

ECUADOR LOCAL BUSINESS DEVELOPMENT PROGRAM (PRODEL)

Cooperative Agreement #518-A-00-08-00002-00

Fiscal Year 2008 2nd Quarter Report



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Submitted by :

Nicholas Wedeman, Deputy Director,
AED
Steve Beard, Program Manager,
ACDI/VOCA

Submitted to:

Hugo Ramos, USAID/Ecuador

DISCLAIMER

In the case of discrepancies between weekly updates and the PRODEL Quarterly Progress Report, the PRODEL Quarterly Progress Report will take precedence as the official report of the Associate Award.

ACRONYM LIST

AED	Academy for Educational Development
AGECI	Implementing Agency for International Agreements
AGRINCSA	Public Agriculture & Livestock Commerce & Industry Association
APROCA	Atacames Cacao Producers Association
APROCAR	Río Verde Cacao Producers Association
TCC	Technical Coordination Committee
CTO USAID	USAID Project Manager
DA/AL	Alternative Development Program
DCA	Development Credit Authority
EPF	Enterprise Partnership Fund
FECONIC	Federation of Black Communities and Organizations of Imbabura and Carchi
FIELD	Financial Integration, Economic Leveraging, Broad Based Dissemination
GAO	US Governmental Accounting Office
GOE	Government of Ecuador
LBD	Local Business Development
LWA	Leader with Associates
M&E	Monitoring and Evaluation
ME&R	Monitoring, Evaluation and Reporting System
IOM	International Organization for Migration
PRODEL	Local Business Development Program
UMDS	Municipal Unit for Sustainable Development
USAID	United States Agency for International Development
VAT	Value Added Tax

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PROGRAM OVERVIEW

Background

In 2005, USAID awarded Academy in Educational Development (AED) the Financial Integration, Economic Leveraging, Broad-Based Dissemination and Support (FIELD-Support) Leader with Associates (LWA) project, Cooperative Agreement No. EEM-A-00-06-00001-00. The objective of the FIELD-Support is to improve the financial security of poor households and businesses by strengthening financial and business support systems and providing poor populations access to those systems.

FIELD-Support has four main project objectives:

- To strengthen the economic status and security of poor households;
- To promote economic growth that benefits poorer households and communities;
- To develop inclusive financial systems;
- To contribute to an enabling environment within which micro-center can develop and thrive. AED is currently working with its partner organizations and USAID to develop a work plan of pilot initiatives.

Under the FIELD-Support LWA, USAID issued the 22-month Associative Cooperative Agreement Local Business Development, Programa del Desarrollo de Empresas Locales (PRODEL), as it is known locally in Ecuador. PRODEL is managed by the prime recipient AED and administered in the field by lead implementing partner, ACDI/VOCA. CARE joins ACDI/VOCA to assist with the on the ground implementation efforts in Ecuador. The effective date of this Associate Agreement is November 30, 2007 and the estimated completion date is September 30, 2009. The total estimated award amount for the Associate Agreement for this period is \$6,296,285.

PRODEL is a key component of the Government of Ecuador's (GOE's) Plan Ecuador whose overall goal is to foster peace, development, citizen security, territorial integrity and a greater quality of life for all inhabitants of the northern border region of the country. This goal is supported by USAID/Ecuador and other donors.

Program Description

PRODEL's objective is to increase income and employment for families along the northern and southern border areas by supporting the expansion of private enterprises that will rapidly generate income and employment, and by strengthening local private producer groups associations. PRODEL provides demand-driven assistance packages (technical assistance, targeted training, and small grants) to stimulate and facilitate increased investments in strategically-selected agribusiness and non-agricultural anchor firms and their networks of suppliers and ancillary firms with a commitment to the growth of their businesses and the potential to generate significant increases in income and employment. PRODEL interventions will ensure growth and employment generation through local business development that will continue beyond the life of the PRODEL program. By increasing skills, alleviating constraints, promoting a business friendly enabling environment and linking firms into markets, PRODEL creates the foundation for growth.

To achieve the above objectives, PRODEL has created the Enterprise Partnership Fund (EPF), which provides technical and co-financing assistance tailored to the specific needs of each anchor firm using local service providers to the extent possible to ensure program sustainability. The assistance packages will include a combination of market development, financing, accounting, management assistance and skills training depending on the challenges faced. PRODEL will collaborate with existing financial institutions and directly brokers financing arrangements between banks, finance companies, and microfinance institutions on the one hand and participating anchor firms and members of their value chain on the other.

During the course of PRODEL, at least 20 anchor firms will receive business development assistance within approximately 10 municipalities. PRODEL will assist the business community to identify and analyze policy-related constraints and to constructively contribute to municipal-level planning and decision-making (through collaboration with other USAID projects) to improve the local business climate.

Areas of Implementation

PRODEL will be implemented through six important areas:

- **Municipal Strengthening:** The PRODEL team recognizes that successful, equitable economic growth requires the development of competitive enterprises supported by effective local governments that instill trust in local institutions, both formal (laws, rules) and informal norms and conventions. The PRODEL team investigates coordination with programs such as MYPE Competitiva based in Peru along with the International Finance Corporation (IFC) of the World Bank Group to analyze ways to improve municipal responsiveness to businesses, and establishes and promotes advocacy on behalf of the private sector for improved business environments through periodic workshops conducted by PRODEL technical staff. The municipality selection process for the PRODEL program involves the development of a selection matrix that includes pre-determined criteria and a transparent scoring system (see annex 3);
- **Working with anchor firms:** PRODEL provides demand-driven assistance packages (technical assistance, financing and targeted training) to stimulate and facilitate increased investments in strategically-selected agribusiness and non-agricultural anchor firms. Through the Enterprise Partnership Fund (EPF), PRODEL strengthens anchor firms by helping them address their business needs and constraints. Technical assistance is provided to the anchor firms in the areas of marketing, business management, leadership, finance, accounting, administration, business plan development and implementation, production and quality improvement, packaging and sales promotion, and international standards and certifications procedures. Through discussions with USAID, related donor-funded projects, chambers of commerce and business associations, industries within which potential anchor firms are known to operate are identified, and a selection matrix is developed to include a transparent scoring system (see annex 1);
- **Upgrading the Vertical and Horizontal Linkages:** PRODEL intervenes at key nodes and links within an anchor firm's business system that make up the anchor firm's network of economic relations, to address constraints to that firm's ability to grow. PRODEL focuses on farming as a business, transfer of appropriate technologies, best practices and better

business standards, strengthening market linkages, embedded services, association development, and promoting strategic public-private partnerships;

- **Pulling in Local Service Providers:** The delivery of services is carried out using PRODEL local business development specialists and through contracting with local service providers;
- **Strengthening Local Business Environment:** PRODEL works with local municipalities and the private sector to improve the local business environment;
- **Integrating Cross-Cutting Themes:** PRODEL targets women for inclusion in the program, makes environmental considerations an integral part of the design and execution of program interventions, and trains participating anchor firms and companies managing end markets to promote socially responsible practices.

Monitoring and Evaluation

The Monitoring, Evaluation and Reporting System focuses on the six key indicators established in the technical proposal and named in the PRODEL annual work plan. At the request of USAID, the indicator designed to measure increase in sales will be used as a proxy to calculate the increase in participating household incomes for the program. In addition to the indicators below, the MER system also monitors changes in the municipalities and anchor firms that partner with the PRODEL program. The partner municipalities are monitored using the SIGGLO system, which measures the efficiency of the local governmental administrative and financial processes in the PRODEL region of influence. The purpose of monitoring the municipalities is to learn of their participation and involvement in the general PRODEL strategy to create a favorable environment within the municipality for business development. The anchor firms will be monitored using standard financial indicators, including measures of liquidity, debt, profitability, management, assets and reinvestment. The purpose of monitoring the anchor firms is to determine the financial situation of the business with the understanding that they will guarantee the future sustainability of the value chain. In the upcoming quarter, PRODEL will continue to refine its ME&R plan, including working with anchor firms to determine baselines, agree on specific targets, link those targets and strategies to reach them, and prepare performance indicators according to the nature of each business.

KEY PROGRESS INDICATORS AND TARGETS

Indicators	FY 08	FY 09	TOTAL
No. of families receiving PRODEL assistance	4,000	4,000	8,000
Hectares of licit crops established or improved with PRODEL assistance	2,000	2,000	4,000

No. of new full-time equivalent jobs created by PRODEL activities	2,000	2,000	4,000
No. of small and medium enterprises (anchor firms) assisted by the PRODEL program	12	8	20
No. of municipalities assisted and that have contributed to improve the business environment	6	4	10
Percent increase in value of sales to anchor firms by microenterprise suppliers(US\$)	25%	25%	50%

EXECUTIVE SUMMARY

This report covers the results achieved and activities undertaken during the second quarter of FY 2008 (January 1–March 31, 2008). A significant portion of time during this period was focused on project start-up activities:

- In January, ACDI/VOCA headquarters staff person, Lisa Kearns and AED Washington Deputy Director of Field Support, Nicholas Wedeman traveled to the field to work with the Program Manager to develop the Year 1 Work Plan. The draft work plan was submitted to USAID/Ecuador by the January 15 deadline.
- The Monitoring & Evaluation System was developed by Jairo Andrade, in coordination with AED Consultant Dr. Elizabeth Dunn of Impact LLC (an international business services consulting firm) and submitted to USAID/Ecuador.
- The Contracts & Grants manual was created with assistance from consultant, Franz Rios and submitted to USAID/Ecuador. PRODEL finance and administrative staff members developed the PRODEL Personnel Policies and Procedures Manual.
- ACDI/VOCA regional agribusiness expert, Douglas Anderson traveled to Ecuador to assist PRODEL personnel in beginning the technical implementation phase of the program.
- The PRODEL office space was located and set up; kick-off meetings with USAID partner organizations were conducted; and the entire local staff was fielded.
- PRODEL team members, in coordination with ACDI/VOCA Headquarters personnel, developed municipality and anchor firm selection matrices and assessment guides as tools to implement in the field. PRODEL team members visited 11 municipalities and 19 potential anchor firms to implement the assessment guides and gather information for the selection matrices.
- Members of the Technical Coordination Committee have been identified and include USAID PRODEL CTO Hugo Ramos, USAID IOM CTO Edgar Guillen, PRODEL Program Manager Steve Beard, IOM Program Official Marco Padilla, and Plan Ecuador representative Monica Donoso.

PRODEL staff faced a significant challenge in its start-up activities due to a recent change in the government. The agency within the Foreign Affairs Ministry that oversees international organization operations in Ecuador was changed from INECI to AGECI, resulting in delays in the process to register PRODEL with the Ministry.

In addition to these start-up activities, a workshop was conducted March 26-28, 2008 in the Mercure Alameda Hotel in Quito, Ecuador by Dr. Elizabeth Dunn to train PRODEL staff and its implementing partner in the value chain methodology, approach, and its practical applications for program implementation. The workshop included participants from USAID, PRODEL, Carana Red Productiva, potential program anchor firm representatives, Plan Ecuador, and Ecuadorian governmental personnel.

The workshop content was developed by ACDI/VOCA headquarters staff Lisa Kearns and Banu Akin based on a curriculum created under the AMAP BDS IQC¹ and tailored to the context of PRODEL. ACDI/VOCA headquarters staff also prepared case studies for the workshop and provided on-the-ground logistical and programmatic support. Plan Ecuador Technical Secretary, Juan Patricio Navarro, and USAID Director, Ms. Alexandria Panehal inaugurated the event, which was also attended by Plan Ecuador representative, Monica



Presentation of a Value Chain Map

Workshop Group Discussion

Donoso. A total of 34 representatives from potential anchor firms, Plan Ecuador, the Carana Productive Network Project, USAID and the Ministry of Tourism attended the event that attracted more interested participants than could be accommodated for this type of workshop.

¹ Accelerated Microenterprise Advancement Program Business Development Services Indefinite Quantity Contract. For more information, go to <http://www.acdivoca.org/acdivoca/PortalHub.nsf/ID/globalAMAPBDS-KPII>.

Although there are no results to report for these core indicators this quarter, the following table will be included and updated in subsequent quarterly reports:

Indicators	Y1Q2	To Date
No. of families receiving PRODEL assistance	0	0
Hectares of licit crops established or improved with PRODEL assistance	0	0
No. of new full-time equivalent jobs created by PRODEL activities	0	0
No. of small and medium enterprises (anchor firms) assisted by the PRODEL program	0	0
No. of municipalities assisted and that have contributed to improve the business environment	0	0
Percent increase in value of sales to anchor firms by microenterprise suppliers(US\$)	0	0

1.0 MUNICIPALITY STRENGTHENING

Municipal support provided through PRODEL will strengthen the local business environment through the selected municipalities. Each municipality is conceived of as a cantonal territory and not as a governmental entity. Annual workshops and meetings will be coordinated among municipalities and the organized private sector to achieve this program goal.

1.1 Achievements this Quarter

A. Municipality Selection Tool

This quarter, the PRODEL staff developed a tool for selecting participating municipalities with the following guidelines:

- Proximity to borders; greater priority is given to those located closer to the border with greater risk of involvement in illegal activities.
- The existence of local governmental and private sector stakeholders that are qualified and dedicated and willing to implement programs and create new businesses and/or expand existing ones.
- Potential to achieve results and impacts (jobs, hectares, firms assisted, improved incomes).
- Their relationship with current economic corridors which offer significant growth potential.
- The overlap with priority areas of other programs in order to achieve synergies with the efforts of other donors or the government, especially with the DA/AL Municipal Support programs.
- Political will among local authorities to support the local economic development activities.
- High potential for leveraging counterpart funds.
- Demonstrative potential for sustaining the local economic development impacts and processes.

B. Municipality Selection

The steps taken to select the municipalities within the region targeted by PRODEL include the following:

1. Preparation of the analysis matrix for the municipalities, with the respective categories and criteria to be considered and the specific weights for each.
2. Preparation of a guide for gathering information from the municipalities in an effort to facilitate data collection.
3. Establishment of criteria to regionally select the initial six municipalities for the program.

4. Data was gathered from the municipalities between February 14 and March 25, 2008. 11 municipalities were visited, of which six were chosen for the first phase of the PRODEL program.

As a result of the aforementioned, the following six municipalities were chosen:

- 1) Arenillas – Southern Border
- 2) Puyango (+ Pindal in order to achieve coherence with the economic corridor) – Southern Border
- 3) Joya de los Sachas – Northern Border, Amazon Region
- 4) Río Verde – Northern Border, Coast
- 5) Mira – Northern Border, Sierra (Andean Highlands)
- 6) Urcuquí – Northern Border, Sierra (Andean Highlands)

1.2 Challenges Encountered and Alternatives Employed

As a result of discussions between USAID/Ecuador, AED, ACIDI/VOCA, and CARE, the decision was made to scale back the municipal strengthening component of the PRODEL Program. As a result, the process to select municipalities was modified and the major emphasis of PRODEL will be on the development of participating anchor firms and their producers and suppliers to include all aspects of the value chain. Workshops will be conducted with the municipalities in an effort to improve business services, and private sector advocacy for an improved climate for business will be fostered through the program.

Municipalities from two of the regions received higher scores than those from the other two regions. As a result, a regional differentiation (weighting) was implemented in an effort to select municipalities from each of the four regions.

1.3 Activities Planned for Next Quarter

- Due to a greater emphasis on the selection process of the anchor firms, the list of participating municipalities is expected to be modified during the first part of the 3rd quarter of FY 2008.
- Analyze the information obtained during the initial municipal level contact and assessment, in an effort to begin the process to define the areas for business services improvement.
- Conduct meetings with the municipalities, the private sector and producers in an effort to forge linkages and promote advocacy for improved business services provided by municipal offices.
- Facilitate the initial contact with MYPE Competitiva in four of the PRODEL participating municipalities.

2.0 ANCHOR FIRM DEVELOPMENT

Over the life of the project, PRODEL will work with at least 20 anchor firms with the goal of developing improved businesses, upgrading forward and backward linkages between anchor firms and suppliers, increasing market access for participating anchor firms, and enhancing efficiency in terms of operations and product quality for anchor firms and their suppliers.

2.1 Achievements this Quarter

A. Anchor Firm Selection

After carrying out the selection of municipalities detailed above, PRODEL staff generated a short list of existing firms in each canton with the potential to work with PRODEL. At the same time, a company rating matrix (Annex 1) was prepared along with a guide for pre-selecting them (Annex 2).

With these tools, an initial informative visit was made to the companies and associations of producers in each municipality. During this first visit, the PRODEL team analyzed the business of each company and/or association of producers. Subsequently, the pre-selection of the anchor firms and producers associations was implemented by applying the “Anchor Firm Pre-selection Guide.”

The pre-selected firms and associations are as follows:

	COMPANY	LOCATION	PRODUCT
Zone	Northern coast		
1	APROCA-APROCAR	Atacames-Río Verde municipalities	Cacao
Zone	Northern highlands		
2	UYAMA FARMS	Mira municipality	Avocado and derivatives
3	Asociación de criadores de cabras del Norte <i>(Association of goat raisers of the north)</i>	Urcuquí, Mira municipalities	Dairy, Goat milk and derivatives Capers, uvillas
4	Asociación de productores de Tuna del Norte (FECONIC) <i>(Association of Prickly Pear producers of the North)</i>	Urcuquí, Mira municipalities	Tuna (prickly pear fruit) and derivatives
5	AACRI	Cotacachi (Urcuquí, Mira) municipalities	High-altitude coffee
6	COPCAVIC	Mira, Urcuquí municipalities	Beans
7	MONDEL	Tulcán municipality	Dairy products
8	INAGROFA	Carchi – Imbabura Provinces/Mira municipality	Quínoa
Zone	Northern Amazon		
9	Piladora Sol de Oriente	Lago Agrio /Putumayo municipalities	Robusta coffee

10	Aroma Amazónico	Lago Agrio/Joya de los Sachas municipalities	Cacao
11	Asociación San Carlos	Joya de los Sachas municipality	Cacao
Zone	South		
12	Aso Guabo	El Guabo, Arenillas municipalities	Organic banana, orito
13	Tourism Puyango	Puyango municipality	Tourism, Puyango petrified forest
14	Café Velez	Quito/Puyango and Pindal municipalities	Toasted and milled coffee
15	Café Galletti	Quito/Mira municipality	Toasted and milled coffee
16	Comprolaca	Loja/Yanzaza municipality	Dairy products
17	UNORCACH	Loja municipality	Medicinal and other Herbs
18	SKS	Quito/Atacames and Quinindé municipalities	Cacao
19	Ecuatoriana de Chocolates	Quito/San Lorenzo and Eloy Alfaro municipalities	Cacao

Representatives from several of these pre-selected anchor firms attended a value chain training from March 26-28, 2008. This event allowed for PRODEL program stakeholders to share ideas and discuss the future implementation of individual projects.

ACDI/VOCA sent Douglas Anderson, an agribusiness and marketing expert to Ecuador to participate in preliminary conversations with the PRODEL pre-selected companies and associations. Mr. Anderson's contributions focused on the following programmatic areas:

- Suggestions on the Guide for the Selection of anchor firms and Associations (See Guide in Annex 2)
- Suggestions related to PRODEL strategies and marketing perspectives.

B. Financial Services

During the second quarter of FY 2008, activities in the financial area have primarily focused on establishing the financial indicators for the anchor firm selection matrix. Simultaneously, tools were developed in Excel format to gather information to prepare the baseline for PRODEL as well as to monitor the principal financial indicators for anchor firm performance.

The anchor firms will be monitored using standard financial indicators, including measures of liquidity, debt, profitability, management, assets and reinvestment. The purpose of monitoring the anchor firms is to determine the financial situation of the business with the understanding that they will guarantee the future sustainability of the value chain.

Permanent and frequent monitoring allows for the tracking of the financial position, structure and evolution of each anchor firm based on an analysis of indicators and tendencies. In addition, it allows for the identification of potential risks that could cause bankruptcy or closure as a result of unserviceable financial commitments. Monitoring on a quarterly basis will provide PRODEL with the capacity to proactively prepare for potential

negative events that could affect participating businesses, and at the same time, allow for the exploitation of strengths and opportunities when they are identified. It is also necessary to understand that the anchor firm's permanence in the marketplace does not only depend on sales or its relationship with its suppliers but also its financial management processes over time.

PRODEL staff prepared a business plan template for use by participating PRODEL anchor firms and validated informational tools available in the marketplace for business plan financial projections and evaluation.

In an effort to create synergies with other USAID projects, a meeting was held with representatives from the Carana Red Productiva project to exchange information pertaining to the pre-selected firm, Comprolacsa.

C. Enterprise Partnership Fund

The Enterprise Partnership Fund (EPF) is a contracts and grants pool that will be used to strengthen anchor firms by helping them address needs and constraints identified in the partnership agreement. An assistance package will be specifically tailored to the individual needs of each participating anchor firm and will include proposed improvements in areas such as marketing, production, management, and general business systems development. A total of three potential instruments for the implementation of the Enterprise Partnership Fund (EPF) have been identified to include: fixed cost, cost reimbursable and in-kind grant.

This quarter, PRODEL produced the Contracts & Grants Manual, incorporating observations from local PRODEL team members as well as ACDI/VOCA home office personnel; defined mechanisms to manage the Enterprise Partnership Fund; established responsibility levels to manage PRODEL contracts and grants for each member of the team; and developed the required forms for the successful selection, administration and completion of PRODEL contracts and grants.

2.2 Challenges Encountered and Alternatives Employed

Several of the targeted municipalities offer limited possibilities for anchor firm selection and as a result, it is likely that some of the participating firms will physically be located in cities outside of the main geographic target area but possess suppliers and producers in the border regions of the country. For example: Café Velez is located in Quito but works with producers in the municipalities of Puyango, Cotacachi, and Mira. In addition, producer associations that constitute viable businesses in the targeted regions have been included as potential anchor firms to include: APROCA (a cacao producers association located in Atacames) who is expected to stimulate local economies of scale through the cocoa value chain in the municipalities of Río Verde, Atacames, Muisne, and Quininde.

Another challenge faced was that the potential anchor firms were not prepared with the necessary financial information on hand during evaluation visits to the field, initially causing slight delays in the process. As a result, a list of information requirements for these visits was sent beforehand to allow for the companies to prepare prior to the field visits.

2.3 Activities Planned for Next Quarter

In the third quarter of FY 2008, the following actions are planned in relation to anchor firms and producer associations:

- Select the 12 anchor firms for the first phase of the program.
- Prepare a baseline analysis of the firms.
- Design, produce and implement business plans with each of the anchor firms.
- Assist in the creation and review of Partnership Contracts within the PRODEL Enterprise Partnership Fund; begin the negotiation and distribution of the Enterprise Partnership Fund (EPF) as described in the business plan.
- Support the preparation of technical assistance, training, and procurement packages targeted to PRODEL participating anchor firms and their network of producers and suppliers as the basis for the EPF partnership contracts; visit anchor firms to review application forms, verify budgets and counterpart contributions, link goals and strategies and analyze management indicators.
- Train PRODEL staff, and subsequently employees from the selected anchor firms, in the use of financial tools developed for the program.
- Evaluate the financial aspects of pre-selected PRODEL anchor firms.
- Prepare business plans in coordination with the selected anchor firms.
- Map the institutions that provide financial services within the municipalities or geographic areas where PRODEL will intervene.
- Contact participating DCA/USAID financial institutions and others within the PRODEL area of intervention as needed for each anchor firm.
- Provide follow-on support in the area of financial management for each of the participating PRODEL anchor firms.

3.0 STRENGTHENING VERTICAL AND HORIZONTAL LINKAGES

3.1 Achievements this Quarter

PRODEL intervenes at key nodes and links within an anchor firm's business system, that make up the anchor firm's network of economic relations, to address constraints to that firm's ability to grow. In order to strengthen the producer groups of anchor firms, PRODEL's interventions focuses on farming as a business. This is accomplished through training seminars for producer groups struggling with basic business principles. This training is accompanied by courses covering association leadership, management and general operations. Material support is provided in value-added production, post-harvest handling and sales to include provisions for demonstration plots, farmer field schools and infrastructure rehabilitation. It is expected that strong business plans will attract financing from specialized credit programs and financial institutions.

PRODEL works to strengthen domestic, regional and international market linkages to increase sales opportunities for participating anchor firms and their suppliers and encourages them to recognize the incentives for transparent and equitable, long term relationships.

The anchor firm selection process was not scheduled to be completed before the end of the 2nd quarter of FY 2008 and as a result, activities connected with the strengthening of vertical and horizontal linkages have not begun to date.

3.2 Activities Planned for Next Quarter

Trainings will be designed and the process to strengthen the producer groups as described above will begin during the 3rd quarter of FY 2008.

4.0 PULLING IN LOCAL SERVICES PROVIDERS

4.1 Achievements this Quarter

Due to the fact that participating anchor firms had not been identified as of the end of the 2nd quarter of FY 2008, no specific achievements were obtained for this current report for Pulling in Local Services Providers; however, the PRODEL team has begun the process to identify potential service providers based on initial feedback from the potential anchor firms during the recently implemented assessment process.

The delivery of services through PRODEL is carried out using the local business development advisors and through contracting with local service providers. The PRODEL program will work with local service providers to strengthen their management and operational capacities to build long-term capacity. The PRODEL program will also employ the Enterprise Partnership Fund to subcontract with local firms and organizations to deliver specific tasks needed to advance the PRODEL goal of enterprise development. These will include such services as accounting, skills training, and various kinds of technical assistance as needed.

4.2 Activities Planned for Next Quarter

As PRODEL program related needs are identified for participating anchor firms and their producer groups, PRODEL team members will build a database of potential providers able to provide solutions that will improve capacities for the businesses. PRODEL expects to begin the implementation of the EPF during this coming quarter and involve local services providers in that process.

5.0 PROVIDING MUNICIPAL SERVICES TO BUSINESSES

5.1 Achievements this Quarter

Franz Rios wrote and negotiated the terms of reference for the MYPE Competitiva regional project to improve municipal business services efficiency.

5.2 Activities Planned for Next Quarter

In addition, MYPE Competitiva will conduct an investigation of several of the participating municipalities using the Municipal Scorecard analysis to determine where improvements need to be made at the municipal level.

7.0 MANAGEMENT

7.1 Achievements this Quarter

ACDI/VOCA began in-country implementation of PRODEL in early January of 2008. During the quarter, ACDI/VOCA moved quickly to set up the administrative and programmatic operations of the program. ACDI/VOCA hired nearly all the program and administrative staff in coordination with CARE as follows: Program Manager, Steve Beard; Financial Services Specialist, Diego Andrade; Monitoring & Evaluation Specialist, Jairo Andrade; Contracts & Grants and Cacao Technical Specialist, Franz Ríos; Finance & Administration Manager, Janeth Grijalva; Accountant, Lorena Echevarria; Administrative Assistant, Ximena Oñate; and the four Local Business Services Advisors, Ramiro Moncayo, Ariel Ruiz, and Victor Bustamante (through CARE), and Cristóbal Rodas (through ACDI/VOCA).

The Technical Coordination Committee was formed to include USAID PRODEL CTO - Hugo Ramos, USAID IOM CTO - Edgar Guillen, PRODEL Program Manager -Steve Beard, IOM Program Official – Marco Padilla, and Plan Ecuador representative – Monica Donoso.

As a result of intense teamwork on behalf of the PRODEL staff in close coordination with AED and ACDI/VOCA Washington, the program office is now fully functional, the PRODEL team has been consolidated, the work plan has received approval, the Contracts & Grants and Personnel manuals have been constructed, the Monitoring, Evaluation & Recording System is in place, the instruments to select the anchor firms and municipalities have been designed and implemented, and a Value Chain workshop was conducted involving the major PRODEL program stakeholders from the private and public sectors. All elements are in place to finalize the selection process for the first 12 anchor firms and their corresponding municipalities and begin Enterprise Partnership Fund implementation early on in the coming quarter.

7.2 Challenges Encountered and Alternatives Employed

- The body within the Foreign Affairs Ministry that oversees international organization operations in Ecuador changed from INECI to AGECI. This resulted in delays in the process to register PRODEL with the Ministry.
- The Ecuadorian Foreign Affairs Ministry is expected to sign an agreement with the Ecuadorian Internal Revenue Service that will allow for VAT recovery by international organizations in Ecuador but this process has been delayed resulting in a delay in VAT recovery on behalf of all international organizations operating in the country.
- Negotiations fell through with the Senior Business Development Specialist candidate. ACDI/VOCA is currently in negotiations with another qualified individual.