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# PARAGUAY POVERTY REDUCTION PROGRAM QUARTERLY REPORT

OCTOBER – DECEMBER 2009

**JANUARY 2010**

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## 0. INTRODUCTION

This report summarizes Paraguay VENDE II's achievements for the first quarter of FY 2010 (October to December 2009).

As of this reporting period all of Paraguay VENDE II's project life targets have been surpassed, except exports. Sales were surpassed by 25%, employment by 18% and investments by 13% (See Table 1 below). The project expects that the export target will be achieved in the next two quarters, but the lower results here reflect the impact of the international crisis. It is also important to note that the impact in exports have been offset by last year's shift in focus more towards domestic sales.

Sections 1, 2 and 3 contain detailed information about the project's achievements to date in the following three categories: the traditional assistance provided to large and medium sized firms; the assistance to MSEs; and the "Tu Producto al Super" program. Section 4 provides information about the new products, as well as markets and buyers that have contributed to the achievements mentioned in the former sections. Section 5 details the project's technical assistance to client firms in the area of communications. The project's efforts to improve trade and investment capacity and business environment are reported in Section 6, and Section 7 provides information on the project's monitoring and environmental activities. Finally, information about consultancies implemented during this reporting period and the reports they have generated is provided in Section 8.

**Table 1: Targets and Achievements**

Life of Project June 2007 - June 2010 = 37 months	FY 2007/2008 16 months*	FY2009 12 months	FY2010 9 months
<b>Life of Project, month</b>			
Implemented	<b>31 months</b>	=	<b>84%</b>
Life of project	37 month		
<b>Invoiced Budget, US\$</b>			
Invoiced			
Contract Budget			
<b>Target of Increased Sales - US\$</b>			
Accumulated results	<b>\$117,687,868</b>	=	<b>125%</b>
Revised life of project targets **	\$94,500,000		
<b>Target of Increased Exports - US\$</b>			
Accumulated results	<b>\$62,156,011</b>	=	<b>97%</b>
Revised life of project targets **	\$64,000,000		
<b>Target of Increased Employment, person days</b>			
Accumulated results	<b>8,725,333</b>	=	<b>118%</b>
Revised life of project targets **	7,400,000		
<b>Target of Increased Investments, US\$</b>			
Accumulated results	<b>\$5,668,989</b>	=	<b>113%</b>
Revised life of project targets **	\$5,000,000		

\*The first of three fiscal years for the VENDE II project is a 16 month period, from June 2007 to September 2008.

\*\* According to the more ambitious targets set in the Work Plan FY 2009

Source: Monitoring Unit (UMR) of Paraguay VENDE II

## 1. TECHNICAL ASSISTANCE TO MEDIUM AND LARGE FIRMS

During this quarter traditional assistance was offer to two new new groups (Studenko and Pure Circle) and two firms (Hierbapar Arasy and FEPASA) graduated, which means they will no longer count towards project results in this report.<sup>1</sup> As usual, the clients' achievements in this category represent most of the project's results (See Table 1 and 2). As reported during the former quarters, the Q1 2010 shows that the projects most outstanding results were generated by Pechugon, Qin Yi America, REIMPEX and Bergthal, which are all client firms assisted by the eastern Economic Service Center (ESC).

**Table 2: Technical Assistance to Medium and Large Sized Client Firms**  
Sales, Exports, Employment and Investment, October - december 2009

Businesses	Client firms	Total Sales US\$	Local Sales US\$	Exports US\$	Employment*	Investments US\$
Chicken	1 Pechugon	5,387,966	5,387,966	-	227,708	-
Synthetic textiles	2 Qin Yi America	2,125,191	2,125,191	-	200,898	-
Motorbikes	3 REIMPEX	1,807,066	1,807,066	-	332,023	-
Wheat flour & oat	4 Coop. Bergthal	730,676	730,677	-	62,957	-
Recycled oil	5 COMPASA	336,695	336,695	-	4,304	-
Chicken	6 POLLPAR	765,023	765,023	-	26,211	-
Milk	7 Coop. Col. Unidas	267,988	267,988	-	20,649	-
Rice	8 Agrozafra	-	-	-	-	-
Clothing	9 MMKM	307,340	307,340	-	33,355	-
Peanuts, beans and corn	10 EBSA	275,389	275,389	-	39,245	-
Organic sugar & ehanol	11 PRONAT	35,455	-	35,455	4,700	-
Starch	12 ALMISA	-	-	-	-	-
Organic sugar	13 INSAMA	977,037	787,827	189,210	169,083	-
Forest & wood	14 Forestal La Poderosa	-	-	-	-	-
Stevia	15 Pure Circle	-	-	-	-	-
Sousage	16 Studenko	-	-	-	-	-
<b>16 Firms</b>		<b>13,015,826</b>	<b>12,791,161</b>	<b>224,665</b>	<b>1,121,133</b>	<b>-</b>

\* Employment is calculated and reported in person days.

Source: Monitoring Unit (UMR) of Paraguay VENDE II

In December, the ESC of the southern corridor, in partnership with the departmental government, started to assist Pure Circle of South America in expanding the cultivation of stevia. Based on a new, in-house developed stevia type (with a high content of Rebaudioside), and using an innovative system of production, the firm seeks to expand its cultivation in Paraguay. The firm rents land from small producers, and contracts them for cultivation and purchasing. In a first stage, the farmers develop the seedlings and then start to cultivate for selling leaves to Pure Circle. While the technology for drying leaves and transporting leaves is very simple, it is a proven successful method supported by the firm. The ESC provides assistance with one agronomist and will increase the number of professionals in January and February.

Studenko is a traditional label for sausages in the south and requires assistance in marketing (website, packaging and logo) for a new line of products intended to penetrate the market of the metropolitan area (Asunción). The assistance which started this quarter is now delayed due to a personal problem in the Studenko family, but will resume soon.

<sup>1</sup> The number of active assistance offered to large and medium sized firms reported for this quarter (16) increased from the 15 reported in Q4 FY 2009. Although two firms have been graduated and 2 have started to be assisted, the last report failed to mention one case, Forestal La Poderosa, which has now been added. This correction explains that the number of assistances increased from 15 to 16.

## 2. TECHNICAL ASSISTANCE TO SMALL FIRMS

Although the number of firms receiving technical assistance has increased from 13 to 14, the results achieved during this quarter for the generation of sales by small firms have decreased (See Table 3). The reason is that many micro and small-sized enterprises (MSEs) are dedicated to agriculture and this quarter is not a period for harvesting and sales. The ESC of the central corridor started providing assistance to Agropoty (herbs), and the ESC of the southern corridor started to work with the Asociación San Miguel, a small community dedicated to the cultivation of manioc and the production and starch. La Lechuza has graduated from receiving further assistance.

**Table 3: Technical Assistance to Small Firms**  
Sales, Exports, Employment and Investment, October- December 2009

Businesses	Client firms	Total Sales US\$	Local Sales US\$	Exports US\$	Employment*	Investments US\$
Organic herbs	1 Aliaga	169,082	-	169,082	24,029	-
Sesame	2 Anabel	-	-	-	-	-
Forest seedlings	3 Original	41,799	41,799	-	2,818	-
Fertilizers	4 Norganic	1,679	1,679	-	278	-
Organic kids wear	5 Aravore	12,384	-	12,384	1,919	-
Corn "Locrillo"	6 Organización Campesina Carpa Cue	7,023	7,023	-	943	-
Delicatessen & sauces	7 San Millan	8,583	8,583	-	1,238	-
Sesame and wheat	8 Amado Duarte	-	-	-	-	-
Cheese	9 Lacteos Cremo	4,403	4,403	-	294	-
Icecream	10 Lacto Prim	955	955	-	88	-
Organic cotton and canola	11 Proorgánica	-	-	-	-	147,500
Street market	12 ASOCCOMA	26,540	26,540	-	614	-
Herbs	13 Agropoty	-	-	-	-	-
Starch	14 Asoc. San Miguel	-	-	-	-	-
<b>14 Firms</b>		<b>272,449</b>	<b>90,982</b>	<b>181,466</b>	<b>32,221</b>	<b>147,500</b>

\* Employment is calculated and reported in person days.

Source: Monitoring Unit (UMR) of Paraguay VENDE II

All of the MSEs need to increase their level of sales and some also need to increase the cultivation of the crops used for processing their products. The general assessment is that increased sales are a key developer for MSEs, and therefore the project is trying to take these firms to the business rounds with supermarkets. As mentioned before in our reports, much assistance given to MSEs has costs which are similar to the assistances to large firms, but the returns in terms of new sales and employment are a fraction of the latter. For this reason, the project is searching for cheaper ways, such as business rounds, to provide assistance to MSEs.

## 3. THE TPS PROGRAM

The "Tu Producto al Super" (TPS) program is achieving important results in terms of sales generation and employment at the MSE level (See Table 4). Compared to the last quarter, sales and employment generated by the TPS program increased by 9 times, which is important for the project because of our goal to achieve at least "5 dollars in sales for every 1 dollar of the budget." These results confirm that it is worthwhile to increase assistance provided through the TPS program and provide assistance to more supermarkets in order to increase the sales of more products that MSEs get placed on their shelves.

As Table 4 shows, the number of client supermarkets has increased from 14 to 19 during Q1. All supermarkets now have the point of purchase (POP) merchandizing material, which consequently gently provided more visibility of the program and the mission's presence. Also, the number of MSEs registered has increased to 450 businesses, which means that there is a huge demand for the TPS program.

**Table 4: Assistances to Supermarkets and MSE**  
Sales, Exports, Employment and Investment, October- December 2009

Client firms	Total Sales US\$	Local Sales US\$	Exports US\$	Employment*	Investments US\$
1 Supermercado Herreros	-	-	-	-	-
2 Supermercado SUMA	16,673	16,673	-	335	-
3 Supermercado El Triangulo	8,930	8,930	-	187	-
4 Supermercado Katuete	10,735	10,735	-	134	-
5 Supermercado Lider	67,911	67,911	-	1,422	-
6 Supermercado Primavera S.A.	51,172	51,172	-	1,071	-
7 Supermercado Cooperativa Pindo	37,434	37,434	-	784	-
8 Supermercado Gran Via Km 4	172,405	172,405	-	3,610	-
9 Supermercado Pilar	23,546	23,546	-	473	-
10 Supermercado La Familia	7,317	7,317	-	147	-
11 Supermercado Raul Peña	4,066	4,066	-	82	-
12 Supermercado Tres Hermanos	-	-	-	-	-
13 Supermercado Colonias Unidas	-	-	-	-	-
14 Supermercado El Canguro	35,371	35,371	-	711	-
15 Supermercado Avenida	52,106	52,106	-	1,047	-
16 Supermercado Machetazo	-	-	-	-	-
17 Supermercado LT	-	-	-	-	-
18 Supermercado Melissa	-	-	-	-	-
19 Supermercado TOB	-	-	-	-	-
<b>14 Supermarkets</b>	<b>487,667</b>	<b>487,667</b>	<b>-</b>	<b>10,003</b>	<b>-</b>

Source: Monitoring Unit (UMR) of Paraguay VENDE II

#### 4. NEW PRODUCTS, MARKETS, BUYERS AND CLIENTS

It is worthwhile noting that the project's efforts to start production of oregano in Paraguay has found fertile ground, not only for the client firm Hierbapar (graduated), but also for a new client firm called Agropoty of Villarrica. This micro enterprise is part of a network of innovations in Villarrica, where the journalist and agronomist Caio Scavone and many entrepreneurs have tried to introduce new crops to the region. Caio Scavone participated in the trip to Bolivia organized by the central ESC and brought Bolivian oregano to Villarrica. With the help of Agropoty, the innovation is going to be a success and the Vende project has begun to provide assistance to this micro firm.

Another innovative activity is that the micro enterprise Mani Guzzi has started to build a new small factory for preparing snacks, especially peanuts. This investment is made possible because Vende took the firm to the supermarkets and then helped it access Financiera El Comercio for a loan (as part of the DCA). Guzzi was a small and unknown firm, without any formalized registration and is now turning into a successful firm in the southern corridor.

The Brazilian market has always been seen by Paraguayan entrepreneurs as a borderline for expanding trade because of many non-tariff barriers. During this quarter, the project, together with the AMCHAM of Curitiba, organized a business trip to Curitiba and many client firms participated. Aravore, Hierbapar, Cremo and others have now developed new business contacts for their products in Curitiba. The trip will now be followed up with two business rounds, one in Curitiba and another one in Santa Rita, in order to facilitate business transactions.

New buyers were found as well in another Brazilian city, Cascavell, where SEBRAE organized a meeting of MSEs from many countries in the region. The Vende project took 10 firms to this meeting.

New technical assistance in the traditional category is being offered to the firms Pure Circle and Studenko; and in the category of MSEs, new assistance is provided to Agropoty and Asociación San Miguel; finally, in the category of supermarkets, the assistance is being provided to Avenida, Machetazo, LT, Melissa and TOB.

## **5. COMMUNICATION ASSISTANCE**

This quarter, the communications unit generated 20 official communications press outreach activities. As a result, VENDE II was mentioned 48 times in written, online and televised media. The communications unit established contact with 34 radio stations and 14 television channels from all over the country. During this quarter, communications assistance focused on activities and outreach, especially related with the TPS program. Different approaches and audiences were successfully targeted in each of the three corridors as well as in and around Asunción. To this end, communications trainings were advertised and held in Ciudad del Este, Encarnación, Coronel Bogado and Coronel Oviedo. Additionally, the communications unit worked with the local communications agency Buró Creativo contracted by the project to improve marketing of products at the supermarket by focusing on improving supermarket displays and product labels. The TPS logos and stickers have also been designed and applied to all products. The design of this branding is in a first person style, which seeks to empower both consumers and SMEs in the TPS program.

Also during this quarter, the Asuncion office worked on specific activities proposed in the project's work plan, including technical materials and outreach promotion. Specifically, the communications unit worked on the design, layout, production, and distribution for the tenth quarterly bulletin and the business report on sesame. The communications unit worked with our IT specialists to ensure that the Paraguay Vende website is now accessible and ready for external users. Apart from the changes in the design, Vende made some improvements in the information display. In addition, the Vende communications unit is supporting a Facebook page (<http://www.facebook.com/pages/Asuncion-Paraguay/Paraguay-VENDE-II/59708723999>). This page was developed in response to the marketing trend which encourages using this platform as a communication tool. The Paraguay Vende page on Facebook has 152 fans, who discuss issues and achievements of Vende on the web.

The communications unit has also begun to develop and implement a communications strategy for close-out, which involves assessing the value added of technical materials produced, important audiences to target, and ways to communicate how stakeholders can

continue to participate in specific initiatives and have access to information generated by the project.

Finally, in developing this communications strategy, the communications unit identified the need to revise the plan for launching business reports. The revised schedule is provided in Table 5. The communications unit together with the chief of party is now focusing specifically on the eight reports detailed below. Each report will be launched with technical support provided by the Vende communications department in order to target specific audiences, especially project stakeholders.

**Table 5: Special Business Reports**  
Calendar of Report Planning and Scheduled Launching

	Subject	Situation at Q1 <sup>1</sup>	Launch
1	Biofuels	Launched	Q4 2009
2	Sesame	To be launched in February 2010	Q2 2010
3	Organic sugar	Production Ready	Q2 2010
4	Rice of Paraguay	In production	Q2 2010
5	Frozen cooked beef	In production	Q3 2010
6	Herbs business of Paraguay	Not started	Q3 2010
7	Supermarkets & small/micro firms	Not started	Q3 2010
8	Manioc and starch production	Not started	Q3 2010

<sup>1</sup> The publication has the following stages: 1) Production by Alexandra Friedman and others; 2) Technical editing by Reinaldo Penner; 3) Publishing version & design by Melisa Martinez; 4) Spelling & grammar by Stella Cardozo and others.

## 6. TRADE & INVESTMENT CAPACITY AND BUSINESS CLIMATE

At the beginning of October, Vende made many new contacts and developed ideas for new activities by participating in the third Americas Competitiveness Forum in Santiago, Chile. After participating in the forum, Vende began planning to set up training and courses for MSEs in the areas of foreign trade and technology transfer in conjunction with the Fundación Funiber.

In October, the project actively participated in the EXPO CAPASU, an event held by an association of Paraguayan supermarkets (CAPASU) in order to bring producers, manufacturers, distributors, importers, exporters, and service providers together. At the expo, several presentations and many new products, which received technical assistance from Vende, were launched. The milk program with its new FUNDACIÓN LAPADE was presented to the public; San Millan presented a new product for the delicatessen; CAPASU used the Vende's booth to present a new plastic bag, which is made of material that disintegrates quickly and is less harmful for the environment. The producer of the new type of bag is a UK-based NGO and was contacted by the Monitoring Unit of Vende, which invited the organization to participate at Vende's stand.

In the first week of November, the complete staff of the project participated in a two-day training session about business rounds with SEBRAE that helped the ESCs to better organize the activities in their corridors. A similar training was then held in the city of Pucarana, near Curitiba. Four-member Vende team members participated in this training in order to become familiar with a new methodology of SEBRAE called "Aranjos Productivos

Local” (APL), which is a concept for clustering MSEs, large buyers and public private partnerships.



*Governmental authorities and consultants attended an official launching of the TPS program that Vende presented.*

On December 10, 2009, the Minister of Industry and Trade, the US ambassador and many governmental authorities and consultants attended an official launching of the TPS program that Vende presented. The launch of TPS received wide press coverage and helped the audience to understand the work and results of USAID in Paraguay. For more information to (See Table 6)

**Table 6: Events October - December**

No.	ESC	Events	Date	Place
1	Matriz	CAPASU	16, 17, 18 /10/2009	CONMEBOL, Luque
2	Matriz	Official Presentation of the TPS program	12/10/2009	Ministerio de Industria y Comercio
3	Matriz	Meeting: RED PROMYPES, Club de Ejecutivos	12/16/2009	Paraguay Vende
4	Center	Business Rounds, "Tu producto al Super"	11/12/2009	Salón de Eventos Alf, Campo 9
5	Center	Orientation Workshop Good Customer Service and Sales Techniques	12/12/2009	Supermercado SUMA, Caacupe
6	Center	Orientation Workshop Good Customer Service Abasto Market - ASOCOMMA	12/19/2009	Supermercado SUMA, Caacupe
7	East	Orientation Workshop Good Customer Service Abasto Market - ASOCOMMA	10/1/2009	Cooperativa Tupí del Mercado de Abasto
8	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/6/2009	Supermercado Triángulo
9	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/6/2009	Supermercado Líder
10	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/8/2009	Cooperativa Tupí del Mercado de Abasto
11	East	Workshop: Finance and accounting management Mercado de Abasto - ASOCOMA	10/15/2009	Cooperativa Tupí del Mercado de Abasto
12	East	Workshop: Marketing Mercado de Abasto - ASOCOMMA	10/22/2009	Cooperativa Tupí del Mercado de Abasto
13	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/26/2009	Supermercado Pilar
14	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/27/2009	Supermercado Tres Hermanos
15	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/28/2009	Supermercado Gran Vía
16	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/29/2009	Supermercado La Familia
17	East	Workshop: Design and implementation of business and management indicators for supermarkets	10/29/2009	Supermercado Líder
18	East	Workshop: Stock control, inventory, differences between costs and expenses Mercado de Abasto ASOCOMMA	10/29/2009	Cooperativa Tupí del Mercado de Abasto
19	East	Workshop: Design and implementation of business and management indicators for supermarkets	11/2/2009	Supermercado Pindó
20	East	Workshop: Design and implementation of business and management indicators for supermarkets	11/3/2009	Supermercado Raúl Peña
21	East	Workshop: Design and implementation of business and management indicators for supermarkets	11/4/2009	Supermercado Primavera
22	East	Workshop: Design and implementation of business and management indicators for supermarkets	11/11/2009	Supermercado Katueté
23	East	Workshop: Design and implementation of business and management indicators for supermarkets	11/12/2009	Supermercado La Familia
24	East	Technical attendance and training to ready-made clothiers of the supply market ASOCOMMA	12/4/2009	Cooperativa Tupí del Mercado de Abasto
25	East	Attendance to butchers (bovine, pig and bird-raising) of the supermarket	12/9/2009	Supermercado Gran Vía
26	East	Attendance to butchers (bovine, pig and bird-raising) of the ASOCOMMA	12/10/2009	Mercado de Abasto
27	East	Workshop: Design and implementation of business and management indicators for supermarkets	12/14/2009	Supermercado Raúl Peña
28	East	Workshop: Design and implementation of business and management indicators for supermarkets	12/14/2009	Supermercado Pindó
29	East	Workshop: Design and implementation of business and management indicators for supermarkets	12/15/2009	Supermercado La Familia
30	East	Technical attendance and training to ready-made clothiers of the supply market ASOCOMMA	12/17/2009	Cooperativa Tupí del Mercado de Abasto
31	South	Merchandising	11/23/2009	Supermercado Canguro
32	South	Merchandising and promotions	11/23/2009	Super CCU

## **7. MONITORING AND SOCIAL & ENVIRONMENTAL ACTIVITIES**

During this quarter, the Results Monitoring Unit (UMR) unit dedicated its resources towards verifying the sales reports of the client supermarkets participating in the TPS program. The UMR team made several trips and interviewed the supermarkets as well as the merchandisers in each store representing the TPS program. The verification process includes checking on the quality and effectiveness of the coordination between the merchandisers and the business adviser of the ESCs.

In some cases, UMR findings resulted in important interventions. For example, in some instances the verification process indicated merchandisers did not have a full understanding of the TPS program. As part of this misunderstanding, the merchandisers labeled many imported products as being part of the TPS program. The eastern ESC immediately called for a general meeting of the merchandisers in order to provide them with appropriate training. The coordination of the TPS program is now being coordinated by Daniela Bruyn, who called for a meeting with the directors of the Dynamus firm, which manages the merchandiser on behalf of Vende.

The supermarket San Sebastián and SUMA provided feedback to the UMR that the business round in Caacupe was very helpful and inspiring for them. As part of the technical assistance provided to them, they mentioned that the supermarket is now making some reforms inside the store and would need specialized assistance. This request for a specialist to improve the organization of the shelves has been made by many supermarkets and, therefore, the new coordinating manager of TPS solicited technical assistance from a German development service, akin to the US Peace Corps. As a result, a pensioned supermarket specialist will arrive in the next quarter and provide technical assistance in this organization of shelving to the supermarkets for one month.

## **8. CONSULTANTS & OTHER EXTERNAL CONTRACTS**

During the first quarter of FY 2010, the project increased its consultancies and advisors contracted by the ESCs and by the Asuncion office in order to assist in providing solutions identified in the business plans by ESC coordinators and the project's monitoring and evaluation unit.