750,000	9.952.521	9.262.203	2.561.386
Increased exports (included in sales), \$US	5,250,000	7.307.963	7.118.739	1.931.804
Increased investments, \$US	1,750,000	1.167.052	388.824	374.940
Increased employment, person days	1,312,500	1.334.757	1.269.291	305.525

It is important to note that with an expenditure of 40% of the contractual budget price, the project has achieved 63% of targeted sales (including exports). In addition, Paraguay Vende has surpassed life of project employment targets.

B. Business Development

Local sales, exports, investment and employment, as generated by project client firms have increased dramatically during Vende’s second year of implementation. Project results correspond to specific technical assistance provided to client firms by local and international consultancies through Paraguay Vende and Vende’s subcontracted Economic Service Centers (CSEs). The biggest numbers in terms of sales for the year were generated by the Coronel Oviedo CSE that operates in the central economic corridor. Ciudad del Este, the CSE that covers the eastern economic corridor, also had considerable success in the initial part of the year. Finally, worth mentioning are the qualitative results produced by the Pedro Juan Caballero CSE that operates in the northern economic corridor.

Additionally, Paraguay Vende added a new tool to leverage export markets for client firms called the *Servicios de Asistencia técnica para nuevos Mercados y Exportaciones* (SAME). The SAME seeks to identify demand for products which could be supplied by Paraguay. The SAME team works with local firms – clients and non clients of Paraguay Vende – to meet buyer specifications and solve value chain constraints and to increase sales. This approach was developed by the project’s deputy Juan Carron, who also serves as director of the new unit. To date the SAME has yielded notable results in the areas of wood and flour (see B2 below as well).

Since July, Paraguay Vende has coordinated more closely with the CSEs subcontractors regarding technical direction and decisions for project interventions. Close coordination between subcontractors and Paraguay Vende has allowed better integration of subcontractors into the technical management of

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the project and has contributed to more effective support for client firms.

In summary, Paraguay Vende achieved administrative maturity in its first year then it can be said that Paraguay Vende reached technical maturity after the second year of project implementation.

B1. Subcontractor management of CSEs

The role of the subcontractors in generating results can not be overstated. Although the management of subcontractor relationships can at times be labor intensive, the increased involvement of key staff from CSEs in managing administrative and technical functions has been an important ingredient for success. Project subcontractors have succeeded in developing and managing staff that maximize sales for project client (see B3 below as well). Business advisors from CSEs now enter results into the SISMONITOR (results database that forms the basis for monitoring and evaluation) and are able to use the SISMONITOR as a tool to retrieve data and inform the organization about CSE results in relation to targets. Furthermore, CSE directors now participate in Vende's biweekly directors' meetings where the majority of technical management decisions are made. Gradually, Vende is moving from a model where CSE subcontractors primarily perform an administrative function to a model where subcontractors are integrated into both the administrative and technical management of the project.

B1.1. Pedro Juan Caballero

Earlier this year Paraguay Vende's northern corridor CSE (Pedro Juan Caballero), administered by ENLACE/ASECORP, showed poor results. The project management team considered making personnel changes. Instead, Paraguay Vende worked with ENLACE/ASECORP and the CSE team to change the location of the CSE to the city of Pedro Juan Caballero and to cultivate a closer working relationship between the Vende management team in Asuncion and key Pedro Juan Caballero personnel. Paraguay Vende also took care to coordinate closely with the ENLACE/ASECORP, the subcontractor, on important decisions affecting Pedro Juan Caballero. As a result of these measures, Pedro Juan Caballero experienced marked improvement. Today, Pedro Juan Caballero is recognized as providing top notch service to local businesses in the departments of Concepción, San Pedro, and Amambay. In addition, Pedro Juan Caballero has succeeded in demonstrating how Paraguay Vende and other enterprise development projects can produce results in difficult sectors such as stevia, culinary herbs, yerba mate, ecotourism, and general trade promotion.

B1.2. Coronel Oviedo

Paraguay Vende's central corridor CSE (Coronel Oviedo), administered by UNIVERSIDAD CATÓLICA/SHIROSAWA, went through a visible process of maturation during the past year. Early in the year the subcontractor had to overcome several management issues. Coronel Oviedo began with a supply-side approach to technical assistance and now has a strong commitment to those products and firms with sufficient demand such as sesame, wood products, and livestock feed. Coronel Oviedo's strategy has endowed Paraguay Vende with solid experience in cultivating partnerships with small producers, cooperatives, and agricultural consultants. The approach used for sesame was one of *'ensuring demand and organizing supply'* and is now applied to other products in the corridor such as honey and sugarcane. Coronel Oviedo is leading Paraguay Vende's activities in one of the project's most



successful agribusiness developments channeling new buyers to the region. The CSE is also the most active user of the services of the SAME, the project export promotion unit. Other CSEs are now using techniques developed by Coronel Oviedo for project clients in other corridors to generate results.

B1.3. Ciudad del Este

The eastern corridor CSE (Ciudad del Este), administered by AMCHAM of Ciudad del Este, was a success from the beginning of Paraguay Vende. Ciudad del Este has demonstrated an aptitude for identifying demand and assisting firms to meet that demand and increase sales and employment. During this year the project's management team in Asuncion and the subcontractor changed the director for Ciudad del Este to ensure continued high quality technical assistance for client firms. Ciudad del Este has now achieved two of its biggest successes - the export of Frutika's fruit juice and Chortitzer's milk to the Brazilian market. Working together, Ciudad del Este and the SAME are providing innovative solutions to orient client firms to market opportunities in Brazil. Ciudad del Este is also promoting business development in the maquila industry for four client firms in the eastern corridor. Ciudad del Este has achieved considerable success supporting the establishment of the maquila firm Megaplasticos in its economic corridor. Although Megaplasticos is no longer a client firm, they help lead the way for several small maquila businesses with interesting products are following having success such as Xtreme, HNR, MAPASA and Motorpar (see table 2 below).

B2. The SAME

Following a review of strategies to enter foreign markets, the project team discussed the introduction of a new service unit to identify demand outside of Paraguay and promote export quality products of client firms. Using best practices developed by the Paraguay Vende's sister project, Peru PRA project, Paraguay Vende developed a unit dedicated to identifying external demand and that serves as a liaison with businesses. The SAME is tailored to the needs of Paraguay and designed to work with foreign buyers, identify strategic opportunities for Paraguayan products, and assist client firms to access foreign markets. The SAME was launched during Q2 of FY2. Deputy Juan Carron, the former managing coordinator for the CSEs, and Paloma Morínigo were assigned to the SAME and, in June, Richard Mora joined the unit.

SAME's role is to identify demand and cultivate relationships with buyers of Paraguayan products with emphasis on products similar to the ones client firms produce. The SAME has no targets to directly fulfill but instead support over all project targets and has already helped to increase sales for client firms and will be evaluated qualitatively. The SAME's strategy for achieving results is comprised of four cornerstone principles:

- Select target markets and buyers strategically;
- Promote client products through face-to-face meetings with prospective buyers and international marketing trips;
- Bring international buyers to Paraguay to conduct direct negotiations with local producers and processors in the corridors;
- Invite and accompany client firms to travel to target markets to meet buyers and assess the final



market for the product.

The SAME is currently supporting 13 firms; however most of the results of this assistance is still in preliminary stages. Several of the following firms are already project clients and others are still in the process of developing business plans:

- INFOSA is a client firm of Coronel Oviedo and exports hard wood flooring to the U.S. Two U.S. buyers were introduced to this firm and orders for production were negotiated through February 2006 (see Table 5 below for the results).
- KEMAGRO is a client firm of Pedro Juan Caballero and is exporting a new sesame seed variety to the U.S. After conducting a series of interviews with a U.S. sesame seed buyers, Kemagro directors understood that in order to conquer this market they had to adjust production to meet market requirements. The INIA sesame variety was produced in the country for the first time and two containers were exported. Kemagro is now in the process of producing this new sesame product, ready for human consumption, which will meet current demand and increase its exports (see Table 5 below for results).
- XTREME is a client firm of Ciudad del Este. Poor results were achieved from Vende's past efforts in supporting the firm's expansion of exports due primarily to the client's reluctance in adopting project recommendations. Following a self-assessment, XTREME requested renewed assistance to restructure plant production and commercial processes. An Argentinean consultant was introduced to XTREME to provide technical assistance in best practices for production and a commercial agreement with a U.S. buyer was reached. Exports are expected to begin during Q1 of FY3.
- ERSÁ is a client firm of Coronel Oviedo and exports flour to Brazilian pasta manufacturers. The SAME has supported ERSÁ in finding and negotiating an agreement with a "commercial agent" in Brazil who will negotiate contracts on their behalf with Brazilian buyers. This is an on-going process and results are expected in the future months.
- COOPERATIVA BERGTHAL is a new client firm for Paraguay Vende and exports flour to Brazilian distributors. This case is similar to the preceding one. A second "commercial agent" was selected in Brazil and introduced to Bergthal. Results are also expected in the future months.
- FRIGORÍFICO GUARANÍ, another new client firm for Vende, seeks to export hamburgers to Chile. The SAME is supporting the firm in negotiating conditions with a large meat buyer in Chile to become a long-term supplier. FRIGORÍFICO GUARANÍ is currently participating in a bidding process which will be finalized this year.
- MAXIVIGAS recently signed an agreement with Paraguay Vende. The firm exports hard wood flooring and the SAME is providing its expertise to the firm so that it can export non-traditional wood products to the U.S. A U.S. buyer was introduced to the company and three purchase orders were submitted. The orders will be shipped around December of this year.
- NATURIT is a client firm of Pedro Juan Caballero and is interested in exporting flavored teas to Chile. The SAME identified a Chilean buyer of teas, herbs, and infusions which was interested in expanding activities in Paraguay. The SAME introduced the buyer to the project client which sent samples to the Chilean buyer following the meeting. The present activities of the SAME consist of revising the details of the agreement and supporting a business trip of NATURIT to Chile to finalize



the details with the buyer. The product will receive a minor adjustment due to new specifications provided by the buyer and first exports are expected in Q2 of FY3

B3. Development and training of CSE personnel

Vende has created effective approaches to develop human resources with current project resources. The first approach is based on decentralizing the decision-making process and empowering Paraguay Vende staff (E4 below as well). The second approach is based on competition and encouraging development of staff talents. Tracy Shanks, before leaving the project following two years of work for the Vende project, noted the following in regard to the second approach: *“The advisors are being watched, they know they will be scrutinized and thus have personal incentives to do well, as it will mean additional jobs, access to additional and more important contacts, gained trust and they as individuals become much more valuable to the local market, improving their position for future positions and opportunities, whether it be within the project, or outside, after the project has completed. These projects are short term and yes, people work for the best of the project, but realistically, they also work for personal gain, and thus the age old antics of shame, pride and personal reward and recognition are actually quite valuable. Money is always more tangible, but someone’s reputation and honor are still extremely important.”*

B4. Technical assistance to client firms

Currently, the project has signed business plans with 35 client firms and is providing technical assistance to these companies in order to generate increased sales. Details are in the following table.

Table 2: Active Client Firms Assisted with Signed Business Plans

Nº	Company	CSE	Business Adviser	Product	USAID approval	Business Plan	Market	Rating
1	UPISA	CDE	FL	Pork meet	Approved	Signed	External	A
2	Xtreme	CDE	FL	Wood molding	Approved	Signed	External	A
3	Dalazen	CDE	FL	Tractor Cabins	Approved	Signed	External	A
4	Estancias FD	CDE	FL	Organic Tea (Yerba mate)	Approved	Signed	Internal	A
5	El Cardúmen	CDE	JEGE	Fishes distribution	Approved	Signed	Internal / External	A
6	Motopar	CDE	JEGE	Motorcycles	Approved	Signed	Internal / External	A
7	Castilla	CDE	NF	Hydrated Alcohol	Approved	Signed	Internal	A
8	Sociedad Cooperativa Chortitzer	CDE	NF	Milk products	Approved	Signed	External	A
9	Frutika	CDE	FL	Fruits Juice	Approved	Signed	External	A
10	MAPASA	CDE	NF	Means for mattresses	Approved	Signed	External	A
11	HNR Industrial	CDE	NF	Hand bags and suitcases	Approved	Signed	Internal / External	A
12	José Devanir Gomes	CDE	NF	Luminosity Signs	Approved	Signed	External	A
13	Metalforte	CDE	JEGE	Cabins and Pulverizors	Approved	Signed	Internal	B
14	Delfín Ruíz A.	CO	PI	Cotton oil	Approved	Signed	Internal	A
15	Shirosawa Company	CO	PI	Sesame	Approved	Signed	External	A



Nº	Company	CSE	Business Adviser	Product	USAID approval	Business Plan	Market	Rating
16	Fibrac	CO	PI	Fiber Glass Tanks	Approved	Signed	Internal	A
17	Infosa	CO	PI	Parquet Floors	Approved	Signed	External	A
18	Destilería del Sur	CO	FF	Fuel Alcohol	Approved	Signed	Internal	A
19	Bosques de Asunción	CO	PI	Honey	Approved	Signed	External	B
20	ERSA	CO	PI	Flour/Pet Food	Approved	Signed	External	B
21	Semillas Kemagro	PJC	OO	Premium sesame	Approved	Signed	External	A
22	DTP	PJC	RM	Ecotourism Packages	Approved	Signed	External	A
23	Imperio Guaraní	PJC	RM	Stevia Products	Approved	Signed	Internal / External	A
24	Cooperativa del Norte Guayaibi Poty	PJC	OO	Fruits	Approved	Signed	Internal / External	A
25	Cooperativa La Norteña	PJC	OO	Natural herbs	Approved	Signed	Internal / External	A
26	Paraguay Trade Fairs	PJC	RM	Fairs	Approved	Signed	Internal	A
27	Chung Bo Paraguay	PJC	OO	Sesame products	Approved	Signed	External	A
28	One World Trading	PJC	OO	Organic products	Approved	Signed	External	A
29	Hierbapar	PJC	RM	Medicinal Herbs and Tea	Approved	Signed	Internal	A
30	Fruterra	PJC	OO	Fruits for export	Approved	Signed	External	A
31	Sur Paraguay (Pombero)	PJC	RM	Artesian Apparel	Approved	Signed	External	B
32	Naturit	PJC	RM	Medicinal Herbs and Tea	Approved	Signed	External	B
33	Prodalcon	PJC	RM	Products Dealer	Approved	Signed	Internal	B
34	Scampi	PJC	OO	Sweet and Sour Shrimp	Approved	Signed	Internal	B
35	Paraguay Teas (James May)	PJC	GA	Stevia & yerba mate tea	Approved	Signed	External	C

CSEs
CDE: Ciudad del Este – Este
CO: Coronel Oviedo – Centro
PJC: Pedro Juan Caballero -

Promoters
FL: Francisco Latoourrette
JEJE: José Gómez
VB: Victor Benítez
PI: Paulino Invernizzi

NF: Nelson Ferreira
FF: Francisco Fretes
RM: Rodrigo Meza
GA: Gustavo Acuña
OO: Oscar Ortuzar

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

Assistances to firms not mentioned here have been ended. In some cases assistance is finished due to a lack of results and in other cases, because the client did not require further assistance from Paraguay Vende. The most recent example of this last case is the maquila project of the client firm Megaplasticos. Firms change strategies and therefore their needs for assistance change. In other cases firms return to Paraguay Vende with new or revised needs, which is the case of La Lechuza. Although the Vende project is open and flexible to these situations, the CSEs are now working at full capacity, and there are limited opportunities to initiate new client relationships.

An important best practice is that the project should never try to “sell” its services to client firms which they have not requested. The project is preparing a Manual of Assistance where best practices and



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lessons learned will be incorporated to guide the activities of the CSEs and facilitate further decentralization of the decision making process.

C. Monitoring Results

During FY 2005, the monitoring unit trained CSE teams and installed the SISMONITOR software in CSE offices and in Asunción. The purpose of the training was to provide all technical and administrative staff of the project with a tool to view project results at any given time. Additionally, the unit completed the Monitoring Manual for Vende which contains procedures and the methodology for calculating the coefficient used to measure the impact of sales on direct and indirect employment. The Manual also includes natural growth rates for the sectors in which client firms operate.

Although Vende encourages CSEs to make presentations about their results at the corridor level, the monitoring unit remains the official source for information on project results. Vende has given the monitoring unit greater autonomy than other units so that it can provide objective assessments and appropriately verify the causality of project interventions in relation to results.

During the past year the monitoring unit worked closely with CSEs to create and update businesses plans for client firms and perform site visits to client firms to conduct environmental impact assessments and verify results. Paraguay Vende defines client firms as those which have signed and possess an approved client business plan.

An example of the monitoring unit's work and methodology is demonstrated in assessment of the assistance provided to the Shirosawa. A consultant was hired to review the interventions of the CSE, which consisted of a set of strategic activities such as facilitating negotiations, promoting higher volume sesame cultivation, convincing the firm to provide better information and improve the conditions of purchase, etc. Measuring the impact of these activities is difficult because it demands a nuanced knowledge about the small producer's weaknesses and strengths as well as the global nature of modern agribusiness. The numbers included in this report are the additional exports of sesame of Shirosawa which occurred between March and September of the FY 2005

The monitoring unit may make corrections in the results reported by the CSEs. This was the case of Pombero, Paraguay Trade Fairs and Scampi, where results were corrected because some of the results were involuntarily omitted. In the quarterly report for Q3 2005 results for INFOSA interventions were not included because the company was unable to confirm the information in time for the report. These numbers are included in the current report.

The following tables represent detailed results for the present quarter, FY 2005, and cumulative results from the beginning of the project:

**Table 3: Q4–FY 2005 Results,
In Guaranies and Dollars**



N°	COMPANY	CSE	TOTAL: Sales + Exports USD	Additional Exports USD	Additional Exports Gs.	Additional Sales q4 USD	Additional Sales q4 Gs.	Additional Employment q4 in person days	Investment q4 USD
1	UPISA	CDE	704.643	704.643	4.243.193.335	0	0	61.341	330.000
2	Chortitzer	CDE	160.210	160.210	966.419.027	0	0	10.149	0
3	Dalazen	CDE	50.482	0	0	50.482	303.446.446	3.007	0
4	Motopar	CDE	43.253	0	0	43.253	271.448.035	5.567	0
5	Estancias FD	CDE	12.299	0	0	12.299	72.532.952	2.417	0
6	HNR Industrial	CDE	0	0	0	0	0	0	17.107
7	Shirosawa Company	CO	635.913	635.913	4.329.516.126	0	0	124.990	0
8	Infosa	CO	86.765	86.765	536.707.302	0	0	10.988	0
9	Destilería del Sur	CO	391.868	0	0	391.868	2.376.995.937	8.751	0
10	Fibrac	CO	22.560	0	0	22.560	138.430.038	3.309	0
11	Chung Bo Paraguay	PJC	313.419	313.419	1.897.374.694	0	0	51.196	0
12	DTP	PJC	64.493	0	0	64.493	390.023.636	11.279	25.000
13	Hierbapar	PJC	31.453	0	0	31.453	185.435.586	4.553	0
14	Semillas Kemagro	PJC	30.855	30.855	185.611.977	0	0	6.065	0
15	Sur Paraguay	PJC	13.174	0	0	13.174	137.110.319	1.914	2.833
TOTAL			2.561.386	1.931.804	12.158.822.462	629.581	3.875.422.949	305.525	374.940

**Table 4: FY 2005 Results,
In Guaranies and Dollars**

N°	Company	CSE	TOTAL: Sales + Exports USD	Additional Exports USD	Additional Exports Gs.	Additional Sales q1 USD	Additional Sales q1 Gs.	Additional Employment q1 in person days	Investment q1 USD
1	UPISA	CDE	2.219.879	2.219.879	13.589.863.215	0	0	193.246	330.000
2	Dalazen	CDE	464.002	0	0	464.002	2.886.478.605	27.637	0
3	Xtreme	CDE	265.424	265.424	1.633.021.980	0	0	33.613	0
4	Chortitzer	CDE	160.210	160.210	966.419.027	0	0	10.149	0



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N°	Company	CSE	TOTAL: Sales + Exports USD	Additional Exports USD	Additional Exports Gs.	Additional Sales q1 USD	Additional Sales q1 Gs.	Additional Employment q1 in person days	Investment q1 USD
5	Estancias FD	CDE	151.118	0	0	151.118	948.328.983	29.698	0
6	Metalforte	CDE	109.943	0	0	109.943	672.152.254	6.548	0
7	Motopar	CDE	43.253	0	0	43.253	271.448.035	5.567	0
8	HNR Industrial	CDE	0	0	0	0	0	0	17.107
9	Shirosawa Company	CO	3.378.652	3.378.652	22.727.044.306	0	0	664.079	0
10	Delfin Ruíz A.	CO	563.822	0	0	563.822	3.522.365.890	46.932	0
11	Destilería del Sur	CO	391.868	0	0	391.868	2.376.995.937	8.751	0
12	Infosa	CO	188.077	188.077	1.193.177.984	0	0	23.818	0
13	Fibrac	CO	123.942	0	0	123.942	800.553.949	16.735	0
14	Bosques de Asunción	CO	0	0	0	0	0	0	13.884
15	Chung Bo Paraguay	PJC	713.073	713.073	4.418.004.418	0	0	125.376	0
16	DTP	PJC	128.090	0	0	128.090	783.896.149	22.401	25.000
17	Hierbapar	PJC	90.343	2.188	13.710.735	88.156	572.945.818	13.077	0
18	One World Trading	PJC	39.841	39.841	277.135.047	0	0	2.800	0
19	Semillas Kemagro	PJC	30.855	30.855	185.611.977	0	0	6.065	0
20	SUR-PY S.A	PJC	29.812	0	0	29.812	240.605.261	4.331	2.833
21	Paraguay Trade Fairs	PJC	27.154	0	0	27.154	169.218.706	2.794	0
22	La Lechuza	PJC	17.600	0	0	17.600	107.142.194	995	0
23	Naturit	PJC	14.209	14.209	87.228.852	0	0	2.793	0
24	Scampi	PJC	4.704	0	0	4.704	29.204.640	985	0
25	Fruterra	PJC	4.547	4.547	28.004.035	0	0	894	0
26	Telnet	PJC	101.785	101.785	648.817.406	0	0	20.006	0
TOTAL			9.262.203	7.118.739	45.768.038.983	2.143.463	13.381.336.420	1.269.291	388.824

**Table 5: FY 2004 –FY2005 Results,
In Guaranies and Dollars**

N°	Company	CSE	TOTAL: Sales + Exports USD	Additional Exports USD	Additional Exports Gs.	Additional Sales q1 USD	Additional Sales q1 Gs.	Additional Employment q1 in person days	Investment q1 USD
1	UPISA	CDE	2.323.664	2.323.664	14.201.114.546	0	0	202.281	330.000
2	Dalazen	CDE	619.403	0	0	619.403	3.801.289.082	36.892	0



Nº	Company	CSE	TOTAL: Sales + Exports USD	Additional Exports USD	Additional Exports Gs.	Additional Sales q1 USD	Additional Sales q1 Gs.	Additional Employment q1 in person days	Investment q1 USD
3	Xtreme	CDE	350.864	350.864	2.135.999.280	0	0	44.434	735.418
4	Chortitzer	CDE	160.210	160.210	966.419.027	0	0	10.149	0
5	Estancias FD	CDE	214.140	0	0	214.140	1.310.345.344	42.085	0
6	Metalforte	CDE	120.239	0	0	120.239	725.569.703	7.162	0
7	Motopar	CDE	43.253	0	0	43.253	271.448.035	5.567	0
8	HNR Industrial	CDE	0	0	0	0	0	0	17.107
9	Shirosawa Company	CO	3.378.652	3.378.652	22.727.044.306	0	0	664.079	0
10	Delfín Ruíz A.	CO	809.630	0	0	809.630	4.963.015.431	67.393	0
11	Destilería del Sur	CO	391.868	0	0	391.868	2.376.995.937	8.751	0
12	Infosa	CO	188.077	188.077	1.193.177.984	0	0	23.818	0
13	Fibrac	CO	129.492	0	0	129.492	825.842.826	17.550	0
14	Bosques de Asunción	CO	0	0	0	0	0	0	13.884
15	Chung Bo Paraguay	PJC	713.073	713.073	4.418.004.418	0	0	125.376	0
16	DTP	PJC	134.251	0	0	134.251	820.169.799	23.478	25.000
17	Hierbapar	PJC	92.192	2.188	13.710.735	90.004	580.338.584	13.344	0
18	One World Trading	PJC	39.841	39.841	277.135.047	0	0	2.800	0
19	Semillas Kemagro	PJC	30.855	30.855	185.611.977	0	0	6.065	0
20	Sur Paraguay	PJC	29.812	0	0	29.812	240.605.261	4.331	2.833
21	Paraguay Trade Fairs	PJC	27.154	0	0	27.154	169.218.706	2.794	0
22	La Lechuga	PJC	30.607	0	0	30.607	183.539.090	1.731	0
23	Naturit	PJC	14.209	14.209	87.228.852	0	0	2.793	0
24	Scampi	PJC	4.704	0	0	4.704	29.204.640	985	0
25	Fruterra	PJC	4.547	4.547	28.004.035	0	0	894	0
26	Telnet	PJC	101.785	101.785	648.817.406	0	0	20.006	42.811
TOTAL			9.952.521	7.307.963	46.882.267.614	2.644.557	16.297.582.438	1.334.757	1.167.052

D. New Unit for Trade Policy Dialogue

The CFC, Paraguay Vende's unit for trade policy dialogue has experienced dramatic change this year, adopting a new name, a new approach, a bigger budget, and new staff. The results of the CFC is one of the biggest success stories of the project. Thanks to CFC activities, one of the countries most critical regions, Ciudad del Este, is experiencing a positive change of image in the area of formalization of



firms. The other components of the CFC, in the area of maquilas and direct assistance to reduce trade barriers and business restrictions for client firms, the unit has achieved less impressive results this year.

D1. The Formalization Program for Ciudad del Este

As mentioned above, the single most important activity of the CFC is the formalization of firms in Ciudad del Este. Based on Modification No. 5 to the Paraguay Vende task order, the CFC's objective is to reduce at least two constraints to trade and investment in Paraguay. Policies and regulations are considered the main constraint to increasing sales, investment, exports, and business expansion in general. To address this problem, it was determined that the new CFC should be demand driven – meaning that the constraints targeted for removal would be those identified specifically by the private sector. Vende and the mission explored the many constraints to doing business identified by the private sector. Paraguay Vende discovered that one of the main restriction to economic growth, is lack of formality in the business sector, and Ciudad del Este was at the forefront of this problem.

Vende presented a work plan to the mission, proposing a Formalization Program to be implemented in conjunction with the CCTI of Ciudad del Este (Cámara de Comercio en Tecnologías de la Información). The CCTI (Chamber of Commerce of IT) is an association of business people of Ciudad del Este specialized in trading IT products with Brazil. The CCTI had repeatedly declared that they really want to formalize their business operations. The work plan was accepted in April of this year.

The central part of the work plan submitted and approved by the mission was the Formalization Program PROFE. This Program is flexible and modular, and open to expansion or reduction. PROFE's goal is to formalize at least two firms, but this could be reduced to one if the resources for technical assistance are not available.

The following two subsections give an overview of the activities performed to date and a short list of activities which are planned for next year.

D1.1 The BIT Report

Since the very beginning of the project, Paraguay Vende has been involved in discussing informality as the main business constraint of Ciudad del Este. After many meetings with officials from the Ministry of Treasury, Paraguay Vende conducted an analysis of how informality was affecting the competitiveness of firms in the region. The first draft of this report was shared with the Ministry and other officials from the central government, including Minister Assessor Carlos Walde, the Minister of Industry and Trade.

In June, Paraguay Vende decided to end the subcontract with CADEP because of the organization's limited knowledge and experience of the situation of Ciudad del Este. Since then, the CFC is managed directly by Paraguay Vende. Following recommendations from several sources within the central government, Paraguay Vende decided to postpone the public launch of the BIT Report. In cooperation with the CCTI, Vende published the final report of the BIT report in July of this year.



D1.2 Negotiating formalization policies with the Government of Paraguay

The CFC then facilitated meetings between CCTI and the Vice Minister of Taxation and the Director of Customs, both from the Ministry of Treasury. The objective of these meetings were to identify obstacles facing the public and private sectors in relation to formalization of firms in Ciudad del Este. Following these meetings, the government and the CCTI designated representatives to conduct negotiations. With the formation of this team, the CFC Formalization Program was ready for implementation.

The key issue during these negotiations was to show that a reduction in tax rates would not only increase the willingness of the firms for formalization, but as well reduce tax evasion and increase tax revenue. Negotiations were centered on analyzing different scenarios of tax rates in order to convince the officials from the Ministry of Treasury of the viability of the plan to reduce tax rates. A decree was drafted and discussed with the Minister and other central government members. On September 15 the negotiations concluded with the Presidential agreement to sign the decree which established key regulations for Ciudad del Este. The President of Paraguay and many members of the central government and of the business people of the CCTI were present at a public ceremony for signing the decree. The chairmen of the CCTI and the Vice Minister each mentioned Paraguay Vende's support at this event. The first step toward formalizing firms was achieved with this new regulations.

D1.3 Pending activities of the formalization program

Implementing the procedures specified in the approved decrees is the shared responsibility of the public and private sectors. The CFC will participate in this process through support of the CCTI. Since the approval of the decrees, the CFC, together with the mission, has facilitated several meetings with different public entities and other stakeholders to encourage goodwill and broader buy-in amongst stakeholders for the Formalization Program. There are many follow-up activities that are yet to be accomplished, and the CCTI has requested further assistance in the coming year. Activities for the Formalization Program include the following:

- Assist CCTI in creating a regulatory framework for formalization regulations which will be discussed with the public sector;
- Participate in the general trial of procedures established in the regulation, in cooperation with relevant entities from the public sector;
- Assist the CCTI in negotiating with the Department of Immigration to legalize Brazilian employees who work at telecommunications and software firms in Ciudad del Este;
- Work with the Public Ministry to involve them in the formalization process of Ciudad del Este. At present, many firms, some members of the CCTI, which are going through the formalization process are being accused of money laundering and tax evasion. The objective of this assistance will be to create a process that's acceptable for officials of the Ministry to reduce corruption and blackmail;
- Help negotiate the procedure of money transfers from Ciudad del Este to foreign banks with the Central Bank;
- Assist the CCTI in formalizing more firms;



- Assist in drafting a proposal for a law which establishes the procedures and steps for formalization (Ley de Regularización de Activos);
- Assist private and public entities involved in economic activities in Ciudad del Este and other border economic regions to develop a set of legal documents which will summarize in a business-friendly way how the different existing tax regimes could be better regulated and applied to businesses.

D2. Maquila

Vende is gradually reducing its involvement in the maquila and will conclude the majority of this work in December 2005. The CFC is assisting the CSEs to better advise the firms mentioned in previous sections of this report in developing the maquila concept, with the objective of generating additional sales and employment. Building upon the relationship with CNIME, a new position was generated inside the CFC exclusively to help customers of Vende to work under the maquila regimen. Guillermo Elias is now engaged in business trips to Brazil with the aim of promoting maquila and attracting investment. These activities will be finished in December 2005.

D3. Direct assistance to client firms

During this fiscal year, the CFC provided direct assistance to many of the client firms of Paraguay Vende. The new approach of the CFC is that this assistance could be better provided by other donors, such as REDIEX, which is the official export promotion department of the central government.

E. Project Administration

Following the establishment of Paraguay Vende in August 2003 special efforts were devoted to develop the project office in Asunción and establish administrative systems for the functional and seamless management of the project. Early in 2005 an administrative manual was developed for the project by Tracy Shanks, Zulma Barrios, and Enrico Aveiro. The manual provides guidance on administrative processes and procedures for project office personnel in Asunción. Due to the project's robust administrative systems and seasoned staff members, Paraguay Vende was able to focus more on technical implementation of the project during its second year of implementation (see section A).

E.1 Project management

The single most important change this year is Paraguay Vende's transition to a model where the project's local subcontractors that manage the CSEs are more involved in managing both the administrative and technical aspects relevant to CSE operation. The project has found that by increasing the involvement of the subcontractors and CSE directors in administrative and technical decisions that the management and administration of the project is smoother and more efficient

During the past year the Paraguay Vende team made further adjustments to streamline project management and administration. To better organize and manage program resources and activities, two decision-making bodies were established that conduct regular meetings. The first body is comprised of the project office team in Asunción and holds weekly planning meetings to make decisions about project administrative and management issues. The second body holds biweekly meetings and is comprised of Coordinating Manager of the CSEs Sergio Feliciangeli, the directors of the CSEs, the CFC, the SAME



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and the project COP. Since September of this year director-level staff from subcontractor organizations have been formally invited to participate in Paraguay Vende directors' meetings. Directors' meetings are facilitated by Sergio Feliciangeli and planning meetings for the project office team are facilitated by Director of the SAME and Deputy Juan Carron. Detailed minutes of the meetings are kept and following the meeting are sent to staff and the project management support team in Washington.

To date, the management meetings have facilitated better coordination between project units, subcontractors, and personnel. While formal general staff meetings are still conducted, they no longer serve as the cornerstone for internal communication. The new approach decentralizes the decision-making process and is empowering Paraguay Vende staff to take ownership of project initiatives.

E.2 Human resources management

Paraguay Vende expanded its team this year. The central office is staffed with 15 people, the three CSEs are staffed by a total of 15 people, the SAME unit has 3 staff members, and the CFC has two people. Furthermore, Vende has contracts with 11 short term consultants and the service of a Peace Corps volunteer. In total, the project employs 47 people in the administrative management and technical implementation of the project. Sergio Feliciangeli was hired in July to work as the new coordinating manager of the CSEs. The project has temporarily left open two vacancies in CSEs. The first position is a business adviser in Coronel Oviedo and the other is the director position of the Ciudad del Este CSE. In the interim, Sergio Feliciangeli is taking the lead on supervising and managing the Ciudad del Este CSE. The majority of short term consultants hired within the last year are local professionals with vast experience in the technical areas in which they provide assistance to Paraguay Vende project firms.

In compliance with the Task Order, an external mid-term performance evaluation of the Paraguay Vende project was conducted in August 2005 by Dr. Donald Jackson. Dr. Jackson is an expatriate Micro/Sector Economist. Dr. Jackson was assisted by Santiago De Filippis, a local private sector specialist. The final mid-term evaluation for Paraguay Vende was submitted to USAID/Paraguay in September of this year.

E3. The communications unit

In recognition that effective project communications is an essential component for project success, Paraguay Vende is focusing on disseminating information about its achievements clearly and concisely both internally and externally. In March of this year Paraguay Vende proposed to the mission a communications plan that included the creation of a team of two people within the project who are dedicated to publishing a quarterly project bulletin, constructing a website, and, most importantly, developing an effective relationship with the media, with emphasis on print media. In addition, in 2006, Vende will develop and disseminate a project brief specifically for use by USAID/Paraguay and the US Embassy.

Thanks to the implementation of the communications plan Paraguay Vende has experienced a dramatic increase in its ability to communicate project success to the public. The project's work with businesses has been featured in three of the primary newspapers with national coverage including ULTIMA HORA, LA NACIÓN, and ABC COLOR (see table 6 below). In fact, from March through September 2005, the



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project has received national press coverage every month. News coverage of Paraguay Vende's success has helped to promote achievements of the project as well as promote nontraditional products that the project has helped to market such as sesame and honey. Furthermore, the news coverage has helped shed light on how Paraguay Vende works to reinforce the value chain by identifying demand and creating strategic alliances between producers and businesses.

Additional examples of Paraguay Vende in the news include a story about the success the project has had in opening new export markets for Paraguayan products. This is exemplified by the case of Cooperativa Guayabi that now, following assistance from the project, exports bananas and pineapples to Argentina. Another success story that received national news coverage was the case of INFOSA, which successfully exported tile to the U.S. market subsequent to technical assistance received from Paraguay Vende. The CFC has also received nationwide news coverage this year in Paraguay for its work to formalize the business sector in Ciudad del Este. The best example was the coverage the CFC obtained following the regulatory changes made by the national government to the tax regime in the border city.

To recap press coverage for Paraguay Vende this year, the project has received national news coverage at least three times per month from April through September of 2005. Furthermore, press registries in Paraguay reflect additional media exposure for the project showing that in the month of September alone the project was referenced in at least 10 publications across the country.

Paraguay Vende's improved media coverage in 2005 is due not only to the project's successful communications team, but also to the impressive results obtained from Vende's work with local producers and businesses to increase sales and improve the business environment.



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Table 6: Paraguay Vende Media Monitoring

Date	Newspaper	Newspaper head	Firms or Subject of the article
16/04/2005	Ultima Hora	Certificación y burocracia, vallas para productores	Results of Vende
16/04/2005	La Nación	Trabas burocráticas frenan el desarrollo de muchas empresas	Results of Vende
18/04/2005	ABC Color	“Paraguay vende” evaluó su gestión. El mismo Estado obstaculiza las inversiones y las exportaciones	Results of Vende
11/05/2005	Ultima Hora	Invierten en planta industrial procesadora de acerola	Estancias FD
14/05/2005	La Nación	Crean alianza regional para seducir a turistas europeos	DTP
25/05/2005	ABC Color	Se alían para traer a turistas del Este europeo	DTP
13/06/2005	Ultima Hora	Alimentos y Bebidas: empresas presentaron novedades en muestra	Hierbapar, Imperio Guaraní, Telnet, James A. May, Naturit, Scampi- FABE
13/06/2005	Ultima Hora	Producción: Presentaron camarones de agua dulce	Scampi-Fabe
26/06/2005	Ultima Hora	Cooperativa y empresarios lanzan campaña de producción: Alianza estratégica permitirá exportar sésamo orgánico	Cooperativa La Norteña, One World Trading
11/07/2005	La Nación	Lanzan campaña de sésamo orgánico	Cooperativa La Norteña, One World Trading
11/07/2005	La Nación	Productores se capacitaron en desarrollo estratégico	Cooperativa La Norteña, One World Trading
14/09/2005	La Nación	Cedron orgánico paraguayo gana el mercado de Alemania	SAME-
14/09/2005	Ultima Hora	Cooperativa exporta bananas y piñas de San Pedro a Argentina	Cooperativa La Norteña Ycuamandyyú
23/09/2005	ABC Color	Quieren la certificación de producto orgánico en San Pedro. Cultivarán 500 hectáreas de sésamo	Cooperativa Guayaybí Poty
28/09/2005	Ultima Hora	Empresas chicas logran exportar mediante ayuda	Cooperativa La Norteña Ycuamandyyú – OWT
30/09/2005	Ultima Hora	Mejor organización interna hará que crezca exportación	CFC
30/09/2005	La Nación	El Este es zona ideal para el ensamblaje de computadoras	CFC