



Cooperative Housing Foundation

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Communities in Transition (CIT)

FY2000 Annual Report

Funded by:

**United States Agency for
International Development (USAID)**

November 2000

Cooperative Agreement No. 520-0413-A-005122-00

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Executive Summary

The Cooperative Housing Foundation (CHF) and the United States Agency for International Development (USAID) support the Guatemalan Peace Accords through the implementation of the Communities in Transition (CIT) Project for rural development in the Ixcán region and selected municipalities of Alta Verapaz. The goal of the CIT Project is to improve the living conditions of the rural populations most affected by the 36 years of conflict and achieve the following general objectives:

- Support the organizational and operational development of a community-based, environmentally sound road maintenance association;
- Rehabilitate and construct infrastructure through the strengthening of community capacity;
- Strengthen NGOs and communities in promotion of productive activities; and
- Promote sustainable, income producing agriculture.

In June 1998, CHF and USAID signed a cooperative agreement extension through September 2000 with a total budget of \$6,985,000 to build on the existing work and expand into the department of Alta Verapaz. In November 1999, the two organizations signed a separate cooperative agreement for approximately \$2,000,000 for the reconstruction and rehabilitation of rural Infrastructure damaged by Hurricane Mitch. The agreement contemplates the construction, repair and/or installation of 14 vehicular bridges and the rehabilitation of 100 kilometers of the Franja Transversal del Norte.

Three Project Components

1. Ixcán Road Maintenance Association/ Institutional Strengthening and Infrastructure (AMVI/ISI)
 - Special Development Fund (SDF) projects
 - Fund for Peace (FONAPAZ) projects
 - Ixcán Road Maintenance Association (AMVI) institutional strengthening
 - Bridge Construction
 - Post-Mitch Infrastructure Reconstruction through Cooperative Agreement 520-A-00-00-00004-00
2. Agroforestry and Environmental Education
3. Economic Activities
 - Village Banks
 - Non-Traditional crop commercialization

Two Support Components

1. Environmental Mitigation
2. Administration and Finance in Guatemala City and the Ixcán
 - Reporting, Monitoring and Evaluation (sub-component of Administration)

All project components support the Peace Accords through efforts toward conflict resolution. The project touches all segments of the population in the Ixcán and Northern Alta Verapaz and builds on three basic development concepts: community participation, training supported by follow-up in the field, and the assumption that beneficiaries are responsible for building their future. CHF has adopted these basic development concepts to address the challenges of post-war conflicts, a

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distrust of outsiders, paternalism, a tradition of slash and burn agriculture and a population of which 72% live in extreme poverty.¹ During FY 2000, 37,827 people directly benefited from CHF programs and 3,689 people (1,377 women) were trained to build and maintain community infrastructure projects, rehabilitate roads, implement agroforestry management systems and manage credit and businesses.

The Ixcán Road Maintenance Association or *Asociación de Mantenimiento Vial de Ixcán* (AMVI) held its second ordinary General Assembly. Where association members demonstrated their commitment to the democratic process by electing members to the board of directors. The construction of the AMVI Headquarters (offices and workshops) was completed and inaugurated in February 2000. With the presence of the Guatemalan Vice-Minister of Communications, Transportation and Public Works at the inauguration, AMVI took the opportunity to highlight their successful work and discuss opportunities for future work. A new General Manager was hired and the association made substantial progress in designing and implementing the operational and administrative procedures necessary to establish itself as an independent, sustainable organization. In June 1999, CHF began the transfer of operating funds directly to AMVI.

Three projects supported by the USAID Special Development Fund (SDF), an elementary school, one training center and a swinging pedestrian bridge were completed in FY 2000. Three additional projects, a computer-training center, a swinging pedestrian bridge and an elementary school, were begun and will be completed in FY 2001. CHF and ten communities developed proposals for an equal number of projects, along with commitments for counterpart funding. The proposals were presented to the SDF offices in Guatemala City with approval expected in early FY 2001. All projects share the general objective of strengthening community committees to participate in their own sustainable development and promote conflict resolution through participation in their planning and implementation. In addition to the physical infrastructure, communities gain experience in project design and management that can be applied to other community needs.

Through the implementation of the Post Mitch Infrastructure Reconstruction Project, CHF built four bridges and began the construction of four more. A Bailey Bridge was purchased and the corresponding Environmental Impact Study was initiated. An additional bridge was built using funds from the Guatemalan Government National Fund for Peace (FONAPAZ) and construction began on three additional bridges. Approximately 65 kilometers of the Franja Transversal del Norte, also contemplated under the Post Mitch Reconstruction Agreement, were rehabilitated through an agreement with AMVI.

The Agroforestry and Environmental Education component continued to operate in both the Ixcán and Northern Alta Verapaz. In total, 840 farmers are implementing agroforestry techniques and organic methods on 1,306 acres of land instead of the traditional slash and burn. This is a 23% increase in farmers and 60% increase in land from FY 1999 numbers and exceeds established goals for FY 2000 by 23.3% and 86.6%, respectively. A total of 2,550 farmers, community leaders, students, teachers and representatives of the municipal government learned to implement organic farm management methods, manage agroforestry systems and about conservation, recycling and waste management in CHF workshops.

¹ Interview with Pan American Health Organization, part of the World Health Organization, Dec. 1998.

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CHF provided training, orientation and technical assistance on four small ecological school projects involving waste management, recycling, gardens and tree nurseries. A total of 426 students participated in the projects and received materials, training and guidance during the year.

Five hundred four (504) students between the ages 7 to 15 years of age (210 women) and their teachers from 12 elementary and secondary schools participated in environmental interpretation trips through Lachuá National Park.

In the Economic Activities component, the village bank program grew from 20 to 26 banks. Six hundred and thirty-three (633) women received approximately 1261 loans (via the local NGO, CESIDE²) for income-generating businesses. The total amount lent by CESIDE during FY 2000 was \$115,150 and the loan portfolio between CHF and CESIDE was \$63,559, a 163% increase over the loan portfolio in FY 1999. The bank program met or exceeded all annual goals in operating and financial sustainability, number of members, number of banks, loan portfolio and overdue/late accounts.

CHF progressed substantially with the implementation of non-traditional crops at the CHF/ICTA³ experimental farm and began the distribution of vanilla cuttings to individual farmer's demonstration plots. The testing of heart of palm processing began at the experimental farm through the implementation of small scale/rustic processing plant. CHF coordinated extensively with the Association of Exporters of Non-traditional Products (AGEXPRONT) in the implementation of the processing plant, market studies and the contacting of potential buyers of the organic hearts of palm. Other crops like achiote and black pepper are still being investigated.

The non-traditional crop program focuses on five principles:

- Provide opportunities for greater income among families with crops that have been proven feasible and technically sound for the area.
- Present a diversified base of crops to minimize risk and provide greater income stability.
- Increase product value through local processing. This is another income opportunity, as farmers become small agro-industrialists.
- Produce 100% organic products, which opens up market opportunities, conserves the environment, lowers production costs and improves land fertility.
- Form part of the farm management model.

The above project components complement each other to support the Guatemalan Peace Accords and promote a civil society with the organizational and economic capacity to preserve peace in the region. CHF staff has dedicated themselves to resolving past conflicts by creating conditions where previously conflictive individuals and communities come together around projects that benefit all involved and promote understanding and fellowship.

² CESIDE represents the *Central de Servicios Integrales para el Desarrollo* or the Center for Integrated Social Development.

³ ICTA represents the Guatemalan Government Institute for Agricultural Science and Technology.

Introduction

The Cooperative Housing Foundation (CHF) and the United States Agency for International Development (USAID) support the Guatemalan Peace Accords through rural development in the Ixcán region. The goal of the Communities in Transition (CIT) project is to improve the living conditions of the rural populations most affected by 36 years of conflict. In June 1998, CHF and USAID signed a cooperative agreement extension through September 2000 with a total budget of \$6,985,000 to build on the existing work, expand into the department of Alta Verapaz and achieve the following general objectives:

- Support the organizational and operational development of a community-based, environmentally sound road maintenance association;
- Rehabilitate and construct infrastructure through the strengthening of community capacity;
- Strengthen NGO's and communities in promotion of productive activities; and
- Promote sustainable, income producing agriculture.

Taking advantage of CHF's installed capacity in the Ixcán region, USAID and CHF signed a cooperative agreement for the reconstruction and rehabilitation of rural transportation infrastructure (vehicular bridges and rural roads). The agreement awards \$1.9 million to CHF for the construction of 12 vehicular concrete bridges, the installation of one Bailey Bridge and repair another Bailey Bridge. The agreement also contemplates the rehabilitation of 100 kilometers of the Franja Transversal del Norte, the principal road cutting across the northern part of the Department of Quiché and connecting the Department of Alta Verapaz with the Department of Huehuetenango.

From June 1998 to June 1999 the CIT project was organized under two sections, each managed by a Project director. Since June 1999, the project was reorganized under the leadership of one Chief of Party/Project Director. The project activities are carried out by three programmatic components (Agroforestry and Environmental Education, AMVI/Institutional Support and Infrastructure and Economic Activities) and two support components (Finance & Administration and Environmental Mitigation).

In all component areas, CHF seeks to implement sustainable programs that leave in place a local institutional capacity.

1. The AMVI/ISI component works to strengthen a local association to maintain local roads, manage a sustainable business, present and negotiate contracts, and mitigate negative environmental impact. The component also strengthens local communities to solicit infrastructure projects, organize the community to provide unskilled labor and fulfill legal requirements as a formal representative body. As of November 1999, with the addition of the Post Mitch Infrastructure Reconstruction Agreement, this component also implements and supervises all transportation infrastructure construction.
2. The Agroforestry and Environmental Education component strengthens local promoters from communities in the Ixcán and Northern Alta Verapaz to organize community farmers to manage tree nurseries and implement agroforestry and forest management techniques. The environmental education program trains teachers to give classes in environmental awareness and manage small ecological school projects. This program also guides environmental interpretation trips through Lachuá National Park, creating awareness of the Ixcán's fragile natural resources amongst the future generation.

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3. The Economic Activities component strengthens CESIDE ability to administer the village bank program and supports their efforts to develop village bank boards capable of carrying out bank functions. CHF also works closely with the CESIDE board in efforts to diversify its funding base and maintain a program that has high operating costs until it can reach sustainability. FY 2000 was the last year of CHF's direct financial support, both through operational and loan funds, to CESIDE.

This component is also responsible for organization of a non-traditional crop farmers' association. This association will bring small-scale farmers together for the purpose of processing and commercializing non-traditional crops as a means of diversifying members' risk and source of income and increasing household income. Farmers working with CHF agroforestry systems are the base from which this will be implemented.

4. The Environmental Mitigation Component provides technical support and environmental oversight of projects implemented by the other three components. The component is comprised of an Environmental Mitigation Officer and two assistants. The team analyzes all program interventions and emits an "Environmental Project Opinion" as to whether or not the activity should proceed. The team also coordinates the implementation of any Environmental Impact Studies as required by USAID environmental regulations, Guatemalan law or CHF policy.

Administrative and finance staff, in Guatemala City and the Ixcán, supports the activities of project components.

In September 2000 an additional CIT project extension was signed adding \$3,000,000 to the total project budget. The purpose of the extension is to continue the successes to date, expand upon achievements in the area of non-traditional crop production, provide support for the implementation of the Post Mitch Infrastructure Reconstruction Project and to implement an adequate exit strategy that will provide assurances of the sustainability of project efforts.

Some of the principal indicators are listed in the following table and show the growth of programs during the past fiscal year:

| Indicator | FY 2000 Goal | FY1998 Totals | FY 1999 Totals | FY 2000 Totals | Cumulative Totals |
|--|-------------------------|--------------------------|---------------------------|---------------------------|------------------------------|
| Kilometers of road maintained by AMVI | 90 | 0 | 128 | 169 | 297 |
| Infrastructure projects completed | 7 | 12 | 10 | 8 | 30 |
| Number of farmers using agroforestry systems (cumulative) | 600 | 408 | 682 | 840 | 840 |
| Number of acres under agroforestry management (cumulative) | 700 | 450 | 814 | 1306 | 1,306 |
| Number of women accessing credit and training through village banks (cumulative) | 480 | 204 | 507 | 633 | 633 |
| Total number of people trained since inception cumulative | 4,000 | 2,475 | 5,013 | 8,550 | 8,550 |

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CHF's work in forming a road maintenance association and strengthening, agroforestry systems and environmental mitigation, has been cited as a success in Guatemala and throughout the region. As seen by the indicators described previously and by the results described in the **Progress Towards Objectives** section of this report, CHF has surpassed the majority of project objectives in all three components. The exceptions are as follows:

1. **Objective 9:** Results achieved to date under this objective, although impressive, are not as originally projected. Compliance with USAID environmental requirements resulted in a delay in the purchase of the road maintenance machinery causing a subsequent delay in startup of road maintenance activities. AMVI has made much progress in building its operational capacity but despite this success has been unable to secure contracts other than the Mitch Road Rehabilitation Agreement with CHF. Organizational and administrative weaknesses made it difficult and inadvisable for CHF to begin the transfer of operating capital until the end of FY 2000. CHF estimates that another two years of technical and financial assistance is necessary in order for AMVI to achieve financial and operational sustainability.
2. **Objective 5:** The introduction of non-traditional crops into the ongoing activities of the Agroforestry Component has made much progress, as has the establishment of the non-traditional crop association. As mentioned in the recent CHF extension proposal, however, additional time and work are necessary in order to ensure the sustainability of these efforts.

Finally, CHF would like to point out that information presented in last year's annual report, such as; beneficiary impact data on the Agroforestry and Village Bank Programs and institutional sustainability information on AMVI and CESIDE is absent in this one. This information was scheduled to be collected during the first quarter of FY 2001, based on the previous annual report deadline of January 10, 2001. This information will be collected and reported to USAID in a future report.

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Progress Toward Objectives

The following is a summary of CIT progress toward the objectives of the project. Specific information by project component is detailed subsequently.

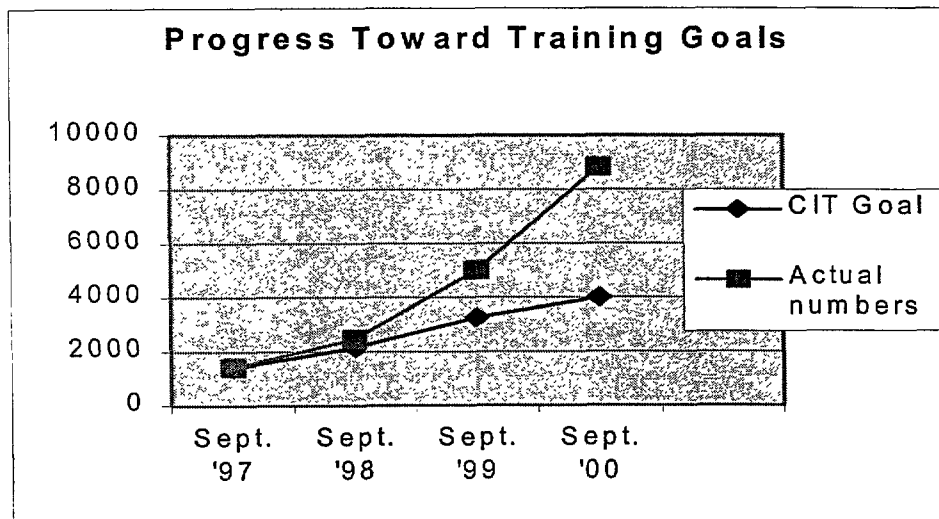
Objective 1: 4,000 people will be trained to implement environmentally sound and sustainable practices related to infrastructure, agroforestry and income-generating activities.

Since project inception, CHF has consistently exceeded its training targets. By September 2000, 8,836 people have benefited from CHF training efforts. Over the life of the project, more than 40% of the training participants (3,714) have been women. This is especially noteworthy considering that two of the principal areas of focus of the project, infrastructure and agriculture, are areas that are predominately the activities of men.

The table below summarizes cumulative training goals and the actual cumulative results for each fiscal year.

| | CIT Goal | Actual numbers |
|--------|-----------------|-----------------------|
| FY '97 | 1400 | 1432 |
| FY '98 | 2150 | 2475 |
| FY '99 | 3250 | 5013 |
| FY '00 | 4000 | 8836 |

CHF's training goal plan and results for the cooperative agreement through September 2000:



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During FY 2000, 3,823 people (1,833 women) were trained in the following areas:

AMVI/ISI component (150 people trained including 2 women)

- Administrate, operate and manage aspects of a successful road maintenance association.
- Implement environmental mitigation measures related to road maintenance.
- Negotiate contracts and market services at the community and government levels.
- Apply for, construct and maintain social infrastructure including bridges, schools and health posts.

Economic Activities component (1,042 individuals were trained including 1005 women⁴)

At the village bank program level:

- Understand credit, the solidarity guarantee, savings and interest.
- Analyze business feasibility; manage a business and track financial data.
- Perform board roles and manage financial data of the bank including interest and capital payments, savings and internal loans.
- A variety of subjects oriented toward acquiring new skills (chocolate making) or enhancing their current business skills and knowledge (pig vaccination).
- Interpersonal skills such as communication.
- With CHF support and using the village bank structure throughout the area, CESIDE reached an agreement with CONALFA, The National Literacy Committee for the provision of adult literacy classes. One hundred eighty five (185) village bank members (all women) and 16 men received classes.

With CESIDE, the NGO administering the village bank program:

- Manage, evaluate and track the village bank program.
- Diversify CESIDE's funding base with the board of directors.
- Develop training and program guides and procedures.

Agroforestry and Environmental Education (2,550 people trained including 826 women)

- Implement and manage tree nurseries, agroforestry systems using organic methods, non-traditional crops cultivation and forest management techniques.
- Train teachers and community leaders in environmental education and basic elements of agroforestry management and tree nurseries.
- Implement small ecological school projects like; gardens, tree nurseries, waste disposal and recycling,
- Participate in environmental interpretation trips through Lachuá National Park.

⁴ A total of 19 different training activities were implemented during the FY2000. On an average, the 633 village bank members attended five (5) activities each.

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Objective 2: Community and municipal organizations will be strengthened through technical, financial and administrative assistance and through participation in project development that provides the opportunity for conflict resolution.

CHF is working to strengthen the following organizations. As the reader will note in the report, however, there are other organizations that CHF is strengthening through technical assistance, training and information sharing.

AMVI (*Asociación de Mantenimiento Vial de Ixcán* or Ixcán Road Maintenance Association)

See Objective 9 for information on strengthening AMVI to be an independent and self-sustaining organization.

CESIDE (*Central de Servicios Integrales para el Desarrollo* or the Center for Integrated Social Development)

CHF carried out the institutional strengthening of CESIDE in a variety of ways during the fiscal year. The Village Bank coordinator met on a regular basis with CESIDE staff and the Board of Directors. These meetings were used to provide training, guidance and advice. CHF supported four (4) specific training activities during the fiscal year. A total of 32 individuals (7 women) (CESIDE staff and board members) received training. CHF also supported CESIDE in the training of representatives of Village Bank Boards of Directors. Two events were carried out during the year with a total of 177 women participants.

In February 2000, CHF transferred the responsibility of the Village Banks Promoter, who until that time had been a CHF employee, to CESIDE. Since that time all promotion of new banks and the support and training of existing banks has been the work of CESIDE staff. CHF has provided follow up directly to CESIDE.

The clearest result of CHF institutional strengthening of CESIDE is the dramatic increase in project indicators. The number of banks increased by 30% (from 20 to 26 banks), membership increased by 25% (from 507 to 633 active members) and portfolio increased by 64.5% (from Q.301,700 to Q.496,210). In all three of these areas, CHF and CESIDE efforts have surpassed established goals and objectives.

At the same time, this acquired experience has enabled CESIDE to establish contacts with other organizations in order to negotiate financing for their credit programs. To date, the results have been positive.

- With support from CHF, CESIDE presented a proposal to CECI-PREAPAZ, to fund 15 village banks in Malacatán, San Marcos. The proposal was approved and implementation began in December 1999.
- For the past four years, CESIDE has been administering a micro-enterprise loan portfolio, funded by the U.N. High Commission on Refugees (UNHCR), in the amount of Q.1,024,000.00. CESIDE requested that this portfolio be turned over to them as a donation. With support from CHF and USAID, UNHCR agreed to donate the portfolio. One of the conditions of the donation stipulates that part of the portfolio will be destined to support the Village Bank Program.

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Association of Development Promoters of Ixcán (APDHAVIN)

This organization is a group of local development promoters from a variety of disciplines. All of the CHF promoters in the agroforestry component are members and many hold board positions, including the President and Vice-president. CHF has assisted the organization in becoming more formalized and provided guidance in organizational development. CHF continues to have high hopes that APDHAVIN will assume a leadership role in the promotion of non-traditional crops.

The association continued to provide support in convening local farmers for information on and the formation of the Non-traditional Crops Farmers' Organization. The association notified farmers of the meeting and coordinated transportation, housing and food. The association is currently gathering price information and production levels of cardamom and achiote in the area and will continue to play an active role in supporting the promotion of non-traditional crops in the Ixcán.

Rigoberta Menchu Tum Foundation (RMTF)

The sub-contract CHF had with IDC to provide institutional support to the RMTF reached its conclusion in FY 1999. At that point, the foundation had all of the material necessary to implement the changes outlined in the analysis conducted by IDC. CHF is awaiting request from the RMTF to continue institutional support efforts. One specific issue that remains to be resolved is the definitive donation of equipment purchased by CHF for use by the foundation.

Ixcán Chamber of Commerce

Due to the problems encountered during FY 1999 regarding the disappearance of Special Development Fund monies and the ties to Chamber of Commerce members in the disappearance, CHF has discontinued support of and work with this organization.

Non-Traditional Crop Farmers Organization

Although this group has not been formally established, CHF continued informing and organizing farmers with the hopes that in the first quarter of FY 2001, the association will be legally established. *Please refer to Objective 5 for information regarding non-traditional crops.*

Other Organizations

CHF also provided support to a number of other organizations operating in the program area. Areas of support include, project proposal development, environmental education and agroforestry. These organizations included:

Asociación de Desarrollo Nuevo Amanecer (ASDENA)

Pastoral Social, Ixcán

MOVIMUNDO

Movimundo National Forest Institute (INAB)

ICTA

Municipalities of Fray Bartolomé de las Casas and the Ixcán

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Objective 3: Environmental mitigation will be assured in all on-farm, offfarm activities and community-level activities.

CHF places emphasis on the environment and minimizing or avoiding negative environmental impact as a result of project implementation. The extension of the cooperative agreement, signed in May 1998, included the implementation of an Environmental Mitigation Team that would monitor environmental impact that would ensure compliance with CHF environmental policy, USAID Regulation 216 and Guatemalan law.

In Fiscal Year 2000, the efforts of previous periods bore fruit and CHF succeeded in applying environmental mitigation in all aspects of project implementation. CHF confirmed Wilson Castañeda as the Environmental Mitigation Officer, a position that he had held on an interim basis. Under his guidance, the team was formed, equipped with the necessary tools and instruments and began developing the formats for evaluation and control. In order to ensure acceptance on the part of CHF staff and counterpart organizations, one of the primary activities was to carry out training activities and study tours during the year. Training topics included the Role of Environmental Mitigation in CHF programs and Waste Management.

During the reporting period, the Environmental Mitigation Team developed and validated the mechanisms and formats to be used in analyzing the distinct CIT project activities. With this effort, the team laid the foundation for the application of Environmental Mitigation in CHF projects.

The primary formats developed include:

- A table summarizing the USAID Environmental Regulation 216;
- The design of the Project Implementation Environmental Opinion (dictamen);
- Environmental opinion register;
- Notification formats for procedures, evaluations and sanction; and
- Visit reports.

Throughout the year, the team strived to internalize the concept and application of environmental mitigation amongst CHF staff and counterparts. This hard work was successful as evidenced by the acceptance of CHF Environmental Standards. A good example of this is in the case of the construction of the Santo Tomas Bridge bases. In this construction, the CHF construction crew violated the Project Environmental Mitigation Opinion for the work. Work was stopped on all bridges for a three-day period during which all three construction crews engaged in environmental restoration activities at the Santo Tomas Bridge site. Team efforts were also crucial in obtaining USAID approval for the AMVI Environmental Guidelines. USAID approval was also obtained for the team to implement Environmental Impact Studies and Environmental Program Studies.

From April 10-14, Environmental Mitigation staff organized and conducted a course entitled "Maintaining Rural Roads with Environmental Mitigation." Over 50 participants attended, including personnel from AMVI, USAID, USDA Forest Service, CONAMA, Ministry of Communication, General Road Directorate (Dirección General de Caminos), and Luis Berger International, Inc.

Although the majority of the work of the Environmental Mitigation Team focuses on infrastructure activities, equal attention is paid to all of the other components of the CIT project and Environmental Opinions are made on all project efforts. During the year, the team developed

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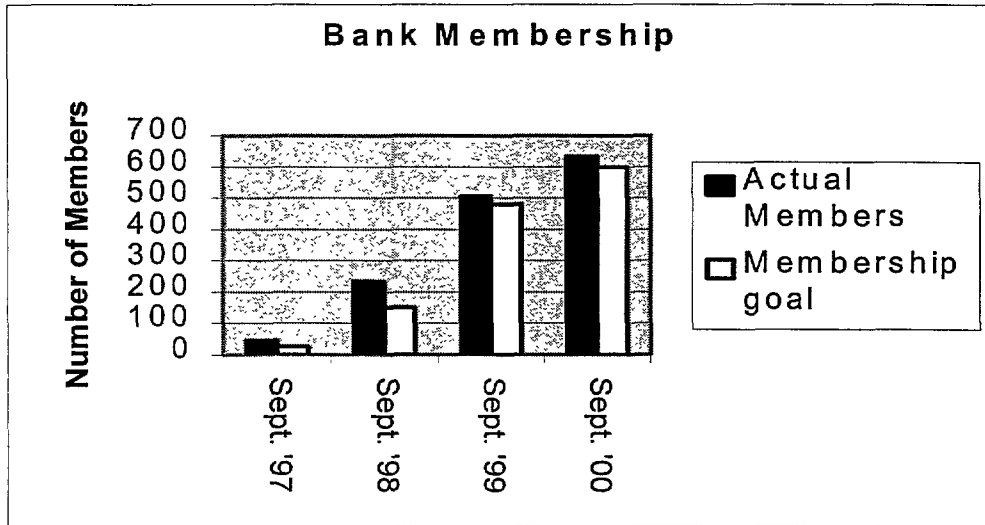
Environmental Guidelines for the use of organic pesticides and fertilizers for use in the Agroforestry and Environmental Education Component. The team also developed the system for the implementation of a palm heart processing plant that served as the basis for the Environmental Mitigation Opinion for that project.

For more detail on Environmental Mitigation activities, please refer to the corresponding section under **Program Specific Results**.

Objective 4: 500 people (including at least 150 women) without access to traditional credit institutions will receive a loan for income-generating projects.

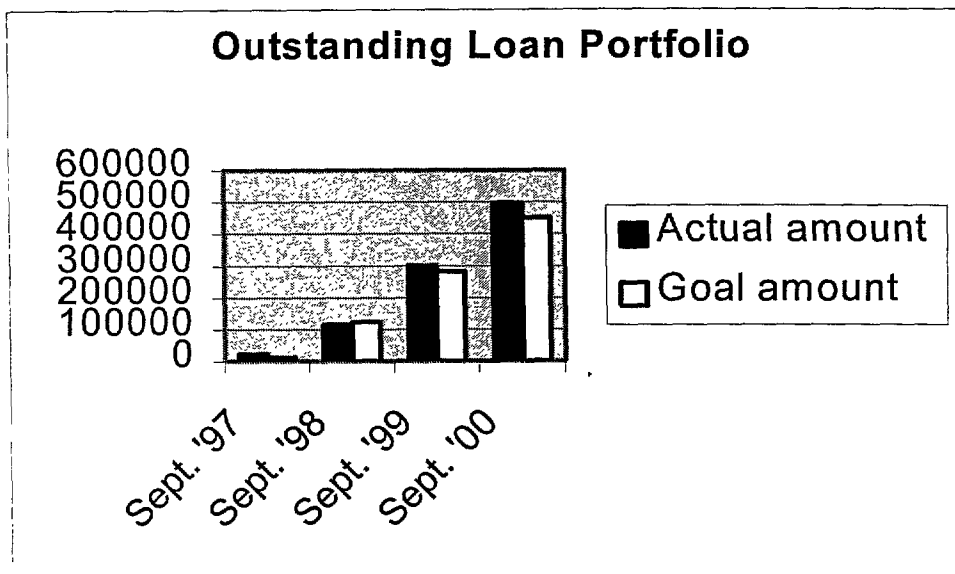
CHF began implementing the Village Bank Program in July 1997. Each year actual results have exceeded project goals, both in terms of membership and active portfolio as evidenced in tables and graphs below, summarizing Village Bank Results since project inception:

| MEMBERSHIP | Fiscal Year 1997 | Fiscal Year 1998 | Fiscal Year 1999 | Fiscal Year 2000 |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Membership goal | 25 | 150 | 480 | 600 |
| Actual membership | 46 | 204 | 507 | 633 |



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| LOAN PORTFOLIO | Fiscal Year 1997 | Fiscal Year 1998 | Fiscal Year 1999 | Fiscal Year 2000 |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Portfolio goal | Q12,500 | Q122,400 | Q281,500 | Q450,000 |
| Actual portfolio | Q23,000 | Q115,625 | Q301,700 | Q496,210 |



During the reporting period, the number of village banks grew from 20 to 26. The objective of 500 individuals (150 being women) receiving credit was actually surpassed in FY 1999. By the end of FY 2000, 633 women were participating in the program had received approximately 1,291 loans for their income-generating businesses. The total amount lent by CESIDE during FY 2000 was \$115,150 and the CHF loan portfolio with the organization was \$63,617, an increase of 163% over the loan portfolio in FY 1999.

Village Bank summary:

| | |
|--|-----------|
| Number of banks | 26 |
| Number of participants | 633 |
| Outstanding loan portfolio | \$63,617 |
| Interest income | \$10,504 |
| Late or delinquent accounts | 0 |
| Member savings to date | \$22,604 |
| Cumulative loans to date (est.) | 1,500 |
| Amount lent since inception | \$104,555 |
| Operational sustainability | 52% |
| Operational & financial sustainability | 42% |

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Objective 5: Four sustainable, productive enterprises will be established benefiting 600 families through market exploration, feasibility studies, application of new technology and commercialization of crops.

The Agroforestry and Environmental Education Component and the Economic Activities Component support activities for this Objective. During Fiscal Year 1999, through analysis and consultation with area farmers, the decision was made to orient efforts toward the creation of an organization of farmers that would initially cover the municipality of the Ixcán. During Fiscal Year 2000, efforts began to make contacts and coordinate with farmers to establish the organization of non-traditional crops producers. Surveys were conducted to determine farmer opinion regarding participation in the organization and to determine the most appropriate legal structure. Coordination with AGEXPRONT was crucial to these activities. AGEXPRONT provided consultants that complimented CHF expertise to help lay the groundwork for the organization.

The first phase of organizing the association consisted in of workshops with farmers to provide them with information and obtain their input. These workshops were carried out by geographic sectors and coordinated by the corresponding Agroforestry Promoter. The participants were representatives from each of the communities covered by the Agroforestry and Environmental Education Components the Non-traditional Crops sub-component.

The second phase began implementation in the last half of the fiscal year. CHF, with support from AGEXPRONT, consultants and legal experts, worked with sector representatives to determine and establish the appropriate legal structure of the organization. The phase will conclude in FY 2001 with two representatives per sector being elected to serve on the organization's provisional board of directors.

Specific Progress regarding each non-traditional crop being considered can be found in the section **Program Specific Results**.

CHF continued to work with the group of women from the San Pablo village bank who formed a mosquito net business. CHF supported the group with their registry in the Finance Ministry and provided logistic support in the transport of fabric samples. In addition CHF helped the group make contact with potential clients and assisted them in negotiations. During the reporting period, the women's group obtained two contracts. One, in April 2000, was for 640 mosquito nets with Italian Cooperation Organization and the other, in September 2000, was for 4500 nets with the Univeridad del Valle.

Objective 6: Social infrastructure in communities will be improved through development projects such as schools, training centers and health posts.

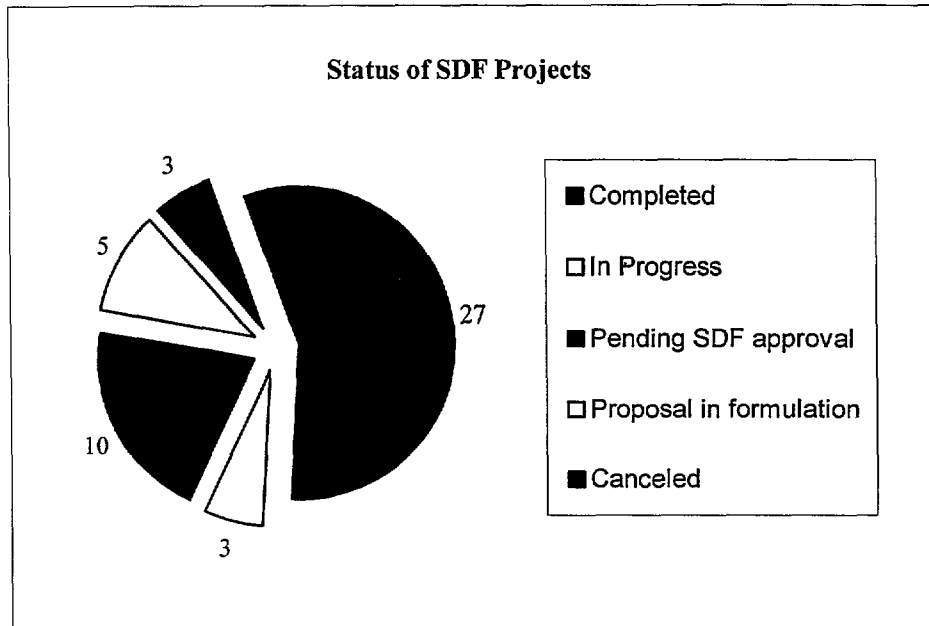
During the reporting period, CHF concluded one SDF project initiated in FY 1999 and began five others, two of which were concluded before the end of the fiscal year. This brings the total number of community projects implemented with SDF funding to 27 since 1997.

During FY 2000, three projects were completed including the following:

- One elementary School
- One training center
- One swinging bridge

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One of the primary obstacles to the implementation of SDF projects continues to be obtaining counterpart funding. For this reason, much effort went into coordinating with communities and potential counterpart agencies in the elaboration of project proposals. These efforts paid off and, by the end of the period, communities succeeded in obtaining commitments from the Municipality of Chiséc for the implementation of seven projects and from the Guatemalan Government agency DECOPAZ for the implementation of three. The total value of this counterpart is approximately \$80,000. All ten projects have been submitted to the SDF Offices in Guatemala City and are pending approval.



Objective 7: Two forestland areas will be managed by local communities and some income will be directly attributable to tourist activities.

As stated in the FY 1999 Annual Report, the Objective has been reoriented to focus on forest management at the individual farmer level. This was based on the findings Rapid Environmental Assessment (REA) conducted by APESA, project staff experience in the area and the ARD evaluation of the CIT project.

During FY 2000, CHF completed the integration of forest management into the on-going activities of the Agroforestry Component using the same successful promotion and transfer or technology methodology that employed to date based on demonstration plots managed by farmers on their own land. Activities included helping farmers develop management plans for the natural forests on their property, planting of secondary forest cover (already underway), the inscription of forests established by the project with the government (INAB), and training of agroforestry promoters. In a second phase, farmers will be trained to develop a market for forest products. To date, CHF has registered approximately 20 acres of land currently under forest management.

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Objective 8: Teachers and students will receive classes in environmental education and start environmental school projects through training of Ministry of Education staff to give instruction in this area.

CHF provided follow up to schools and teachers trained in previous fiscal years and continued to expand activities in this area. Follow up included support for small ecological school projects, guiding environmental interpretation trips through Lachuá National Park, training teachers and community leaders and presenting a radio program on the local radio station in the Ixcán.

CHF provided training, orientation and technical assistance on four small ecological school projects including waste management, recycling, gardens and tree nurseries. A total of 426 students participated in the projects and received materials, training and guidance during the year.

Five hundred four students (504) between the ages 7 to 15 years of age (210 women) and their teachers from 12 elementary and secondary schools participated in environmental interpretation trips through Lachuá National Park.

CHF continued implementing the environmental education radio program called "*Ixcán Verde*" (Green Ixcán) on the local radio station. The program began in July 1999 and runs from 5:00-6:00 p.m. Monday through Friday. The program broadcast in the various Mayan languages spoken throughout the region presents subjects such as environmental awareness, agroforestry techniques and success stories narrated by CHF promoters and local farmers.

Objective 9: An independent and self-sustaining Road Maintenance Association in the Ixcán (AMVI) will be fully operational by the end of the year 2000.

During the reporting period, CHF supported AMVI in the completion of the hiring process of administrative and operations staff. This process culminated in the hiring of Alan Ovalle as the AMVI General Manager. The construction of the office and machinery shops complex was completed, made fully operational and inaugurated in February 2000. The U.S. Ambassador to Guatemala, the Minister of Agriculture, the Vice Minister of Communications, Transportation, Public Works and Housing, the USAID/Guatemala Mission Director, the Executive Director of FONAPAZ, the President of CHF, the Mayor of the Ixcán several other Guatemalan Government Officials, attended the event.

The AMVI General Assembly was held in December 1999. The principal agenda item was the election of three members to the board in compliance with AMVI bylaws. The three members holding the seats up for election were re-elected. The assembly also granted authorization to its Board of Directors to sign a technical and financial assistance agreement with CHF, formalizing the role that CHF had been playing prior to the formation of the association.

Based on this agreement, CHF provided financial and technical assistance to AMVI, including:

- Financial planning and co-administration of funds.
- Support in the development of operational and administrative procedures.
- Support in the design and implementation of the accounting system.
- Assistance in construction of the AMVI headquarters facility.
- Organization of general assembly meetings.
- Assistance in planning and supervising road maintenance activities.

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- Legal assistance, such as the adoption of by-laws, legal incorporation, and training in Guatemalan association laws and commercial and labor codes, as well as other relevant laws.
- Board of Directors management training.
- Fiscal and administrative and operational staff.
- Assistance and training in marketing road maintenance services to the government agencies, the private sector and local villages.

By the end of Fiscal Year 2000, CHF and AMVI had succeeded in the direct transfer of operational funds directly to the association. AMVI, initially with CHF support, negotiated contracts with the municipality and began negotiation with the Ministry of Public Works and Transportation for road maintenance in the municipality. Much progress was made during the year regarding orienting the AMVI Board of Directors and Management in the systematization of rural road maintenance, environmental mitigation and association administration.

In March 2000, subsequent to CHF signing the Post Mitch Reconstruction Cooperative Agreement with USAID, AMVI took on the task of rehabilitating 100 kilometers of the Franja Transversal del Norte. CHF and AMVI signed an agreement for the implementation of these activities. CHF provided continuous support and supervision of road rehabilitation efforts. A sign of AMVI capacity and expertise is that 65% of the work was completed by the end of the fiscal year. AMVI's participation in this effort has gone a long way to increasing AMVI's experience and competitiveness, as well as achieving an important infusion of working capital.

The groundwork was laid for the establishment of the Trust Fund for Machinery Replacement through the investment of funds generated from community counterpart contributions and funds generated by AMVI through the provision of services. The details and structure of the Trust will be determined during Fiscal Year 2001.

Results achieved to date under this objective, although impressive, are not as originally projected. Compliance with USAID environmental requirements resulted in a delay in the purchase of the road maintenance machinery causing a subsequent delay in startup of road maintenance activities. AMVI has made much progress in building its operational capacity but despite this success has been unable to secure contracts other than the Mitch Road Rehabilitation Agreement with CHF. Organizational and administrative weaknesses made it difficult and inadvisable for CHF to begin the transfer of operating capital until the end of FY 2000. CHF estimates that another two years of technical and financial assistance is necessary in order for AMVI to achieve financial and operational sustainability.

Objective 10: Improved transportation access will be provided within the Ixcán and linking the Ixcán to Barrillas and Quiché through the installation of major bridges.

Prior to FY 2000, CHF, with funding from FONAPAZ installed two Bailey Bridges over the Tzeja and Pescado Rivers. In addition, four small, concrete vehicular bridges were built, two in FY 1998 and two in FY 1999.

In November 1999, as a response to the damage left behind by Hurricane Mitch, CHF and USAID signed a cooperative agreement for the reconstruction and rehabilitation of transportation in the Ixcán. The agreement contemplates approximately \$1.9 million for the construction of 12 concrete vehicular bridges, the installation of one Bailey Bridge, the repair of one Bailey Bridge and the rehabilitation of 100 kilometers of the Franja Transversal del Norte. CHF complemented

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this agreement by proposing the construction of seven concrete vehicular bridges and one steel Frame Bridge using funds from FONAPAZ.

Work on both projects began in January 2000. CHF progress as of September 30, 2000 is as follows:

Post Mitch Infrastructure Reconstruction project (USAID):

1. *Petrolero Bridge* – Work began on February 18 and was completed on June 23.
2. *Cantabal Bridge* – Work began on February 16, construction is 65% complete.
3. *Tzutuj Bridge* – work began on April 3, construction is 100% complete.
4. *Santo Tomas Bridge* – work began on April 25, construction is 100% complete.
5. *Cux Bridge* – Construction began on June 12, work is 100% complete.
6. *Olivos I Bridge* – Work began on August 1, construction is 85% complete.
7. *Las Tortugas (Kilometer 31.5) Bridge*: Work began on August 22. Construction is 65% complete.
8. *Sonora Bridge (Km 25.3 Tres Rios)* – Work began on September 23, construction is 15% complete.
9. *Santa Maria Dolores Bailey Bridge* – work is 25% completed.

Project status is as follows:

- The Bailey Bridge was purchased and delivered to the work site in July,
- Work began in September on the environmental impact study.

FONAPAZ

1. *Primavera Bridge* - work began on February 21 and is 100% complete.
2. *San Juan Chactela Bridge* – work began on April 10 and is 50% complete.
3. *Saacte Bridge* – Work began on July 12. Construction is 90% complete
4. *Veracruz Bridge* – Work began on September 18, construction is 30% complete.

Objective 11: Environmentally sound gravel road network along approved transportation corridors will be maintained on a regular basis and in emergency situations.

Road maintenance activities with AMVI began in February 1999 and the association succeeded in providing maintenance to 128 kilometers of road during FY 1999. During FY 2000, AMVI coordinated with local communities and the Ixcán Municipality for the maintenance of 69 kilometers of road bringing the total to 197 kilometers.

The breakdown of AMVI road maintenance during FY 2000 is as follows:

| Community | Kilometers Maintained |
|----------------------------------|-----------------------|
| Cantabal – Mayaland ⁵ | 45 |
| Veracruz – Xalbal | 7 |
| FTN – San Lucas | 2 |
| Veracruz – Pueblo Nuevo | 7 |
| FTN – Nuevo San Lorenzo | 2 |
| San Isidro – San Jose la 20 | 6 |

⁵ The work done on this 45-kilometer stretch of road was short-term emergency repair that was necessary to make the road passable prior to the implementation of the Mitch Reconstruction funded road rehabilitation.

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In addition, through the implementation of the USAID/CHF cooperative agreement for Rural Infrastructure Repair and Rehabilitation, AMVI provided its services in the rehabilitation of two 50-kilometer stretches of the Franja Transversal del Norte. All of the work on the Cantabal– Tres Rios stretch (50 kilometers) was completed and approximately 30% of the work on all 50 kilometers of the Cantabal – Mayaland stretch was completed. AMVI also provided an important service in the construction of the bridges being built with Mitch and FONAPAZ funds. On all bridges constructed during the fiscal year, AMVI was contracted to build the provisional passage, excavate the foundations for the bastions and form the bridge approaches.

PROJECT COMPONENT SPECIFIC RESULTS

IXCÁN ROAD MAINTENANCE ASSOCIATION/ INSTITUTIONAL STRENGTHENING AND INFRASTRUCTURE COMPONENT (AMVI/ISI)

Ixcán Road Maintenance Association - AMVI

General Description

AMVI is a private, non-profit organization where local rural and municipal leaders come together to analyze the challenge of road maintenance in the northern municipality of the Ixcán. AMVI does not build new roads, but provides the organizational base for sustainable, region-wide road maintenance. The project also includes efforts to assure that these activities do not adversely affect the environment. Originally, CHF was to provide technical and financial assistance to AMVI until September 2002. The recent cooperative agreement extension with USAID contemplates an additional year of technical assistance through FY2003 to account for a slow start-up due to the late arrival of machinery.

Funding for AMVI equipment purchase and three years, of operations is in the form of cash transfer from USAID to FONAPAZ that passes grant funding to CHF for implementation. This grant is complemented by the CIT project dollar grant covering CHF technical assistance costs. Both AMVI and CHF co-administer the FONAPAZ grant for AMVI equipment and operations.

Objectives

- An independent and self-sustaining AMVI by September 2003.
- Increased access to markets, education and health services, as well as local economic improvement.
- Reconciliation among conflictive groups.
- A network of gravel roads that takes into account environmental protection and that follows the USAID-approved transport corridors.
- AMVI as a leader in environmental protection in road maintenance.
- Three levels of government contracting AMVI services: municipal, departmental and central governments.
- Communities in Ixcán paying at least 10% of the costs of road maintenance.
- Regular and fair elections of the AMVI Board of Directors with ample geographical representation.
- Improved credibility of local governments and institutions in Ixcán due to the completion of services offered.
- A general sense in the community that AMVI is “our” association and not the property of foreigners or politicians.
- A model of a road maintenance association that can be replicated in other municipalities in Guatemala.

Background

AMVI was created in response to local leaders’ identification of the urgent need for road maintenance. The model implemented was based on the successful, USAID funded AMV/Upala in Costa Rica. The context of the Ixcán features more pronounced community conflicts, a lower adult literacy rate, and a lower socio-economic level. Based on visits to Upala and visits by

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representatives of FONAPAZ to the Ixcán, FONAPAZ and elected Ixcán leaders (including the mayor and representatives of the micro-regions) pursued an adaptation of the AMV/Upala model. CHF helped organize the association and agreed to provide technical assistance to the community, the Municipality and FONAPAZ. The first Board of Directors of AMVI was elected in October 1997. The association adopted by-laws and began the process for the legal incorporation of the association in December 1997.

In March 1998, the association purchased a 26-acre plot of land to establish their headquarters facility. CHF designed the offices, warehouses and workshops and the AMVI Board approved the plans. The construction of the AMVI headquarters offices was completed in FY 2000.

In October 1999, AMVI began hiring personnel. By the end of December, the majority of operations and administrative staff were contracted. An interim manager and an administrator were hired. The purchase and delivery of the heavy machinery took place in January 1999 and road maintenance began immediately. By September 30, 1999, AMVI had maintained a total of 128 kilometers of rural roads in coordination with local communities and the municipality.

Progress in FY 2000 – Institutional strengthening:

Association Activities

FY 2000 was AMVI's first full year of operation. High turnover in professional level personnel required a continued focus on completing the hiring process. This process culminated in October 1999 when AMVI hired Alan Ovalle as General Manager of the Association. Under his and the Board of Director's leadership, with CHF guidance and technical assistance, AMVI continued to market its services with local communities, the municipality and national governmental agencies and negotiate contracts for road maintenance. The construction of the AMVI headquarters (offices and workshops) was completed and the installations were inaugurated in February 2000.

Due to changes in government, resulting from the 1999 elections, the Road Inventory compiled during the previous fiscal year was presented again to the new administration in the Ministry of Public Works and Transportation. Much effort was also placed on presenting the necessary documentation to qualify as an authorized service provider to COVIAL, the division of the Ministry responsible for road maintenance.

The General Assembly

The AMVI General Assembly held its annual meeting in December 1999 and demonstrated the capacity to make decisions and support the mission of the association. A total of 120 members attended the General Assembly. The principal agenda item for the Assembly was the election of members to the Board of Directors. According to the AMVI bylaws, seats on the board of directors come up for election on a staggered basis. The purpose behind this is to assure the continuous presence of experienced members on the Board. During the last General Assembly, three seats were up for election, Vice President, Treasurer and Vocal 1 (member at large). The three persons who occupied these seats were re-elected.

Another important agenda item for the General Assembly was to authorize the Board of Directors to sign a financial and technical assistance agreement with CHF. Although CHF and AMVI have been working hand in hand together over the past three years, the agreement formalized the relationship and established clear parameters for collaboration and co-administration.

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The Board of Directors

CHF training efforts focused a great deal on guiding and orienting the AMVI Board of Directors to assume its appropriate role in the development of the association. The uncertainty on the part of the Board, however, regarding being a directive body as apposed to an administrator of work continued to present itself. The Board continued to play a positive role in marketing AMVI's services to local communities. The Board also played an active role in the temporary investment of AMVI reserve funds, generated through community and municipal counterpart contributions equaling 10% of the cost of each project. Three members of the Board interviewed and received proposals from various banks. This investment is a precursor to the trust fund to be established for the repair or replacement of heavy machinery. A total of Q.1,200,000 (approximately \$153,000) was invested in Banrural.

Management and Administration

One of the principal challenges that AMVI faces is the recruitment and retention of qualified professional staff. During the year there were changes in administrative staff, most notably with the General Manager. In April 1999, the board dismissed the General Manager who had been hired in October 1998 and a replacement was not found until September of that same year. The attrition of administrative staff, especially accountants, was also a difficulty. During the year, the decision was made to hire an accountant with less than ideal experience and contract the services of a consultant to provide hands on training and monitoring of the implementation of AMVI accounting.

The team operating maintenance machinery for AMVI continued to receive good technical training on maintenance activities and guidelines and environmental mitigation. Performance has demonstrated the team's ability to learn new techniques and use them in their work.

Due to the problems regarding the retention of qualified accounting staff, CHF had been directly implementing all of AMVI's expenses and was maintaining the corresponding accounting records. Through much hard work and with the support from the aforementioned consultant, as of June 2000, AMVI and CHF successfully began the transfer of operating funds directly to AMVI.

During FY 2000, the following goals were accomplished:

- Sign an Agreement of Cooperation and Technical and Financial Assistance between CHF and AMVI.
- Hire and train a new Manager for AMVI.
- Define and implement an administrative procedures manual.
- Define and implement an accounting system and procedures manual.
- Work with AMVI to implement a work plan and budget for FY2000 and later 2001.
- Establish standards to measure costs and operational sustainability for maintenance activity.
- Develop controls and systems necessary to run program efficiently and effectively.
- Headquarters facility completed with forest reserve and tree nursery.
- AMVI staff trained in environmental mitigation measures.
- Maintenance of heavy machinery.
- Promotion of AMVI services to communities and government agencies.

Training and Technical Assistance

Training by CHF is part of the agreement of technical assistance for the term of the project. Specific assistance and services included:

- Financial planning and co-administration of funds.
- Assistance in planning and supervising road maintenance activities.
- Legal assistance and training in association laws and commercial and labor codes.
- Assistance and training in marketing road maintenance services to the government, the private sector and local communities.
- Training of AMVI personnel in operational and administrative procedures by CHF staff and consultants.
- The role of environmental mitigation in road maintenance.
- The role of environmental mitigation in CHF and USAID projects.

Through the implementation of road maintenance projects and as part of the institutional strengthening process imparted by CHF project staff and consultants, AMVI continued to refine its skills and increase its installed capacity. Important aspects of this process are listed below:

- Contract proposals and negotiation.
- Project design and budget projections.
- Systems and procedures for implementation.
- Occupational safety measures.
- Environmental guidelines.
- Effective distribution of personnel.
- Monitoring and evaluation controls to assure compliance with contract requirements and budget restraints.

AMVI also participated in the “Maintaining Rural Roads with Environmental Mitigation.” Workshop organized and conducted by the Environmental Mitigation Team. This participation presented AMVI the opportunity to clearly demonstrate its capacity to effectively compete on road maintenance projects. Representatives and advisors of the Ministry of Public Works and Transportation were present at the event and responded positively to AMVI work.

Program tracking results

During FY 2000, AMVI coordinated with local communities and the Ixcán Municipality for the maintenance of 69 kilometers of roads. This brought the total kilometers of road maintained to 197 (128 kilometers were maintained during FY 1999) since project inception. In addition, as a part of the Post Mitch Infrastructure Rehabilitation Project AMVI was included to implement the rehabilitation of 100 kilometers of the Franja Transversal de Norte, 65% of which was completed during the period. The average cost per kilometer maintained was approximately \$4,487. This increase over FY 1999 costs is due to increase in the cost of diesel fuel and lubricants.

The following table shows the areas where AMVI provided maintenance, the length of road and collaborators. Collaborators assume 10% of the total cost, provide some unskilled labor, and provide food and housing to AMVI personnel working on the project.

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| Project | Kilometers | Collaborators |
|--|-------------------|--|
| Cantabal – Mayaland (Short-term emergency repair) | 45 | Municipality of Playa Grande and a citizens committee from the community |
| Veracruz – Xalbal | 7 | Municipality of Playa Grande and a citizens committee from the community |
| FTN – San Lucas | 2 | Municipality of Playa Grande and a citizens committee from the community |
| Veracruz – Pueblo Nuevo | 7 | Municipality of Playa Grande and a citizens committee from the community |
| FTN – Nuevo San Lorenzo | 2 | Municipality of Playa Grande and a citizens committee from the community |
| San Isidro – San Jose la 20 | 6 | Municipality of Playa Grande and a citizens committee from the community |
| Cantabal – Tres Ríos | 50 | Mitch funding |
| Cantabal – Mayalan 30% complete | 15 | Mitch funding |
| Total | 134 | |

A total of 15 communities benefited directly from the road improvements affecting approximately 18,000 people. An additional ten communities benefited indirectly affecting an additional 10,000 people. The total contribution made by the municipality and communities was \$27,133.

Problems Encountered and Solutions

Pre-qualification of AMVI as a certified service provider

Taking advantage of the presence of the Vice Minister of CTOPV and the Executive Director of FONAPAZ at the inauguration of the its Headquarters, AMVI took the opportunity to highlight its successful work and discuss the possibilities of future projects. As a result, representatives from Louis Berger, International, a consulting firm providing advice to the Ministry, visited the Ixcán to inspect AMVI projects and evaluate its capacity. Despite initial support from Louis Berger and the Ministry, efforts on the part of AMVI and CHF to pre-qualify with COVIAL, the Ministry Department responsible for road maintenance, as a certified road maintenance service provider met with a substantial obstacle. COVIAL interpretation of Guatemalan Government Contract law requires that all service providers must have a commercial patent. AMVI's legal classification as a non-profit association prevents it from obtaining this patent. This obstacle presents a major setback for AMVI to establish itself as a competitive provider of road maintenance services.

AMVI sought the appropriate legal advice and began developing strategies to confront this situation. One of the possibilities is that a for-profit business be established of which AMVI would be a principal stockholder. This business would in effect sub-contract AMVI to implement any road maintenance contract with COVIAL.

Plans for FY2001

- Support AMVI in the negotiation of a contract with the Ixcán Municipality and local communities for the maintenance of rural roads.
- Support AMVI in its registry with the Guatemalan Government as an authorized service provider (Ministry of Public Works and Transportation)
- Consolidate and strengthen AMVI's capacity to implement the Road Maintenance Administrative System designed and implemented with assistance from CHF.
- Consolidate and strengthen AMVI's Administrative/Finance systems.
- Provide technical assistance and training to AMVI personnel and Board of Directors.

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- Assist AMVI in the promotion of its services to local communities, municipality and central government.
- Design a Human Resource Development Program that will ensure that AMVI will have trained and committed employees.
- Work with AMVI to implement a work plan and budget for FY 2001 and later 2002.
- AMVI staff trained in environmental mitigation measures.
- Maintenance of heavy machinery.

Major Bridges

General Description

Major bridges refers to the construction of vehicular bridges with sufficient capacity to support a minimum of 40 tons and, with proper maintenance, have a life of up to 30 years. Solutions include the installation of pre-fabricated steel bridges (i.e. Bailey Bridges), concrete bridges reinforced with steel I-beams and steel structure bridges. These bridges are intended to improve transportation routes within the Ixcán and link the Ixcán to neighboring municipalities. Funding for these activities comes from USAID and FONAPAZ.

Objectives

- Improved transport network within Ixcán.
- Access to markets and education and health services, as well as local economic improvement.

Background

A visit to Ixcán in mid-1997 by Ambassador Donald Planty and Senator John McCain brought a U.S. Government promise to install six major bridges in Ixcán. To comply with this promise and the obvious need for an improved transport network, CHF created a sub-component within the AMVI Institutional Support Component of the CIT Project.

Bailey Bridges were originally chosen as the most cost-effective and rapidly installed type of large bridge. Bailey Bridges require minimal maintenance and can be made stronger without removing the entire bridge.

During FY1998, two Bailey Bridges were installed:

- Mayaland Bridge: The 130-foot bridge is a one-lane pre-fabricated steel bridge that can carry a load up to 70 tons. It extends the Franja Transversal Norte to the community of Mayaland over the Pescado River.
- Trinitaria Bridge: The 150-foot bridge is a one-lane pre-fabricated steel bridge that can carry a load up to 70 tons. It connects the villages of Trinitaria and Santa Ana over the Tzejá River.
- A third Bailey Bridge was purchased in FY 1999 as a means to respond rapidly to emergencies.

In response to the damage left behind by Hurricane Mitch, CHF and USAID signed a cooperative agreement for the reconstruction and rehabilitation of transportation in the Ixcán. The agreement

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contemplates approximately \$1.9 million for the construction of 12 concrete vehicular bridges, the installation of one Bailey Bridge, the repair of one Bailey Bridge and the rehabilitation of 100 kilometers of the Franja Transversal del Norte. CHF complemented this agreement by proposing the construction of seven concrete vehicular bridges and one steel-frame bridge using funds from FONAPAZ.

Progress in FY 2000

Work on both the Mitch Reconstruction and FONAPAZ projects began in January 2000. In the nine-month period from January to September 2000 CHF made the following progress:

Mitch (USAID):

1. *Petrolero Bridge* – Work began on February 18 and was completed on June 23.
2. *Cantabal Bridge* – Work began on February 16, construction is 65% complete.
3. Project status is as follows:
4. *Tzutuj Bridge* – work began on April 3, construction is 100% complete.
5. *Santo Tomas Bridge* – work began on April 25, construction is 100% complete.
6. *Cux Bridge* – Construction began on June 12, work is 100% complete.
7. *Olivos I Bridge* – Work began on August 1, construction is 85% complete.
8. *Las Tortugas (Kilometer 31.5) Bridge*: Work began on August 22. Construction is 65% complete.
9. *Sonora Bridge (Km 25.3 Tres Rios)* – Work began on September 23, construction is 15% complete.
10. *Santa Maria Dolores Bailey Bridge* – work is 25% completed.
Project status is as follows:
 - The Bailey Bridge was purchased and delivered to the work site in July,
 - Work began in September on the environmental impact study.

FONAPAZ

1. *Primavera Bridge* - work began on February 21 and is 100% complete.
2. *San Juan Chactela Bridge* – work began on April 10 and is 50% complete.
3. *Saacte Bridge* – Work began on July 12. Construction is 90% complete
4. *Veracruz Bridge* – Work began on September 18, construction is 30% complete.

Problems Encountered and Solutions

The supplier for the steel I-beams used in bridge construction presented serious problems in confirming the final production schedule for the I-beams. Production was confirmed but the supplier provided the I-beams late, was reticent to transport them to site per contract, and finally, the I-beams were not to specification and were missing parts. This made it impossible to complete the bridge according to schedule and before the beginning of the rainy season. CHF staff negotiated with the supplier and put pressure on them to comply with the contract. These efforts proved successful and delivery of the I-beams was completed in July.

On the first bridges, the innovative steel I-beams design resulted in a faster construction and project completion time. It was noted, however, that, because of the shorter length of the beams on-site welding was required. In many cases, it took as many as 10 days to launch and mount the

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I-beams successfully. CHF negotiated with the supplier to deliver future I-beams with a minimum length of 10 meters, eliminating the need to have welding done at the bridge site. Because of this change, in conjunction with the specialized work crews, CHF has succeeded in reducing the ten (10) day launching process down to two (2) days.

In June 2000, the Cantabal River had risen to a level where vehicles could not pass. Truckers from Coban began crossing the river on June 7 by placing three-meter boards on top of the bridge beams that still had not been fully secured. The police did not stop this dangerous activity and when CHF took action to protect the bridge site and assure safety, the truckers threatened violence. The situation calmed down and it appeared that normal work would continue on the bridge and pedestrians would be able to cross using an emergency pedestrian bridge constructed by CHF.

The truckers held CHF personnel hostage one hour the evening of June 7 and threatened to occupy the CHF offices the morning of June 8 if they were not allowed to cross using the bridge I-Beams. In a meeting with the Mayor, the Police, MINUGA and representatives of the truckers, CHF offered to build a safe, temporary bridge within four days. When the truckers doubted that it could be done, CHF offered to pay per diem to the truckers after four days and an agreement was reached. CHF welded the floor from a Bailey Bridge to the steel beams and then fabricated and welded railings for the two sides of the bridge CHF managed to turn a very tense situation into a response that re-opened the Franja Transversal del Norte in three days. The completion of the Cantabal Bridge is schedule for after the rainy season when the water level of the river is low enough to permit the passage of traffic.

Success Stories

CHF is consistently looking for ways to improve project implementation and maximize project resources. Each bridge project has provided valuable experiences that contribute to this process improvement. During the year, two major changes in implementation took place

1. When bridge construction began, CHF had assigned one of three work crews to build each bridge. This required the presence of the entire crew from start to finish. In the fourth quarter, CHF changed its implementation strategy by creating three specialized work crews; 1) a crew for bridge bases (bastions), 2) a crew for launching and mounting steel I-beams and, 3) a crew for mounting concrete molds and pouring the bridge deck. By implementing this new crew deployment, CHF can have various crews working simultaneously on different bridges.
2. In the road rehabilitation portion of the project, CHF faced the dilemma of obtaining concrete tubing for drainage along the Franja Transversal del Norte. The option of bringing the tubing from Cobán or Guatemala City presented problems both in terms of logistics and cost. CHF discovered that the Municipality of the Ixcán had purchased the equipment for producing concrete tubing with the purpose of establishing a municipally owned business. The business was inoperative, however, due to a lack of clientele. In conversation with the municipality, CHF was able to negotiate an agreement for the provision of the tubing needed. The project has not only obtained a necessary service, but has contributed to the local economy and assisting in the generation of employment. Because of CHF's involvement, the municipal enterprise has been successful in developing additional clientele.

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Plans for FY 2001:

- Conclude the construction of bridges begun in FY 2000
- Construct ten new bridges.
- Install 1 Bailey Bridge
- Repair one Bailey Bridge over the Xalbal River.
- Conduct necessary environmental impact studies.
- Work with AMVI, which will perform the road repair activities, to implement this activity.
- Regular monitoring and evaluations of all activities.

Special Development Fund (SDF)

General description

The Special Development Fund (SDF) is a USAID fund that gives grants up to \$10,000 for community-based infrastructure projects. CHF targets communities where there is an evident need for infrastructure. This activity also presents a firsthand opportunity to build community relations among previous conflictive factions, as groups are brought together to work on a common goal.

In working with the national, municipal, and village-level agencies and committees, CHF promotes and strengthens local capacity to identify needs and to sustain and manage infrastructure projects in the future. Many benefits derive from this strengthening of local institutions through participation in infrastructure projects, such as:

- Capacity to respond to citizen/community needs.
- Leadership development.
- Commitment to maintain improvements in the future.
- Conflict resolution when different factions work toward a common goal.
- Environmental mitigation.

The program is administered by CHF in partnership with the local community and is funded by the USAID Special Development Fund and other counterparts including FONAPAZ, DECOPAZ and the local municipalities.

General Objective

- To strengthen the capacity of communities in becoming active in their own sustainable development and promote conflict resolution through community participation in the planning, management and implementation of infrastructure projects.

Specific Objectives

- To provide infrastructure that serves the basic needs of communities in rural areas and stimulates their socio-economic development.
- To train community committees in elaborating project proposals and managing resources.
- To assist community and municipal committees and leaders respond to the needs of citizens in the improvement of infrastructure.
- To ensure that environmental mitigation measures are considered in infrastructure projects.

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Background

The lack of development in and around the municipalities of Ixcán and northern Alta Verapaz is evident. Most communities lack access to basic services because basic infrastructure such as bridges, schools, potable water and health centers does not exist. Many families only consider subsistence farming because commercialization of products is almost impossible where there are no roads leading out of the village. From the more isolated villages, families have to walk up to ten hours to get to the nearest road or cross rivers with a strong current, risking their lives. The situation shows the lack of investment in the area and is also a result of the destruction of infrastructure during the civil war.

Many previous development and humanitarian assistance projects created paternalism in the Ixcán. In other cases, community members did not know how to organize themselves and had not been presented with the opportunity to work together. To overcome these problems, it was necessary for community members to participate as partners and not simply as beneficiaries in each phase of the project.

To increase community participation and basic infrastructure in a conflictive environment, CIT adopted the strategy of community-based infrastructure projects using funds from SDF. All projects have been undertaken at the community's initiative and require substantial community donations of local labor and materials. In the case of conflictive communities, CHF helped the different factions work toward a common goal benefiting the entire community. Twenty-four (24) projects were implemented in previous fiscal years.

Progress during FY 2000

Program Tracking Results

During FY 2000, three projects were completed including the following:

- One elementary School
- One training center
- One swinging bridge

CHF concluded one project that began in FY 1999 and began five others. Two of these projects were completed during the period and are mentioned above. The three projects scheduled for completion in FY 2001 are detailed below:

- One swinging bridge,
- One computer training center,
- One elementary school.

Funding for these projects was as follows:

| | |
|-----------------------------------|---------------------|
| 1. USAID Special Development Fund | \$ 34,717.00 |
| 2. Community contribution | \$ 30,213.00 |
| 3. FONAPAZ/DECOPAZ | \$ 64,720.00 |
| 4. Catholic Relief Services | \$ 23,075.00 |
| 5. Municipality of Playa Grande | \$ 8,903.00 |
| 6. CHF | <u>\$ 32,051.00</u> |
| TOTAL: | \$163,679.00 |

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Community Strengthening

Community participation is an integral part of CHF projects. This is especially the case in projects funded by SDF, where community members have a large stake in every phase of the project. Community committees present requests for projects to CHF. In more isolated villages, the promoters visit the community to introduce CHF and the SDF program. Once a project is deemed feasible, CHF works with the committee to elaborate the project proposal and budget, complete the necessary SDF paperwork, acquire legal status from the municipal government (if it does not already possess it), and submit the project to the SDF committee of USAID/Guatemala for approval. The community commits to provide unskilled labor and local materials needed for the project. CHF orients the community regarding how and where to pursue counterpart funding. Once the project is approved, CHF follows-up with the committee to determine a schedule for construction, trains the committee and community members in project planning and management, and supervises the implementation of the project. The opportunities of direct participation strengthen the community inhabitants. Lessons learned in basic project planning and management can be applied to other community needs. The promotion of democratic practices through infrastructure projects contributes to the enrichment of the culture for peace in a civil society.

Problems Encountered and Solutions

The lack of counterpart funding continued to be an issue throughout the year. This problem required that of SDF monies be returned until counterpart funds were obtained, causing serious discontent among the communities. Initially, CHF had taken on the responsibility of obtaining counterpart funding. In FY 2000, however, implementation strategy was changed to put this responsibility in the hands of the communities. CHF provided orientation and training as to how and where communities could solicit counterpart. This change has proved successful. For FY 2001, communities have secured commitments from the Municipality of Chiséc for the implementation of seven projects and from the Guatemalan Government agency DECOPAZ for the implementation of three. The total value of this counterpart is approximately \$80,000. All ten projects have been submitted to the SDF Offices in Guatemala City and are pending approval. CHF continues to search out and contact other potential counterpart donors.

Plans for FY 2001

- Complete structures in progress.
- Implement new projects approved by SDF.
- Continue to promote SDF projects in communities.
- Continue to seek counterparts for those projects without sufficient funding.
- Leadership development and capacity building of local committees.
- Conflict resolution.
- Environmental assessment of all new projects.

AGROFORESTRY AND ENVIRONMENTAL EDUCATION COMPONENT

General description

The Agroforestry/Environmental Component is administered directly by CHF. It consists of 19 promoters, two Agricultural Assistants and the Associate Director, Wilson Castañeda. The component seeks to introduce and implement new sustainable technologies for farming and forest management, test and introduce non-traditional crops, educate on environmental issues and

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generate income. New technologies are tested and demonstrated at the ICTA (Institute of Agricultural Science and Technology) experimental farm through an agreement between the two organizations.

Objectives

The objectives of this component fall under USAID lower level result 1 and 2 and include:

- Introduction of new sustainable technologies;
- Income generation; and
- Institutional strengthening.

Agroforestry

The agroforestry component operates in 64 communities in the Ixcán and Northern Alta Verapaz. CHF Promoters are the principal contact points for the component and receive extensive training in agroforestry systems and organic farm management, which they pass on to local farmers. There are currently nine agroforestry management systems being used by 840 farmers covering 1300 acres of land. The systems are the following:

- Hillside contoured tree rows
- Alley cropping
- Live Fences
- Perennial Cultivation
- Taungya
- Crop rotation with soil improvement crops
- Green manuring
- Trees as erosion barriers and hill holders
- Renewable Firewood Production

As in many parts of the world, in traditional agriculture in the Ixcán, a farmer slash-and-burns a plot of land, uses the land for two years and then abandons it for two or more years while it recuperates. One consequence of slash and burn agriculture is the necessity each year of 1) planting fewer crops or, 2) slashing and burning more forest to plant crops. The second option has led to a dramatic decrease in forest and, as was the case in March-April 1998, rampant forest fires.

CHF offers a third option, which is to implement agroforestry techniques that replenish soil, prevent erosion and include trees for fenceposts, firewood and construction. Under the agroforestry systems, land can be cultivated every year and production increased. Trees for firewood, construction and fenceposts are planted alongside crops. The program data collected below documents CHF's progress and success in training farmers to use these systems. The 1306 acres under agroforestry systems, considering the alternatives, represents hundreds of acres of forest saved and an increase in crop production.

Non-traditional crops

After testing various non-traditional crops, the Economic Activities component has begun to research market opportunities for crops like vanilla, palm heart, achiote and cardamom. CHF continues to plant and distribute pejobaye palm (the source of palm heart) planted at the ICTA

experimental farm and on participant farmers' land. CHF also purchased 10,000 vanilla cuttings from Papantla, Mexico. The cuttings were brought to the CHF/ICTA experimental farm, treated and distributed to select farmers. A total of 20 farmers are implementing demonstration plots with a total of two hectares planted.

Environmental Education

Environmental education work includes the training of teachers in the Ixcán and Northern Alta Verapaz in environmental education. Since inception, 107 teachers have received training and teaching guides and had the opportunity to practice presenting information in front of their peers. Approximately 8,000 students have benefited from this teacher training. Environmental education also includes small school ecological projects like gardens and tree nurseries. Additionally, environmental interpretation trips are planned to Lachuá National Park for students.

Background

Agroforestry

Agriculture represents the major avenue to food and economic security in the Ixcán. However, much of the agriculture being practiced in the Ixcán is not sustainable, economically productive or environmentally sound. Common practices include:

- Slash and burn agriculture.
- Cattle raising.
- Deforestation for firewood and illegal lumbering.

The growing population and continuance of these agricultural practices threatens the environment and future livelihoods of the population. 85% of the soils in Ixcán are suitable only for forestry and are part of a very fragile eco-system.

The CHF extensionists/promoters are the principal contact point with the community for the agroforestry/environmental education component. They all have farming backgrounds and are trained in topics such as working with groups, extension skills, agroforestry systems, implementation and management of agroforestry demonstration plots, tree nurseries, working with both men and women in project activities, soil management and conservation. Training is carried out using a system of formal training mixed with on-site training and supervision monitored by CHF staff

Through a formal agreement with ICTA, CHF CIT reactivated an experimental farm of about 200 acres that had been abandoned and abused for several years. In addition to saving the experimental crop demonstrations, CHF works with ICTA in preparing new agroforestry demonstration plots and tree nurseries on the farm with crops that have the potential to be economically viable in the Ixcán.

The ICTA farm currently serves a training and demonstration function for the entire Ixcán area. This demonstration function, while important, does not obviate the need for tree nurseries and satellite demonstration plots closer to the farmer's land and managed by persons the farmer recognizes as his/her peers. A total of 689 demonstration plots and 72 community tree nurseries have been established since inception of the program in both the Ixcán and Fray Bartolomé de las Casas program areas.

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Environmental Education

Environmental Education was originally seen in the project as a small part of the work of disseminating sustainable farming practices in the Ixcán. Over the past year the number and type of activities have been expanded and their integration with the component has deepened. The Participatory Rapid Rural Assessment process showed a community desire for environmental education with a concentration on forest preservation. Community leaders generally still believe that environmental education is just for children and in a formal school setting. However, farmers and community leaders are receiving environmental education in a non-formal extensionist methodology through agroforestry training.

CHF/CIT project personnel felt it was important to have an environmental education system and not just a series of isolated workshops. In environmental education, CHF/CIT project personnel were able to form a formal alliance with the Guatemalan Ministry of Education as a partner organization. This provides the framework for formal and non-formal training with teachers and students in workshops given by the CHF/CIT project team. The goal is that the teachers will eventually become fully qualified to teach environmental education in their schools. The Ministry of Education has fully recognized the educational value of these courses and teachers receive diplomas that carry the Vice-Minister's signature.

Environmental interpretation, consisting of lectures accompanied by hikesthrough forested areas, has been carried out to show a practical side of environmental education to farmers, teachers and students and to engender a greater appreciation for the natural forest. The area leading into the Lachuá National Park area has provided an appropriate area for this activity.

Progress in FY 2000

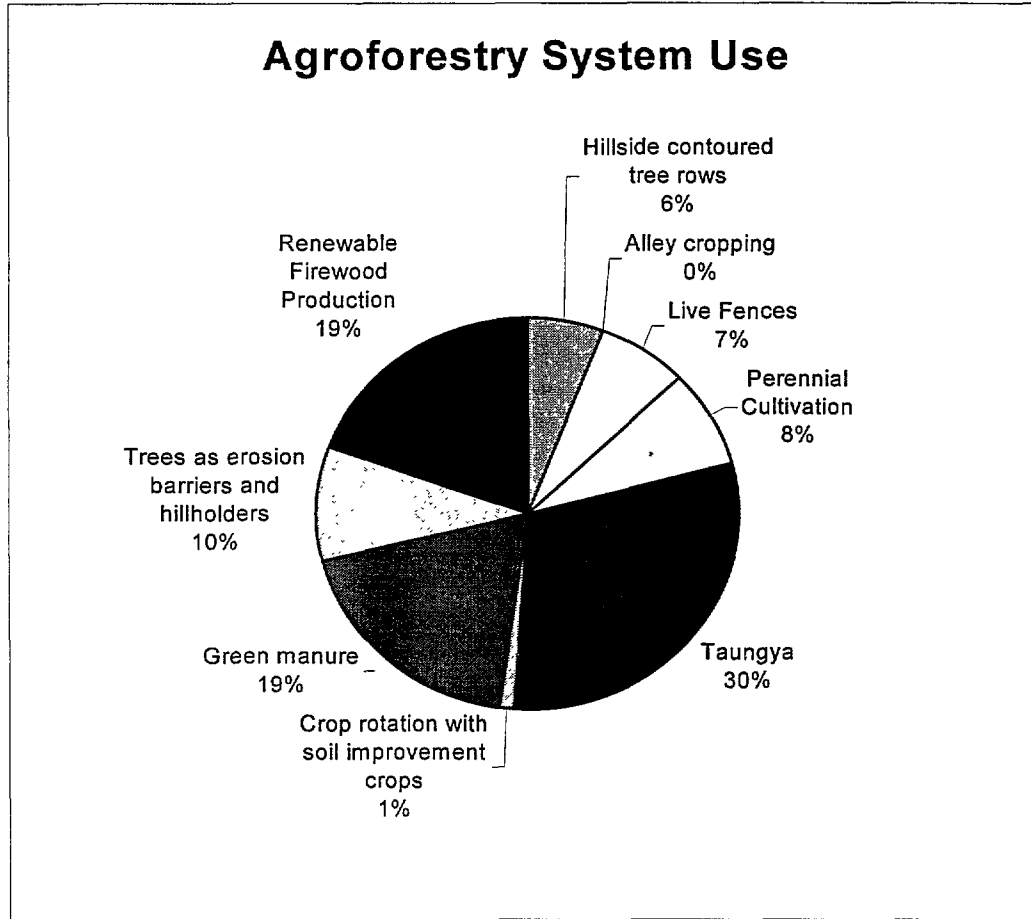
A total of 2,345 people were trained during the year in agroforestry systems, organic management and environmental education. Specific program accomplishments are listed below.

Program tracking results

| Indicators | FY 2000 Goal | FY 2000 Actual |
|---|-------------------------|---------------------------|
| Number of farmers implementing agroforestry systems | 600 | 840 |
| Acres under agroforestry management | 350 | 1306 |
| Number of farmers, teachers, students and community leaders trained in agroforestry systems and environmental education | 500 | 2,345 |

Major Findings

The graphic below demonstrates the distribution of the different agroforestry systems currently in use by farmers participating in the Agroforestry project.



Progress continued in the consolidation of component activities in Alta Verapaz. CHF's understanding of the challenges of working with the traditional farmer initially facilitated the implementation of the agroforestry model in that region. As expected, it also smoothed the process of introducing non-traditional crops to the area. During FY 2000, CHF successfully established the first demonstration plots of pejobaye palm (heart of palm) in Fray Bartolomé de las Casas.

Institutional Strengthening Results

Institutional strengthening is occurring in many areas of this component. One way, which has occurred since inception of the program, is through the provision of technical expertise and training to organizations like ICTA and the Ministry of Education. Another way is through periodic training and collaboration with other organizations. The agroforestry component worked with more than 250 representatives from the following organizations during FY1999. CHF also collaborates with organizations other organizations to achieve project goals.

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Radio Ixcán and the Municipality of Playa Grande: CHF continued to support the presentation of the successful environmental education program called “*Ixcán Verde*” (Green Ixcán) on the local radio station.

Development Association of Nuevo Amanecer: CHF assisted Nuevo Amanecer in the development of project proposals for FY 2001. Development plans and objectives for the organization were discussed.

Movimundo National Forest Institute (INAB), ICTA and the Municipalities of Ixcán and Fray Bartolomé de las Casas: These organizations received support from CHF to learn about the systems used and methods for introducing agroforestry systems. CHF also assisted them in the Elaboration of project proposals related to agroforestry and then environment.

Guatemalan Ministry of Education

CHF provided technical assistance and training on small school environmental projects and provided environmental interpretation trips to Lachuá National Park to 210 area students.

Lachuá National Park Project

CHF works with this organization to provide training to their staff in agroforestry systems and environmental education to communities bordering the park.

The Association of Development Promoters of the Ixcán (APDHAVIN): This organization coordinated the logistics for a non-traditional crop presentation to farmers for the purpose of establishing a representative organization dedicated to the processing and commercialization of non-traditional crops.

Pastoral Social, Ixcán: CHF provided training to farmers that participate with this organization in areas such as agroforestry and farm management.

CESI Barillas: CHF coordinated with this organization that is implementing the CIT project in Barillas, Huehuetenango. CHF and CESI exchanged visits and shared important lessons learned regarding their respective projects.

Association of Non-Traditional Exporters (AGEXPRONT): CHF coordinated extensively and received substantial support from this organization in the area of non-traditional crops. AGEXPRONT provided support to CHF efforts through the provision of consultants in the development and implementation of a small-scale palm heart processing plant and in the organization of a non-traditional crop producers association.

Problems Encountered and Solutions

The principal challenge to implementing new agroforestry technologies in the Ixcán and Fray is convincing farmers to take on what they consider to be substantial risk. As primarily subsistence farmers, a change from traditional ways represents a risk to their families and minimal income that they might obtain from each harvest. It is safer to have a poor harvest that damages the environment than to risk starvation under new methods. Within this context, traditional farming methods have been used for generations and farmers know how to implement them. To change methods at this point requires learning new techniques and, again, represents a risk to farmers with little or no education.

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The agroforestry component is managed to provide education workshops at ICTA (where farmers can see agroforestry systems in operation), community demonstration plots and through farmer-to-farmer training. Understanding the challenge of implementing new technologies in a traditional culture led CHF to develop a process of demonstrating methods, training farmers and reducing the fear of risk. The success of farmers participating in the CHF program has been the most effective mechanism for convincing new farmers to participate also.

Success Stories/Conflict Resolution

During FY 1999, CHF began working in the community of Yalicoc, Chisec, Alta Verapaz. The promoter assigned to this community is Antonio Macz Cucul. The community was divided into two groups and, at the outset; Antonio was only able to work with six farmers from one group. The first year, this small group of farmers began working together, planting various species of trees. Due to Antonio's and the initial group of farmers' hard work and the methodology used to implement the nursery, 36 additional farmers expressed interest in participating. The new farmers indicated that they were interested because of the way the other group worked together and the success that the nursery had had. Some of them indicated that, a few years ago, a number of farmers had tried to plant hundreds of cedar saplings but few of the trees survived. Upon seeing the success rate of the trees planted by that first group, of daring farmers these new farmers decided to join in. The majority of trees planted by the new participants is developing well and has survived the first year. The entire group is now expanding the types of trees being grown to include mahogany and several species of fruit trees.

CHF considers these kinds of cases as a validation of its methodology. It is important and interesting to note how much more effective it is for the farmers to teach one another with positive results and small successes. What is needed at the beginning is willingness, patience and an opportunity. It also clear that when a common purpose is established, people tend to set aside their differences and work together reach the objective.

Plans for FY 2001

Partial Goal plan for FY2001

- 950 farmers using agroforestry systems
- 30 farmers using forest management in addition to agroforestry systems
- 2,200 people trained in management systems
- 520 hectares of land under agroforestry and/or forest management
- 1,600,000 trees produced since inception

ECONOMIC ACTIVITIES COMPONENT

The Village Banks Sub-Component

General description

The village banks component is administered through partner NGO *Central de Servicios Integrales para el Desarrollo* or Center of Integrated Services for Development (CESIDE). The program has two promoters who promote and establish banks, orient participants to credit and provide follow-up training and oversight to the bank. A half-time accountant and a half-time supervisor provide administrative support. The CHF sub-component coordinator is Erick Flores.

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Individual borrowers start with a loan of Q500 for a four-month period. During that time, they pay a monthly interest rate of 2.5% and are required to save 20% of the loan amount. Subsequent loans are Q500 plus an amount equal to their savings and are for six months. Loans have been used for vegetable sales, chickens, pigs, pastry production, clothing purchase and resale and small grocery stores.

Objectives

The objectives of this program fall under USAID lower level results 1 and 2 and include:

- Institutional strengthening of a local NGO.
- Income generation.
- Providing a credit opportunity to women without access to traditional lending institutions.

Background of the relationship between CHF and CESIDE

CHF and CESIDE began promoting village banks in January 1997 after visits to village bank operations in Quetzaltenango and Totonicapan and a four-day training by FUNDAP in village bank methodology. A formal contractual agreement between the two organizations was established in July 1997.

In FY1998, the program refined the administration, promotion and training support for village banks. In February 1998, an additional promoter was hired which greatly increased the program's capacity to promote new banks while maintaining existing ones. The number of banks increased from four to eleven during FY1998 and the number of members increased more than 400% from 48 to 204. The number of members per bank increased from 11.5 to 18.5. In FY 1999 membership grew to 504, an increase of 249%.

Progress in FY 2000

Institutional Strengthening:

CHF carried out the institutional strengthening of CESIDE in a variety of ways during the fiscal year. The Village Bank Coordinator met on a regular basis with CESIDE staff and the Board of Directors. These meetings were used to provide training, guidance and advice.

In February 2000, CHF transferred the responsibility of the Village Banks Promoter, who until that time had been a CHF employee, to CESIDE. Since that time all promotion of new banks and the support and training of existing banks has been the work of CESIDE staff. CHF has provided follow up directly with CESIDE. CHF also supported four specific training activities during the fiscal year. A total of 32 individuals (7 women) from CESIDE's staff and Board received training.

The clearest result of CHF institutional strengthening efforts with CESIDE is the dramatic increase in project indicators. The number of banks increased by 30% (from 20 to 26 banks), membership increased by 25% (from 507 to 633 active members) and portfolio increased by 64.5% (from Q.301,700 to Q.496,210). In all three of these areas, CHF and CESIDE efforts have surpassed established goals and objectives.

In February 2000, CHF transferred the responsibility of the Village Banks Promoter, who until that time had been a CHF employee, to CESIDE. Since that time all promotion of new banks and

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the support and training of existing banks has been the work of CESIDE staff. CHF has provided follow up directly to CESIDE.

This acquired experience has enabled CESIDE to establish contacts with other organizations and to negotiate financing for their credit programs. To date, the results have been positive.

- With support from CHF, CESIDE presented a proposal to CECI-PREAPAZ, to fund 15 village banks in Malacatán, San Marcos. The proposal was approved and implementation began in December 1999.
- For the past four years, CESIDE has been administrating a micro-enterprise loan portfolio, funded by UNHCR, in the amount of Q1,024,000.00. CESIDE requested that this portfolio be turned over to them as a donation. With support from CHF and USAID, UNHCR agreed to donate the portfolio. One of the conditions of the donation stipulates that part of the portfolio will be destined to support the Village Bank Program.
- CESIDE presented a proposal to the Guatemalan Social Investment Fund (FIS) for micro-credit and group lending. Although the project was initially approved, changes in government resulted in the proposal being subsequently rejected.

Beginning in FY 2001, all operation and loan capital assistance will end and CHF will provide only technical assistance. Improvement in project indicators notwithstanding, CHF considers this additional year

Training:

In FY 2000, the 633 village bank members received training designed to improve bank operation, improve member businesses or teach new business skills. Training topics included some of the following areas:

- The solidarity guarantee.
- Orientation to credit.
- Selecting the right business.
- Management and use of savings.
- Meeting management and punctuality.
- Tracking expenses and income.
- Marketing your product and quality control.
- Growing your business.
- Starting a business with other members.
- Maintaining and growing the size of the bank.
- Internal credit (loans made by the village bank directly to individuals).
- Chocolate and pastry confection
- Pig vaccination
- Health and gender issues.

During the reporting period, each village bank member participated in an average of five training activities. CESIDE promoters also provide follow up training to members during their bi-weekly visits to each bank. Additionally, with CHF assistance, CESIDE signed an agreement with the National Literacy Committee (CONALFA) for the provision of literacy training. CONALFA promoters, taking advantage of village bank meetings, are implementing 17 adult literacy classes

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in 12 communities. Classes are open to both women and men. The women receiving the classes are all village bank members.

CHF also supported CESIDE in the training of representatives of Village Bank Boards of Directors. Two events were carried out during the year with a total of 177 participants.

Credit Program Tracking Results

The following chart notes progress during FY 2000.

| Indicator | Sept. '98 | Sept. '99 | Sept. '00 |
|---|-----------|-----------|-----------|
| Number of banks | 11 | 20 | 26 |
| Number of active members | 204 | 507 | 633 |
| Number of members/bank | 18.5 | 25.4 | 24.35 |
| Average loan size | Q 567 | Q 666 | Q. 695 |
| Outstanding loan amount | Q 115,625 | Q 301,700 | Q.495,760 |
| Interest income | Q 5,413 | Q 52,177 | Q. 81,931 |
| Overdue accounts | 0 | 0 | 0 |
| Write-off accounts | 0 | 0 | 0 |
| Total member savings | Q 37,366 | Q 80,364 | Q176,311 |
| Average savings/ member | Q 183 | Q 159 | Q. 279 |
| Savings as a percentage of loan portfolio** | 32% | 27% | 36% |
| Operational self-sufficiency | 12% | 39.7% | 52% |
| Oper./financial self-sufficiency | 9% | 34.5% | 42% |

*Exchange rate in September '98: Q6.52/\$1, September 1999: Q7.75/\$1, September 2000: Q7.8/\$1

**Savings requirement is 20% of loan. This result indicates good business earnings and/or an understanding of the benefits of having savings.

Problems Encountered and Solutions

In Members of the Village Bank Virginia arrived at the CESIDE Office for a meeting with CESIDE staff regarding the requirement that the bank members cover the loan of a member that pulled out of the bank without repaying. The member had apparently left the Ixcán and relocated in the Southern coast of Guatemala. The agreement that CESIDE reached with the bank members that they find out the new address of the member in default and CESIDE would do everything possible to locate her and collect the loan. If that was not possible the village bank would cover interest payments and CESIDE would cover 50% capital in default. The remaining capital would be covered from the savings of the member who defaulted.

Success Stories

Doña Mercedes is a member of the Village Bank, La Esmeralda, who lives in the community of Nueva Esperanza approximately 8 kilometers from the municipal seat of the Ixcán. With part of her first loan she began operating a small store in her community and with the other part began buying and selling plantains due to the large amount of cultivation of this fruit in the area. During the first three credit cycles, income from the sale of plantains provided her with working capital to stock her store.

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With the arrival of Hurricane Mitch in November 1998 and the devastation it brought, Doña Mercedes' efforts to improve her situation came crashing down around her. The heavy rains and strong winds wiped out all of the plantain production due to the location of the fields on the banks of the Chixoy River.

Other people might have given up but not Mercedes. She possesses an impressive optimism that permits her to envision a better future. Instead of accepting defeat, she analyzed her options and, with her remaining loan capital, began selling used clothing brought down from the United States. The savings that she had made during the six village bank cycles qualified her for a bigger loan and with this loan she began analyzing the possibility of purchasing more clothing and establishing a formal sales operation in the Municipal Market. With the loan from the village bank plus savings from other family members she traveled to Guatemala City, a distance of 335 kilometers from the Ixcán, in order to obtain better prices and a greater variety of clothing.

Doña Mercedes now has a stall in the Cantabal Market where she sells clothing at both the retail and wholesale levels. She has a large clientele who are satisfied with her prices and her service. Her daily income is approximately Q.200 (\$25) and her inventory is valued at between Q3,500.00 a Q4,000.00 (\$450 to \$500). Doña Mercedes is making the transition from the informal to the formal economic sector and her determination and entrepreneurial skills ensure that her efforts will be successful.

Plans for FY2001

- CESIDE's staff and board continue to be strengthened through training and technical assistance.
- Program management tools developed and implemented.
- Provide training to Board of Directors to solicit funding.
- The CESIDE board submits a minimum of two proposals to alternative funding sources for the bank program and/or its micro-credit program.
- Carry out a financial analysis of the program to determine strengths and weaknesses.
- Develop the criteria, with USAID approval, for turnover of loan capital and interest payments to CESIDE.
- Support CESIDE in the development of institutional policies, credit and operational manuals.
- Support CESIDE in the development of training guides.

Non-Traditional Crop Commercialization

General Description

CHF has experimented with various non-traditional crops at the ICTA experimental farm and identified traditional crops like cardamom and achiote that, if processed, have good income potential. These crops also, in diversifying the income and risks of the farmer, will provide income and food security for the family. CHF is in the initial stages of moving tested crops into nurseries and demonstration plots.

The non-traditional crop program focuses on five principles:

- Provide opportunities for greater income among families with crops that have been proven feasible and technically sound for the area.
- Present a diversified base of crops to minimize risk and provide greater income stability.

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- Aggregate value to products by processing them in the area. This is another income opportunity as well.
- Produce 100% organic products, which opens up market opportunities, but also conserves the environment, lowers production costs and improves land fertility.
- Form part of the Farm management model.

Objectives

The objectives of this component fall under USAID lower level result 1 and 2 and include:

- Introduction of new sustainable technologies.
- Income generation.
- Institutional strengthening.

Progress in FY 2000

During Fiscal Year 1999, through analysis and consultation with area farmers, the decision was made to orient efforts toward the creation of an organization of farmers that would initially cover the municipality of the Ixcán. During Fiscal Year 2000, efforts began to make contacts and coordinate with farmers to establish the organization of non-traditional crop producers. Surveys were conducted to determine farmer opinion regarding participation in the organization and to determine the most appropriate legal structure. Coordination with AGEXPRONT was crucial to these activities. AGEXPRONT provided consultants that complimented CHF expertise to help lay the groundwork for the organization.

The first phase of organizing the association consisted in of workshops with farmers to provide them with information and obtain their input. These workshops were carried out by geographic sectors and coordinated by the corresponding Agroforestry Promoter. The participants were representatives from each of the communities covered by the Agroforestry and Environmental Education Components the Non-traditional Crops sub-component.

The second phase began implementation in the last half of the fiscal year. CHF, with support from AGEXPRONT, consultants and legal experts, worked with sector representatives to determine and establish the appropriate legal structure of the organization. This phase will conclude in FY 2001 with two representatives per sector being elected to serve on the organization's provisional board of directors.

Heart of Palm – Pejibaye: During the year, CHF continued to carry out the distribution of Pejibaye palms to community nurseries and farmers and CHF provided on going technical assistance. Also during the year, the harvesting of pejibaye seeds resulted in a total of 148,000 seeds harvested and placed for germination.

In the CHF/ICTA Experimental Farm component staff, with support from consultants paid for by AGEXPRONT, implemented a small-scale organic heart of palm processing plant. To date a total of 1,200 palm heart stalks have been processed. Consultants are in the process of determining the optimum process that will ensure the final product maintains its organic classification, the highest quality and achieve market acceptance.

CHF expects that the success of the processing plant will serve as continued motivation for the development of the non-traditional crop farmers' organization.

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Vanilla: The first demonstration plot of this crop was established in the CHF/ICTA Experimental Farm in January 2000 with 2,000 plants. The results that the crop showed in terms of development and adaptation to the area were positive. Following the schedule it had established, in July 2000, CHF acquired 10,000 additional vanilla stalks from Papantla, Veracruz, Mexico. After treatment in the Experimental Farm the stalks were distributed among 20 select farmers for the establishment of demonstration plots

Cardamom: During the year, cardamom plants were produced in the CHF/ICTA Experimental Farm. Work will continue of validation of this crop as a non-traditional product. In addition, a demonstration plot was established and is being managed as an innovative and economically feasible mechanism of forest recovery.

Achiote: This plant is currently being grown in the CHF/ICTA Experimental Farm nursery and in community nurseries. During the year, individual farmer demonstration plots were established using the varieties validated by CHF and the farmers themselves. Training activities on the management of achiote trees were implemented in the communities and the Experimental Farm.

Goals for FY 2001

- Provide technical assistance and training to farmers regarding non-traditional crops.
- Continue coordination with AGEXPRONT regarding the formation of the farmers' organization, processing and marketing of non-traditional crops.
- Definition based on farmers' input and decision-making, of the appropriate legal structure for the non-traditional crop organization and the legalization of the organization.
- Conformation of a provisional board of directors for the farmers' organization.
- Provide technical assistance and training to the farmers' association
- Complete technical investigation of non-traditional crops and varieties at ICTA farm.
- Determine market feasibility of each crop
- Define methods for processing for non-traditional crops
- Purchase complementary processing equipment.
- Define marketing plan.
- Obtain organic certification and train farmers in the process.
- Quantify current production levels of cardamom and achiote.
- Support the establishment of a contractual relationship between farmers' association and buyers.

ENVIRONMENTAL MITIGATION

Background:

The creation of the Environmental Mitigation Component and the application of environmental mitigation on project efforts were included in the June 1998 extension of the CIT Project. The Environmental Mitigation Component is a project wide support component for the CIT, Mitch and FONAPAZ projects. Support also extends to CHF counterparts, AMVI, CESIDE and ICTA. Component efforts serve to backstop programmatic components to ensure sustainability of CHF activities in regard to the area's natural resource base. The Component also ensures that the projects implemented have minimal impact on the environment and that negative impacts resulting from project activities are corrected. The Environmental Mitigation Team is currently comprised of the Environmental Mitigation Officer and two assistants. CHF also uses national, regional and US-based consultants as needed. The component participates in all project activities,

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from planning through implementation stages, to assure that an assessment of all CHF activities occurs in an on-going manner and that CHF activities are in line with the Rapid Environmental Assessment (APESA 1998), USAID Regulation 216 and Guatemalan Environmental Law. In some instances, the Team will conduct an Environmental Impact Evaluation prior to project implementation, which will provide a specific environmental assessment and will provide criteria for decision-making and recommendations for the mitigation of environmental impact.

Progress in FY 2000:

As of this fiscal year, the Environmental Mitigation Team became a fully functioning support Component of the CIT Project. Initial difficulties in the recruitment of a qualified Environmental Mitigation Officer with the necessary knowledge of the program area prompted CHF to confirm Wilson Castañeda in that position in January 2000. Mr. Castañeda had been filling that position on an interim basis since June 1999. In January 2000 the two assistants were hired and the Team began compiling the necessary maps, instruments and bibliographic materials, and developing the tools and formats needed for environmental evaluation and control.

During the reporting period, the Environmental Mitigation Team developed and validated the mechanisms and formats for the planning, implementation and evaluation of projects with minimum environmental impact. These tools include Environmental Guides, Project Environmental Opinions (*Dictamens*), Environmental Impact Evaluations and the Programmatic Environmental Assessments. These tools will be progressively validated and refined during FY 2001. With this effort, the Team laid the foundation for the application of Environmental Mitigation in CHF projects.

The primary formats developed include:

- A table summarizing the USAID Environmental Regulation 216;
- The design of the Project Implementation Environmental Opinion (*dictamen*);
- Environmental Opinion register;
- Notification Formats for procedures, evaluations and sanction; and
- Visit reports.

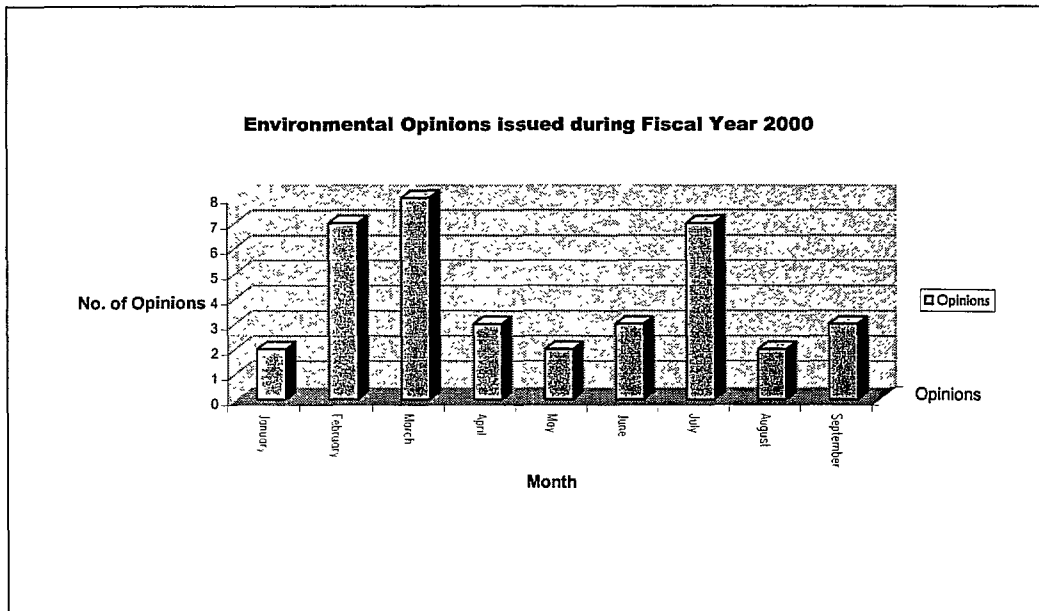
Throughout the year the team worked to internalize the concept and application of environmental mitigation amongst CHF staff and counterparts. This hard work was successful as evidenced by the acceptance of CHF Environmental Standards. A good example of this is in the case of the construction of the Santo Tomas Bridge bases. In this construction, the CHF construction crew violated the Project Environmental Mitigation Opinion for the work. Work was stopped on all bridges for a three-day period during which all three construction crews engaged in environmental restoration activities at the Santo Tomas Bridge site. Team efforts were also crucial in obtaining USAID approval for AMVI Environmental Guidelines. USAID approval was also obtained for the team to implement Environmental Impact Studies and Environmental Program Studies

During the fiscal year, the Environmental Mitigation Component implemented 12 training activities. These training was predominantly oriented to support the AMVI Institutional Support and Infrastructure Component as well as the Agroforestry and Environmental Education Component. Support was also provided, however, to the Economic Activities Component, especially in the establishment of the heart of palm processing plant in the CHF/ICTA Experimental Farm.

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All project activities during the fiscal year received visits in the field prior to the team emitting in its Project Environmental Opinion. From the perspective of the Environmental Mitigation Officer, this Opinion has formed the basis of the development of the projects. This document synthesizes the environmental condition of the site prior to the implementation of project activities and proposes alternatives that diminish or eliminate environmental impact. Thirty-seven (37) Environmental Opinions were issued during the fiscal year as detailed in the following table and the number of Opinions issued per month is displayed on the following graph.

| Activity | RESOLUTION OF THE ENVIRONMENTAL OPINION | |
|--|---|------------------|
| | Proceeds | Does not Proceed |
| Road Rehabilitation | 2 | 0 |
| Construction of vehicular Bridges | 15 | 0 |
| Extraction of red clay and material for refill and road ballast | 5 | 1 |
| Community training centers | 1 | 0 |
| School construction and enlarging | 3 | 0 |
| Pedestrian Bridges | 2 | 0 |
| Small-scale palm heart processing plant | 1 | 0 |
| Construction of a thatched hut for use as a lunch room/rest area in the CHF/ICTA Experimental Farm | 1 | 0 |
| Conditioning of sites for the accumulation of road maintenance materials. | 3 | 1 |



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Goals for FY 2001

- Refine and implement the Environmental Monitoring Plan
- Systematize the implementation of Environmental Impact Evaluations
- Develop the Programmatic Environmental Assessment for the project as a whole.
- Assess the project area as relates to environmentally harmful practices.
- Provide training, guidance and recommendations to staff, counterparts and communities on mitigation activities to be implemented and provide follow-up.
- Contract consultants as necessary to conduct environmental studies, training and guides.

Expected Outputs

- 57 Environmental Project Opinions (*Dictamens*)
- 4 Environmental Impact Evaluations
- 2 general trainings regarding Environmental Mitigation oriented toward the Administration and Support Component
- 1 Programmatic Environmental Assessment
- 7 workshops to AMVI and CHF Infrastructure personnel on, a) water drains b) industrial safety c) Environmental Mitigation and c) materials extraction.
- 7 training workshops to Agroforestry and Environmental Education staff on a) Integrated management of pests, and plant diseases, b) CHF Environmental Guidelines and c) Specific training on each of the activities that the Component carries out for reinforcement workshops with the communities.
- 2 general training workshops for Village Banks
- 3 general training workshops for Environmental Mitigation Component personnel.
- 5 Environmental Guides for the Agroforestry Component
- 100 follow-up evaluations on projects being implemented
- 30 project closeout evaluations

OTHER ACTIVITIES

CHF hosts course on Maintaining Rural Roads with Environmental Mitigation

From April 10-14, CHF hosted a course entitled "Maintaining Rural Roads with Environmental Mitigation." Environmental Mitigation staff organized and conducted the event. Over 50 participants attended, including personnel from AMVI, USAID, USDA Forest Service, CONAMA, Ministry of Communication, General Road Directorate (*Dirección General de Caminos*), and Luis Berger International, Inc.

Congressional Delegation Visits the Ixcán

On August 30, CHF/Guatemala staff organized a brief tour of the CIT project for Craig Powers, Senior Legislative Assistant to Maryland Congresswoman Constance Morella. Powers, on vacation in Guatemala, had been invited to visit the military base in the Ixcán, and the US embassy recommended that he also visit some CIT project sites. Traveling with Powers were two embassy officials, Vice Consul Vernelle Trim, and Defense and Army Attaché Col. Mario Jimenez. CHF staff gave a project overview at the CHF offices in Playa Grande, before setting out for the experimental farm, where the group had a brief tour and enjoyed lunch, which included roasted heart of palm grown and canned on the farm. A stop at the Trinitaria Bridge provided the opportunity to explain the bridge and road rehabilitation work under the Hurricane Mitch reconstruction project. There was also time for a brief stop at the

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AMVI Headquarters. The visit was very well received by the delegation, and all the comments were extremely positive.

CHF on the Internet

CHF continued to maintain an Internet web site, as an important outreach effort for highlighting project activities. The web site is updated on a regular basis with information and pictures of project activities. It is available at the following address:

<http://www.chf-Ixcán.org>

CONCLUSION

It is important to point out the political, cultural, economic, and environmental context within which CHF operates in the Ixcán. There are fifteen indigenous groups, divided by 36 years of conflict, displaced to other parts of Guatemala and Mexico, militarized or part of the guerrilla movement (CPR). Every person with whom CHF works has a story to tell about how the conflict affected his or her life. These examples include the loss of family members, sleeping under the floor of their house at night for fear of flying bullets and fleeing to Mexico under a government policy known as "scorched earth." Disputes over land titles and the fact that many NGOs have focussed their work exclusively in returnee communities further exacerbates the divisions between communities. The Guatemalan government, the justice system and many NGOs are mistrusted because of false promises or corruption. What little infrastructure existed prior to the conflict was destroyed.

The Ixcán is a humid sub-tropical forest area with shallow topsoil that produces poor harvests and many families are either subsistence or near subsistence farmers with little time to "waste" with even well intentioned assistance organizations. The average annual household income is approximately \$550 and in 1998 the Pan-American Health Organization reported that 72% of households lived in extreme poverty. Literacy levels are approximately 30% and many of CHF's clients can not read or write.

As noted in the executive summary, CHF reached and, in some cases, surpassed FY2000 project goals related to the three component areas. Since the signing of the Guatemalan Peace Accords in December 1996, CHF has established itself as a reliable organization that gets things done under difficult circumstances and unites people toward common goals to overcome a divided past.

Here again, are some of the principal accomplishments of CHF efforts in FY 2000:

- 169 kilometers of road maintained by AMVI during FY 2000 for a total of 297 kilometers.
- Direct transfer of operating funds to AMVI.
- Three community infrastructure projects completed.
- Three community infrastructure projects initiated and ten more presented to SDF along with counterpart contribution commitments.
- Four vehicular bridges built and the work on nine more initiated.
- 840 farmers implementing agroforestry systems using organic management practices on 1306 acres of land.
- 2,550 farmers, teachers, students and community leaders trained in agroforestry systems and environmental education.
- 633 women from accessing credit and business training through the village bank program in 26 village banks.
- 8,550 people trained since project inception.
- AMVI, CESIDE, Community Committees and schoolteachers strengthened to carry out program activities supporting sustainability in the area.
- CHF activities in 93 communities in the Ixcán and Northern Alta Verapaz.

Despite the harsh conditions, these accomplishments and many others have helped CHF build a strong reputation. They are the result of the hard work of a dedicated staff committed to achieving CHF's mission in the area, which is to promote sustainable development of communities with responsibility, a service attitude and teamwork. CHF will continue and build on these activities through FY2001.