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USAID GUATEMALA

UNITED STATES OF AMERICA



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A. I. D. MISSION TO GUATEMALA

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December 31, 1991

Mr. Edward Musa
President
Belize Chamber of Commerce
and Industry
63 Regent Street
Belize City

Subject: Cooperative Agreement No. 505-0027-CA-6004-11

Dear Mr. Musa:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, A.I.D. hereby amends the Cooperative Agreement in order to add new activities to be undertaken by the recipient and to increase the LOP funding by \$330,000 in furtherance of the Export and Investment Promotion Program in Belize as more fully described in Annex A to this letter, which supplements the Program Description in Attachment 2 to the Cooperative Agreement.

There is no change in the total obligation, which remains at \$2,944,804.

This Amendment is effective and obligation is made as of the date of this letter and shall apply to commitments made by the recipient in furtherance of program objectives during the period beginning with the effective date and ending July 23, 1993.

Accordingly, Section C.1 of the Schedule is amended to read as follows: "The total estimated amount of the Agreement for the period shown in B.1 is \$3,590,000.

The budget in Section E. Financial Plan of the Schedule is deleted in its entirety and replaced with the following.

BCCI/BEIPU
Financial Plan
(\$000)

Line Item	Prior Obligation		This Amendment		Total Obligation		Estimated Life of Project**	
	AID\$	LC*	AID\$	LC*	AID\$	LC*	AID\$	LC*
Operations								
Personnel	903	(903)	-10	(-10)	893	(893)	1048	(1,048)
Equipment & Supplies	189	(42)			189	(42)	242	(75)
Logistical Support	269.5	(269.5)			269.5	(269.5)	275	275
Vehicle	17	(0)			17	0	17	0
Travel	10	(2)			10	(2)	37	(15)
Audit	16	(16)			16	(16)	26	(26)
Office Space	61	(61)			61	(61)	61	(61)
Institutional Strengthening								
Short-term TA	103	(20)	-15	(0)	88	(20)	113	(20)
Program								
Short-term TA	81.8	(25)			81.5	(25)	167	(35)
Investor Search	17				17		17	
Training Clients	53	(10)			53	(10)	123	(25)
Promotion	457.5	(56)			457.5	(56)	562	(56)
Credit Program	100	(100)			100	(100)	100	(100)
Handicraft			25	(25)	25	(25)	90	(90)
Sub-total	<u>2,278</u>	<u>(1,504.5)</u>	<u>0</u>	<u>(15)</u>	<u>2,278</u>	<u>(1,519.5)</u>	<u>2,878</u>	<u>(1,826)</u>
Contingency/Inflation	<u>150</u>	<u>(57)</u>	<u>—</u>	<u>—</u>	<u>150</u>	<u>(57)</u>	<u>150</u>	<u>(57)</u>
Sub-total BEIPU	<u>2,427.8</u>	<u>(1,516.5)</u>	<u>0</u>	<u>(15)</u>	<u>2,427.8</u>	<u>(1,626.5)</u>	<u>3,028</u>	<u>(1,883)</u>
Tourism Promotion								
Tourism Promotion	50				50		50	
Project Management	150	(125)			150	(125)	195	(170)
Evaluation	75	(24)			75	(24)	75	(24)
Long-term TA	220	(74)			220	(74)	220	(74)
Miscellaneous	<u>22</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22</u>	<u>—</u>	<u>22</u>	<u>—</u>
Sub-total USAID	<u>517</u>	<u>(223)</u>	<u>—</u>	<u>—</u>	<u>517</u>	<u>(223)</u>	<u>562</u>	<u>(268)</u>
Total	<u>2,944.8</u>	<u>(1,784.5)</u>	<u>0</u>	<u>(15)</u>	<u>2,944.8</u>	<u>(1,799.5)</u>	<u>3,590</u>	<u>(2,151)</u>

* Estimated local currency costs to be financed from A.I.D. dollar funds.

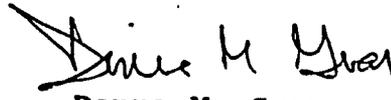
** Subject to the availability of A.I.D. funding.

Amendment No. 11
BELIZE CHAMBER OF COMMERCE
AND INDUSTRY
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Attachment 2 of the original Cooperative Agreement, the Program Description, is hereby amended by adding the enclosed Annex A which describes additional activities to be undertaken by the recipient.

Please sign the original and four (4) copies of this letter to acknowledge receipt of this Amendment, and return the original and three (3) copies to USAID/Belize.

Sincerely,

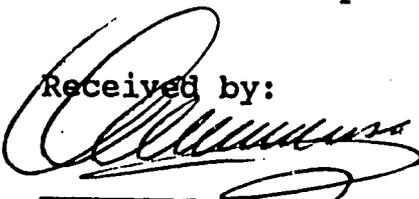


Donna M. Gray
Regional Agreement Officer

Enclosure:
Program Description Supplement

cc: Marie Sharp

Received by:



Edward Musa
President

10 Jan. 92.
Date

FISCAL DATA

Project No:	505-0027
Total Estimate Amount:	\$3,590,000
This Obligation:	Nil
Total Obligation Amount:	\$2,944,800
Funding Source:	USAID/Belize

PROGRAM DESCRIPTION (SUPPLEMENT)

This Amendment describes three areas of planned additional A.I.D. support to the Belize Chamber of Commerce and Industry and its Belize Export and Investment Promotion Unit (BCCI/BEIPU).

A. Training and Technical Assistance

BCCI/BEIPU now focuses on a company and product specific approach to export and investment development. Under this Amendment, BCCI/BEIPU will continue to fund training activities that will increase the small export base that is a major constraint in the development of exports. The additional funds for training will support participation in two programs--Junior Achievement (JA) and Entrepreneurs International (EI).

The Junior Achievement program will better prepare students for the difficult transition from formal education to the workforce. The program provides a practical understanding of the domestic and world economies and the role students will be expected to play in these economies. The four major elements of the program are Business Basics, Project Business, Applied Economics and the Junior Achievement Company. These elements introduce students to the economics of free enterprise and the world of business, enriching the participants' experience and enhancing knowledge and insights into the complexities of organizing and operating their own businesses.

In the pilot stage, six secondary schools will be targeted and during this first phase the program will reach out to at least 120 students, this number to be augmented as the program is offered to other schools. The Program will be run by BCCI/BEIPU's Business Development Officer with the support of a Peace Corps Volunteer and a JA task force of students, teachers and consultants from the business community. The direct participation of community leaders and successful business persons as consultants alone will have a positive influence on the outlook and vision of young people as they embark on their careers, join the workforce or become managers of their own businesses.

The Entrepreneurs International program provides short-term on-the-job training through visits and brief placements with relevant businesses in the U.S. USAID/Belize and BCCI/BEIPU have had substantial experience with EI and the program is highly

regarded. Each two-week training program costs about US\$3,000 to the Project; the participant pays his/her own international travel costs.

In the technical assistance area, BCCI/BEIPU has developed a strategy which puts more emphasis on targeting and assisting firms with export potential. The additional funding for technical assistance will be used to provide direct advisory services to targeted firms. The services of Volunteer Executives from the International Executive Service Corps (IESC) may be tapped to provide the one-on-one training that has already proven useful to private firms to improve their capacity to enter export markets. Other sources may also be tapped.

Outputs

- o A functioning Junior Achievement Program and 120 students better prepared for the business world
- o At least six additional Belizean entrepreneurs benefit from short-term exposure to relevant U.S. business operations
- o At least five additional small businesses with export potential benefit from short-term consultancies

Inputs

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<u>Additional Training and Technical Assistance</u>		
(A.I.D. \$)		
Training		40,000
Junior Achievement Program	20,000	
Entrepreneurs International	20,000	
Technical Assistance		<u>40,000</u>
TOTAL		<u>80,000</u>
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B. Handicraft Development Subproject

Under the proposed Amendment, BCCI/BEIPU will establish a Product Marketing Division which will join resources and efforts with the Ministry of Social Services to establish an organization to develop and support the handicraft industry in Belize. The subproject will establish a marketing center for handicrafts, address the specific concern of resource management, and help improve business skills and product quality.

In addition to its role as a channel of funding and participant in organizing the market center, a National Handicraft Board, and a business entity to serve the producers, BCCI/BEIPU will undertake initial responsibility for managing the market center as an activity of its Product Marketing Division under a contract with the Ministry of Social Services (MSS). The contractual

arrangement, which will become a three-way arrangement when the handicraft producers' organization is formed, provide for profit-sharing between the managers and the producers with a portion of the profits retained for further development and expansion of the industry.

Prior to disbursement of funds under this activity, a signed Memorandum of Understanding between BCCI/BEIPU and Ministry of Social Services stipulating the manner in which the Project will be implemented will be forwarded to USAID for concurrence. During the period of A.I.D. support, the USAID Project Manager will participate as an observer on the National Handicraft Board.

1. Market Center

The market center, based in Belize City, will provide marketing services to producers, and supply tools and materials where current commercial sources are inadequate. Marketing services will include direct sales to consumers, distribution to various tourist centers in Belize, and export sales. Later, additional commercial outlets/depots may be established around the country as conditions and resources permit. In conjunction with the operations of the marketing center, training needs will also be identified and training materials and programs will be developed.

A National Handicraft Board--made up of artisans, representatives from NGOs, Government and private enterprises--will develop policies and ensure continuity of the Project. Under direction of the Board, a not-for-profit business organization will be established that should become self-sustaining over a very short period. A formula will be negotiated between BCCI/BEIPU and Ministry of Social Services to divide a portion of the net profits from operations between the artisans and managers (initially BCCI/BEIPU), with the balance retained in a special fund for the further development of the handicraft industry.

While the market center will attempt to serve all handicraft producers, and may take goods for sale on consignment, it will be discriminatory in favor of high quality products from the outset. The market center will not purchase crafts from producers unless it already has firm orders for their resale or its own sales experience demonstrates a clear continuing demand. Otherwise, the center's limited operating capital would quickly be tied up in excess inventory.

Marketing efforts will focus on identifying markets for products in advance of production, using samples and catalogs to obtain orders which can be passed to the producers to be filled. A major effort of the market center staff will be to identify and classify producers and provide them with guidance to become reliable suppliers of products of consistent quality.

At least initially, the primary market of the center will be tourist outlets in Belize. However, the center will also begin an effort to identify niche markets where selected Belizean products will not require special trade advantages to remain competitive.

Project support for the market center includes a building to be provided by the MSS and US\$75,000 in local currency from the Government of Belize for modification of the building and to establish a revolving fund for advances to producers for tools and materials. (Clients may also be referred to credit sources such as the National Development Foundation of Belize (NDFB), credit unions and commercial banks for financing to improve their operations.) A.I.D. funds will support initial salaries of market center staff and operating costs (travel and catalog development), a small inventory of tools and materials, computer equipment and software. A.I.D. will also make available a used vehicle and office equipment no longer needed by the IESC/Belize office, which has closed.

In addition to initiating supply and marketing services, the market center staff, with consultants as required and assistance from volunteers and other non-governmental organizations (NGOs), will begin a series of tasks to ensure the long-term viability of the handicraft industry and enhance its products.

2. Resource Management

BCCI/BEIPU will arrange for an assessment of the materials currently used in handicraft production to identify targets for resource management efforts. The targets will be those natural materials of current or potential economic importance for handicrafts which are in short supply or threatened by depletion. Management plans will then be developed for the target materials, in cooperation with such entities as environmental NGOs, Forestry Department and the Department of Geology and Petroleum.

Management plans will include measures to conserve naturally occurring resources through controls on harvesting and mining, propagation and replanting, as well as reduction of waste and damage in collection and storage, and more efficient use of materials in the production processes.

Besides improving the sustainability of handicraft production, these resource management activities will help to identify specific products and artisans to be targeted for promotion. In addition, they will provide a basis for incorporating concern for the environment and conservation into the mission and program of the National Handicraft Board, and will be used to develop promotional materials with appeal to the environment-conscious ecotourist market.

In addition to center staff time, the budget includes modest A.I.D. funding for technical assistance which may be needed to

assist in the resource management effort. Other inputs are expected from collaborating NGOs and Government agencies.

3. Skills Enhancement

The market center will register as many craftspersons as possible, classify them by product categories, and assess their production and business skills. Classification and assessment of product quality will be facilitated by the marketing service, but will require significant additional data collection and record keeping.

The marketing service will provide one means of enhancing product quality, business skills and production discipline. While the market center may accept goods for sale on consignment, a major effort will be made to guide production for the market, using samples and catalogs to obtain orders for the producers. This will require consistent quality and timely deliveries, as well as calculation of costs and negotiation of prices.

Other than providing guidance to producers in the form of consultation/advice by center staff to clients and insistence on quality and delivery standards, the organization will not develop in-house training capacity. However, it will arrange or facilitate appropriate training programs and direct members/clients to available training sources. An illustrative list of training programs/workshops that may be arranged for the handicraft industry includes:

production skills--materials handling, costing, production planning, record keeping;

quality control--selection of materials, layout and preparation of materials, finish, packaging;

pedagogical skills for master craftspersons.

In addition, cooperative efforts may be undertaken, for example, with the Belize Tourism Industry Association to help artisans understand and respond to the tourist market, and with the National Arts Council on developing product designs reflecting Belizean culture.

Existing local sources of training and technical assistance to which handicraft producers might be directed also include NDFB, which assists borrower clients with general business planning and record keeping, and the Belize Institute of Management (BIM), which offers a variety of business related courses.

Training programs may also be arranged to promote expanded production of specific handicraft items. The targeted items would be selected on such factors as market potential; market image (consistent with Belize's emphasis on small-scale, nature oriented

tourism and Belizean culture); availability/renewability of indigenous raw materials; and existence of a basic skills foundation.

The Project budget includes a small amount of A.I.D. funding (\$4,000) for training materials and some A.I.D.-funded technical assistance to support training activities. All other resources for training will be from other sources, including volunteer services and participant contributions.

Outputs

- o An effective and sustainable market center for handicrafts in Belize City
- o A National Handicraft Board working in close collaboration with district associations, and a nascent, not-for-profit business organization serving handicraft producers
- o Improved management of at least four indigenous materials used in handicraft production
- o At least 100 artisans/handicraft producers benefit have increased sales due to better market intelligence, cost/price/production efficiency and product quality/design

Inputs

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Handicraft Development Subproject
(A.I.D. \$)

Personnel ^{1/}	30,500.00
Equipment (Computer hardware/software)	4,500.00
Training Materials	4,000.00
Tools & Materials (initial inventory)	10,000.00
Catalog Development	4,000.00
Technical Assistance	27,000.00
Local Travel	2,000.00
Marketing/Overseas Travel ^{2/}	<u>8,000.00</u>
TOTAL	90,000.00

^{1/} First year salaries: Marketing & Operations Manager, \$16,500; Accounting/Purchasing, \$9,000; Merchandizing/ Packing and Shipping, \$5,000. Remuneration will also include commission or profit-sharing incentives.

^{2/} Including attendance at two handicraft shows/ conferences overseas

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The Project Amendment will provide a grant of US\$90,000 for the Handicraft Development subproject channelled through BCCI/BEIPU. Long-term technical assistance will be provided by the Commonwealth Secretariat through the BCCI. The Ministry of Social Services will provide US\$75,000 (Bz\$150,000) from GOB owned local currency generated from earlier Economic Support Fund cash transfers, and will provide the existing Cottage Industry Building on Albert Street for the Handicraft Project under normal leasehold arrangements for a period of 5 years with an option to renew for another 5 years. Other inputs will include volunteer services on the Board and training activities.

C. Trade and Policy Analysis

As described in its August 1991 proposal, BCCI/BEIPU will enhance its research and analytical skills by adding staff trained in economics and information technology. The proposed Trade and Policy Development Unit will be a department of the Chamber and will report to the BEIPU Promotion Committee.

The Unit will prepare technical papers for both public and private sector consumption aimed at educating and providing stimulus for the policy environment to be improved. These papers will be based on analysis by the Unit and discussions with key players in Belize. The Unit will also arrange joint public/private sector seminars, workshops and conferences to educate policy makers and the public on trade policy issues.

Based on analysis of the trade and investment policy climate, the Unit will offer technical assistance to Government and propose meaningful reforms to remove impediments to trade and investment. It will continuously assess the impact of the Enterprise for the Americas Initiative and related Free Trade Agreements on the different sectors in the Belizean economy and suggest policy initiatives and strategy options to meet anticipated developments.

The Unit will develop an information system which will provide current and meaningful data on trade and investment, and identify, collect and catalog relevant documentation. It will prepare information briefs and projections under different trade and economic scenarios.

To sustain continued implementation of trade and policy development activity, the Chamber will attempt to establish an endowment supported by local and international businesses operating in Belize. BCCI/BEIPU will also explore the possibility of support for this concept from the Government and from other donor agencies. This endowment concept is new and there is no positive indication whether it is likely to successfully elicit significant funding.

To supplement its own staff efforts, BCCI/BEIPU will also establish a think tank with private and public sector representatives to deal with issues affecting trade and investment.

Outputs

- o Technical papers and public fora on trade policy issues
- o Technical advice and proposals to Government for policy reforms to improve the trade and investment climate and policy initiatives and strategies to respond to EAI developments
- o A trade policy information base

While not a firm output of the Project, an effort will also be mounted to establish a think tank supported by staff and endowment funds for sustained trade policy analysis.

Inputs

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Trade and Policy Analysis Unit
(A.I.D. \$)

Personnel ^{1/}	85,000
Equipment & Supplies ^{2/}	35,000
Travel ^{3/}	10,000
Short-term T/A ^{4/}	25,000
Training ^{5/}	<u>5,000</u>
Total	160,000

- ^{1/} 18 months salaries: Policy & Trade Economist/Analysist and Trade Information Specialist
- ^{2/} One vehicle, computer hardware & software and materials and supplies
- ^{3/} In-country and three international trips for regional consultations and attendance at trade shows/conferences
- ^{4/} Three buy-ins/consultancies on Trade & Policy Analysis
- ^{5/} One 2-week course for Trade Economist and Trade Specialist

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D. Summary Budget

The additional planned support for the program is summarized as follows.

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SUMMARY COST ESTIMATE (INCREASE - US\$000)

	<u>USAID</u>	<u>Private Sector</u>	<u>GOB</u>	<u>Total</u>
Training & TA	80	15		95
Handicrafts	90	200	100	390
Policy Analysis	<u>160</u>	<u>60</u>		<u>220</u>
Totals	330	275	100	705

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