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Executive Summary

This is the Semi-annual Report for FY 2002 covering the activities and progress towards exit targets for the Communities in Transition Project (CIT). The Cooperative Housing Foundation (CHF) implements the CIT Project under a Cooperative Agreement with the United States Agency for International Development USAID. The report covers the period from October 1, 2001 through March 31, 2002.

CHF and USAID support the Guatemalan Peace Accords through the implementation of the Communities in Transition (CIT) Project as a means 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 achieves 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 September 2000, an additional extension was approved and signed, increasing the total budget to \$9,983,744. This extension was granted in order for CHF to continue the implementation of non-traditional crops and the formation of a growers' association, firm up the institutional strengthening of AMVI, provide support for the implementation of the Post Mitch Infrastructure Reconstruction Project and to implement an adequate exit strategy that would provide assurances of the sustainability of project efforts.

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

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- 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 distrust of outsiders, paternalism, a tradition of slash and burn agriculture and a population of which 72% live in extreme poverty.¹ During the reporting period, the 80,000 residents of the Ixcán directly benefited from CHF-CIT programs including AMVI road maintenance activities. All benefited from the bridges built under the Post Mitch Infrastructure Rehabilitation and FONAPAZ Bridge Construction Projects. More than 1,000 families directly benefited from technical assistance provided to farmers, more than 2,600 families directly benefited from road work performed by AMVI, and 3 communities benefited from the completion of SDF projects. During the first semester of FY 2002, 1,002 people were trained to implement agroforestry management systems, manage businesses, manage savings and credit, and follow environmental mitigation procedures.

The Ixcán Road Maintenance Association or *Asociación de Mantenimiento Vial de Ixcán* (AMVI) held its ordinary General Assembly in compliance with its bylaws. Association members demonstrated their commitment to the democratic process by electing new members to the board of directors. CHF continued the transfer of operating funds directly to the association and AMVI performed 9 road maintenance projects with the municipality and local communities. AMVI continued to look for bidding opportunities with MICIVI although nothing has materialized at this time.

During the reporting period, CHF completed three projects supported by the USAID Special Development Fund (SDF). These projects were implemented using counterpart from the Guatemalan Community Development Fund for Peace (DECOPAZ). In total these community projects generated more than \$75,000 in counterpart contributions. All SDF 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.

The goals of the FONAPAZ Bridge Project, although separate from the Communities in Transition Project, is complementary to CIT. CHF began FY 2002 with only one bridge pending completion, a 45 meter steel structure bridge in Esquipulas. This bridge was launched in March and opened in early April.

The Agroforestry and Environmental Education component continued to operate in both the Ixcán and Northern Alta Verapaz. In total, 1,008 farmers are implementing agroforestry techniques and organic methods on 2,070 acres of land instead of the traditional slash and burn. This is a 3 % increase in farmers and 17 % increase in land from the end of FY 2001. Due to seasonal agricultural factors, increases are more substantial in the second semester of the fiscal year. During the reporting period a total of 191 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. This brings project accumulated total agricultural trainees to 4,746.

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

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As of October 2000, CHF ceased the transfer of operating and loan funds to CESIDE as part of the CHF phase-out of technical support and CESIDE's increasing ability to operate independently. By the end of March 2002, the village bank program included 31 banks and seven hundred and ninety-one (791) women who receive loans (via the local NGO, CESIDE²) for income-generating businesses. The active portfolio between CESIDE and the 31 banks was \$100,000. The outstanding portfolio between CHF and CESIDE is \$77,000, which is programmed to be turned over to CESIDE in the second semester of 2002. This process has not taken place as rapidly as originally programmed due to CESIDE's audit process and a problem with their financial management procedures.

CHF continued to progress in the testing and cultivation of non-traditional crops at the CHF/ICTA³ experimental farm and with individual farmers. Support and technical assistance were provided to individual farmers growing vanilla and palm heart in their demonstration plots. The testing of heart of palm processing continued and regular production was initiated. As of March 31, some 500 cases (6,000 jars) of palm heart has been produced. AGEXPRONT has been working on commercialization and exportation; however, no client/distributor has been contracted with to date. An initial, experimental harvest of Vanilla is hoped to take place during the second semester of 2002, targeting export to a Mexican processor.

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 have 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 stands for the *Central de Servicios Integrales para el Desarrollo* or the Center for Integrated Social Development.

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

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Introduction

This is the Annual Report for FY 2002 covering the activities and progress towards exit targets for the Communities in Transition Project (CIT). The Cooperative Housing Foundation (CHF) implements the CIT Project under a Cooperative Agreement with the United States Agency for International Development USAID. The report covers the period from October 1, 2001 through March 31, 2002.

CHF and the USAID support the Guatemalan Peace Accords through rural development in the Ixcan 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 NGOs and communities in promotion of productive activities; and
- Promote sustainable, income producing agriculture.

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 strengthened 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 implemented and supervised all transportation infrastructure construction. Both the Mitch & Infrastructure components have ended pending additional funding specifically for new infrastructure works.
2. The Agroforestry and Environmental Education component strengthens local promoters from communities in the Ixcan and Northern Alta Verapaz to organize community farmers to manage tree nurseries and implement agroforestry and forest management techniques. The environmental education program has trained teachers to give classes in environmental awareness and manage small ecological school projects. This program also provided environmental interpretation trips through Lachuá National Park, creating awareness of the Ixcan's fragile natural resources amongst the future generation. Environmental Education activities with teachers sponsored by CHF ended prior to the reporting period, though benefits still accrue due to the multiplier effect of teacher training.
3. The Economic Activities component strengthened CESIDE's ability to administer the village bank program and supported their efforts to develop village bank boards capable of carrying out bank functions. CHF worked closely with the CESIDE board in efforts to diversify its funding base and maintain a program that has high operating costs until it

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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 responsible for working with CORDISA, a for profit business established by non-traditional crop farmers. CORDISA brings 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 on which this is being implemented. Economic Opportunities is now focused on providing support to CORDISA until the project's completion.

4. The Environmental Mitigation Component provided technical support and environmental oversight of projects implemented by the other three components. The component was comprised of an Environmental Mitigation Officer and two assistants. The team analyzed all program interventions and emitted an "Environmental Project Opinion" as to whether or not the activity should proceed. The team also coordinated the implementation of any Environmental Impact Studies as required by USAID environmental regulations, Guatemalan law or CHF policy. During the middle of FY2001, CHF trained three environmental mitigation promoters to replace the professional level staff with grassroots capacity. One of the environmental mitigation promoters is now employed by AMVI and the other by CHF.
5. 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. In April 2001, USAID/Guatemala notified CHF that due to funding shortfalls, the CIT budget would be reduced by \$250,000.

Some of the principal indicators contemplated in the Project Description of the Cooperative Agreement Extension and the CHF Monitoring and Evaluation Plan are listed in the following table and show the growth of programs during the past fiscal year and progress towards project phase out:

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Indicator	Exit Target	FY 1998 Totals	FY 1999 Totals	FY 2000 Totals	FY 2001 Totals	FY 2002 Totals YTD	Cumulative Totals
Kilometers of road maintained annually by AMVI (FY 2002)	90	0	128	69	69	104	370
Infrastructure projects completed (FY 2002)	15	12	10	8	2	0	32
Number of farmers using agroforestry systems (FY 2003)	1000	408	682	840	976	1,008	976
Number of farmers implementing farm management (FY2003)	800	--*	--	--	403	476	403
Number of hectares under forest management	250	--	--	--	18	18	18
Number of women accessing credit and training through village banks (cumulative)	--	204	507	633	794	791	791
Total number of people trained since inception (cumulative)	--	2,475	5,013	8,550	10,892	11,894**	11,894

*Spaces where the totals have been left blank correspond to indicators that were established after the September 2000 extension or to indicators that are not included in Exit Targets.

** The figures for this reporting period include 791 women in the CIT Village Bank program. As CHF no longer actively works with the Village Bank program, CESIDE directly coordinates trainings for the program members.

Many aspects of CHF's work over the life of the project have been cited as a success in Guatemala and throughout the region. Project ALA participants visited the palm heart processing plant at the CHF/ICTA farm on February 28th to learn about the industrialization process and health requirements. An AGEXPRONT representative accompanied the Project ALA participants.

PROJECT COMPONENT SPECIFIC RESULTS

IXCAN 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 2000. The recent cooperative agreement extension with USAID contemplates an additional year of technical assistance through FY2002 to account for a slow start-up due to the late arrival of machinery.

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 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.

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 October 2002.
- 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
- AMVI as a leader in environmental protection in road maintenance.
- Three levels of government contracting AMVI services: municipal, departmental and central governments.
- A model of a road maintenance association that can be replicated in other municipalities in Guatemala.

Progress During the first semester of FY 2002 – Institutional strengthening:

CIT AMVI/ISI Activity Reductions

CHF's work in infrastructure, with the exception of the final touches on the Esquipulas Bridge, came to a close in the first semester of FY 2002. Activities were greatly reduced at the end of FY 2001 with the termination of the Hurricane Mitch reconstruction. In November 2001, the Associate Director of Infrastructure for CHF Guatemala resigned. Due to reduced activities and budgetary constraints, his position was not replaced. The SDF projects also concluded during the reporting period. The last CHF employee dedicated to infrastructure finishes his assignment at the end of April 2002. AMVI will receive additional technical support during the second semester of FY 2002 from the engineer CHF contracted for most of its bridge and infrastructural supervision.

Association Activities

FY 2000 was AMVI's first full year of operation and CHF began the direct transfer of operating capital to AMVI in June of that year. FY 2001 has shown AMVI continuing to market its services with local communities, the municipality and national governmental agencies and negotiate contracts for road maintenance. During the reporting period, AMVI performed 9 road maintenance or rehabilitation projects with the Ixcán Municipality and local communities covering a total of 104.6 kilometers of roadways. Prior to FY 2002, AMVI had provided maintenance on 266 kilometers of roads, bringing the total kilometers maintained since project inception to 370.6 kilometers.

The General Assembly

The AMVI General Assembly held its annual meeting in December 2001 and demonstrated the capacity to make decisions and support the mission of the association. A total of 122 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 General Assembly, the AMVI members elected the following persons to the corresponding posts:

Venacio Coc	Vice-President
Samuel Coronado	Treasurer
Javier Gonzalez	Board Member at Large

The Board of Directors

CHF staff participates in the ordinary meetings of the AMVI Board of Directors. CHF uses this participation to focus on guiding and orienting the AMVI Board of Directors to understand and assume its appropriate role in the development of the association. This focus continued with the new board members.

The Board has continued to play a role in marketing AMVI's services to local communities. The Board also played an active role in the management of the temporary investment of AMVI

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reserve funds, generated through community and municipal counterpart contributions equaling 10% of the cost of each project and funds earned through the provision of services. This investment is a precursor to the trust fund to be established for the repair or replacement of heavy machinery and the social benefits savings. As of March 31, 2002 AMVI had a total of Q1,909,625 (approximately \$246,000) invested in short-term certificates of deposit with a local bank and \$113,173 in a U.S. money market fund with First Union National Bank.

Management and Administration

AMVI began direct implementation of operations and management of funds in June 2000. The association has marketed its services with local communities and developed project proposals and budgets. AMVI management also developed monthly work plans. CHF Infrastructure staff and consultants review these proposals, budgets and plans and provide feedback.

During the reporting period, CHF began to orient the AMVI board and management regarding the need for and administration of a trust fund for AMVI's Equipment Convoy replacement funds. AMVI has been setting aside 6% of its budget since it began operations in order to have sufficient funds available when there exists the need to repair or replace its trucks and machines. During the General Assembly in December, 3 representatives were elected to participate in the newly created Trust Fund Committee. Three meetings with the Board and the Committee representatives were held. Criteria for the trust fund were established and 7 local banks were asked to submit offers to manage the trust fund. The trust fund will be created in the early part of the second semester of FY 2002.

During the first semester of FY 2002, 2,600 families have benefited directly from AMVI activities, affecting more than 13,000 people. It is estimated, that an additional 11,000 Ixcan residents have benefited indirectly from AMVI works.

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.
- Follow up and supervision of road maintenance activities.
- Legal assistance and training in association law 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.

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:

- Pre-qualification as a COVIAL service provider.
- Contract proposals and negotiation.
- Project design and budget projections.
- Systems and procedures for implementation.

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- Occupational safety measures.
- Application of and compliance with Environmental guidelines.
- Effective distribution of personnel.
- Monitoring and evaluation controls to assure compliance with contract requirements and budget restraints.

Progress Towards Exit Targets

The aforementioned technical assistance and institutional strengthening efforts by CHF are crucial to achieving the exit targets outlined in the most recent cooperative agreement extension. The following is the progress to date on each of the aforementioned targets.

By 9/30/2002, AMVI will be able to function independently, providing road maintenance services under contract with central and local government agencies and communities fully covering its operating costs (Income/Operating Costs=100%): At this stage of project implementation, AMVI is still dependent on the operational funds that it receives from CHF through the FONAPAZ agreement. The majority of communities, in conjunction with the municipality, contribute the required minimum of 10% of project costs, although some have contributed as much as 25%. In this regard, the contracting of services with the central government is crucial for the medium to long-term sustainability of the organization. During the reporting period, AMVI was successful in the first step of the contracting process, certification as a pre-qualified service provider to COVIAL and MICIVI. In addition to the comparison of income versus operational costs, there are other areas that are important, if not vital, to AMVI's overall sustainability.

Contract Negotiation Skills:

Capitalization for replacement of machinery: 60% of heavy machinery value is the target that AMVI hopes to capitalize for the replacement of heavy machinery. As of March 31, 2002, AMVI had more than \$350,000 invested in short-term paper. This corresponds to approximately 33% of the original \$1.1 million purchase value of the heavy machinery. To properly manage these funds, AMVI established a Trust Fund Technical Committee during the General Assembly this past December. CHF oriented the committee regarding setting up a trust fund and the committee began to make necessary decisions related to this process. The Trust Fund should be in place in May 2002.

AMVI Competitiveness: The average cost per kilometer of road maintenance varies depending on the type of roadwork being implemented as described in the following table:

Work	Description	Current AMVI Cost
Road Rehabilitation	Reconstruction of road surface	Approximately \$5,750 per Kilometer.
Road Maintenance	Touching up of gravel and dirt surfaces. Smoothing of road	Approximately \$1,900 to \$3,850 per km. depending on the level of maintenance required.

As a point of comparison and in order to clearly demonstrate competitiveness, AMVI is in the process of determining a current cost per kilometer of other companies contracting with the Ministry of Communications, Infrastructure and Housing (MICIVI). As of the date of this

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report, only limited information was available. A current private contract for maintenance of the road between Playa Grande and Rio Ixcan, is costing approximately \$3,250 per km.

- 2. By 9/30/2003 at least three local institutions (municipalities, cooperatives, etc) under the Income Strategic Objective, have received assistance to learn from CHF experience in this activity:** Over the life of the project, CHF has been eager to share its experience with the model and methodologies used in the formation and strengthening of AMVI. The model itself contemplates the direct participation of the Ixcan Municipality in the association's Board of Directors. Municipal representatives have been present since the beginning and have participated in all training and institutional strengthening processes.

In prior periods, CHF has received two visits from public and/or private sector Guatemalan groups from outside the Ixcan. No significant visits were made during the first semester of 2002. However, AMVI's General Manager participated in several regional meetings in El Quiche, Guatemala in which he was able to promote the AMVI model and share learned experiences.

Problems Encountered and Solutions

Despite AMVI's success in complying with the Pre-classification requirements as an approved service provider to the Roads Directorate of MICIVI, the association has not been taken into consideration for the bidding on road maintenance work in the Ixcan nor in Alta Verapaz.

Success Stories/Conflict Resolution

In November 2001 CHF completed work on the bastions for the Esquipulas Bridge, making the site ready for the I-beams to be launched. However, in December managers of the firm that built the I-beams (Aceros Pre-Fabricados, S.A. – APSA) inspected the site and decided the road from Playa Grande to Esquipulas was not in acceptable conditions for their cranes to reach the site. Although this road, built by a private contractor with FONAPAZ funds, cost around Q.19 million, it had not held up well and was a poor condition. There was some concern about how this road would be repaired so that the bridge could be completed.

During the second week in February 2002, AMVI began emergency maintenance work on the stretch of the road between Trinitaria and San Juan Chactelá. The emergency work was paid for by the Municipality, AMVI, CHF, and the communities on each side of the bridge. This support showed a community-based response to solve a community level problem. AMVI completed the road work before the end of the month and the company APSA was able to transport the Esquipulas Bridge sections and launch the bridge. Additionally, some 60 community members assisted in pouring the cement to complete the bridge.

Plans for the second semester of FY2002

- Support AMVI in the negotiation of contracts with the Ixcan Municipality and local communities for the maintenance of rural roads.
- Consolidate and strengthen AMVI's capacity to implement the Road Maintenance Administrative System.
- Consolidate and strengthen AMVI's Administrative/Finance systems.
- Provide technical assistance and training to AMVI.

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- Assist AMVI in the promotion of its services to local communities, municipality and central government.
- Consolidation of an AMVI system for environmental studies and internal approvals.
- Support to AMVI in negotiating road maintenance contracts with COVIAL and MICIVI.
- Provide guidance in preparation of AMVI'S annual work plan and strategic plan for FY 03 when it will be operating without CHF financial support.

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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 targeted communities where there was an evident need for infrastructure based on the community's interest and request for assistance. This activity also presented a firsthand opportunity to build community relations among previous conflictive factions, as groups were brought together to work on a common goal.

In working with the national, municipal, and village-level agencies and committees, CHF promoted and strengthened 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.

Community Strengthening

Community participation is an integral part of CHF projects. This was especially the case in projects funded by SDF, where community members have a large stake in every phase of the project. Community committees presented requests for projects to CHF. In more isolated villages, the promoters visited the community to introduce CHF and the SDF program. Once a project was deemed feasible, CHF worked with the committee to elaborate the project proposal and budget, complete the necessary SDF paperwork, acquire legal status from the municipal government (if it did not already possess it), and submit the project to the SDF committee of USAID/Guatemala for approval. The community committed 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 was approved, CHF follows-up with the committee to determine a schedule for construction, trained the committee and community members in project planning and management, and supervised the implementation of the project. The opportunities of direct participation strengthened 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 contributed to the enrichment of the culture for peace in a civil society.

The program was 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. During the reporting period, CHF concluded all SDF projects funded. Due to budget limitations, CHF no longer has personnel to manage future SDF projects. If SDF projects are requested and funded in the future, it is possible that they could be managed by AMVI.

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Objectives

- 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.

Progress During the first semester of FY 2002

Program Tracking Results

During the first semester of FY 2002, CHF completed 3 projects, all of which were initiated in FY 2000. This brings the total number of community projects implemented with SDF funding to 37 since 1997. The three projects completed were the Flor Del Norte, Ixcan secondary School, the Mayaland training center, and the Monaco school. CHF was successful in overcoming one of the primary obstacles to the implementation of SDF projects, that of obtaining counterpart funding. Each of these 3 projects received funding from the Community Development Fund for Peace (DECOPAZ).

Funding for this year's 3 projects was as follows:

1. USAID Special Development Fund	\$ 27,100
2. Community In-kind Contributions	\$ 8,750
3. Counterpart Contributions	\$ 67,150
4. CHF	<u>\$ 22,500</u>
TOTAL:	\$125,500

Progress Towards Exit Targets

Cumulative results of SDF projects:

Completed	40
Canceled	4
In Progress	0

Total Projects	44

AGROFORESTRY AND ENVIRONMENTAL EDUCATION COMPONENT

General description

The Agroforestry/Environmental Component is administered directly by CHF. It consists of 18 promoters, two non-traditional crop technicians and two Agriculture Component Assistants and, until the end of FY2001, an Associate Director. 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 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.

The Agroforestry Component operates in 93 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, organic farm management and environmental education, which they pass on to local farmers. There are currently nine agroforestry management systems being used by 1,008 farmers covering 2,070 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 of FY 2001, Component activities are being reoriented toward the implementation of the Exit Strategy outlined in the Project Extension proposal.

Objectives

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

Background

Agroforestry

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.

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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 presented below documents CHF's progress and success in training farmers to use these systems. The past few years of project implementation have seen a drastic reduction in the number and severity of wild fires. Although no one organization can lay claim to the success of this reduction, the acreage under agroforestry systems, considering the alternatives, clearly represents hundreds of acres of forest saved and an increase in crop production.

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

The ICTA farm currently serves a training and demonstration function for the entire Ixcan area. CHF has also established Agroforestry Demonstration Centers in the villages of San Pablo and Lorena. 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. More than 700 formal demonstration plots and 72 community tree nurseries have been established since inception of the program in both the Ixcan and Fray Bartolomé de las Casas program areas. The project has achieved such a level of acceptance among the participating farmers that they are expanding the use of Agroforestry systems to all aspects of their farms and not just specific areas set aside for demonstration purposes.

Non-traditional crops

Since the inception of the project, the Agroforestry and Environmental Education Component has worked to identify non-traditional crops that would offer farmers increased income, while at the same time, would be appropriate within the agricultural and ecological parameters of the region. After testing various non-traditional crops, the Component identified vanilla, palm heart, achiote and cardamom as four of the most viable crops. In the Alta Verapaz program area, the Component also identified allspice as a viable crop. Based on these results the Economic Activities component has begun to research market opportunities for these products. During FY2000, CHF was successful in initiating the processing of palm heart and achiote and in the distribution of vanilla cuttings to 20 select farmers. Testing and validation continues on cardamom as both a non-traditional crop and as a mechanism for the recovery of forest growth.

Environmental Education

Environmental Education was originally seen in the project as a small part of the work of disseminating sustainable farming practices in the Ixcan. 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, conducted in the early stages of the CIT project, 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 receive environmental education through a non-formal extension methodology through agroforestry training.

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Environmental education work included the training of teachers in the Ixcán and Northern Alta Verapaz in environmental education. Since inception, 107 teachers (90 of which have been recognized by the Ministry of Education as certified Environmental Education 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 and environmental interpretation trips. This consists of lectures accompanied by hikes through forested areas 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 During the first semester of FY 2002

Component Expenditure Reductions

In October 2001 the Associate Director of the Agroforestry component resigned. In order to reduce program expenditures, this position was not filled with a replacement. While the departure of the Associate Director was felt by the project, completion of goals for the period was not interrupted. By the end of the reporting period, 4 agroforestry promoters were transitioned out of the CIT program and into CHF's MICAM (Disaster Mitigation) project either full-time or half-time. These expenditure reductions will help CHF to focus its budget on concluding the few remaining agroforestry objectives and providing CORDISA with sufficient institutional strengthening and technical assistance so that it will be an independent self-sustaining enterprise by the end of the CIT project. During FY 2003 the agroforestry promoters will be gradually phased out.

Farm Management Model

The Farm Management Model is the logical next step in the agroforestry systems that CHF has been implementing since 1997. This step orients the application of agroforestry systems towards the management of the farmer's land as a whole and takes into account agroforestry systems, organic agriculture, forest management and non-traditional crops. The model is based on the idea of providing the farmer with the tools to best manage his resources. This activity will be supported by environmental education.

CHF adapted the classic farm management model in light of current opportunities and needs presented in the project area and began training. CHF's objective with this model is to increase the sustainability of farms and well being of farmers and their families through the integration of an individualized farm management plan, which includes the following three goals:

1. Increased production and income from traditional crops through the use of agroforestry systems.
2. Managed forest area on the farm for forest products and household needs.
3. Production of more than one non-traditional crop such as vanilla and palm heart that is targeted for income generation.

These goals are supported and strengthened by the environmental education activity that seeks to involve community leaders, teachers, students and parents in environmental activities that raise awareness and benefit the community.

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The farm management plan mixes programs in different stages of development, which is obvious from the tables providing indicators by activity below. It is important to recognize that CHF will be integrating these project activities due to the fact that, as a whole, they have a greater impact than when taken individually. For example, it is beneficial for a farmer to use an agroforestry system, but if he/she diversifies with non-traditional crops and forest products, the farmer is minimizing risk and increasing potential economic gain. This also signifies that the farmer is using organic management methods to a larger extent on the farm. If their children are learning about the environment and implementing school ecological projects like nurseries and waste management through the environmental education program, the whole family is involved in managing natural resources, reducing health hazards and creating sustainable practices that benefit the community and the environment.

Farm management benefits the farmer by reducing risks through diversification of products, increasing household income and/or production (some products will be for household consumption as opposed to being sold for income) and increasing the sustainability of natural resources. The basis for this is an individualized farm management plan that considers the farmer's goals, appropriate systems, crops and tree species and risk assessment. The indicators for the Agroforestry and Environmental Education Component are below. It should not come as a surprise that results and indicators of agroforestry, forest management and non-traditional crops appear similar to those of the farm management indicators presented previously. This is by design, as these activities all support the farm management model.

Progress Towards Exit Targets

Farm Management

CHF began the implementation of the farm management model in late FY 2000. For this reason, it is still too early to claim substantial progress towards many of the exit targets. As of March 2001, however, the following achievements could be noted.

1. **By 9/30/2003, 800 farmers are implementing a farm management plan and producing one or more non-traditional crops. Average annual income per farmer has increased by 20%. Processing and marketing alternatives implemented for five non-traditional crops.**

Farm Management: The training and orientation of participating farmers in the farm management model began in February 2000. As of March 2002, 906 farmers are implementing Agroforestry systems in the Ixcan and Alta Verapaz.

Non-Traditional Crops: A total of 476 farmers have at least one of the five non-traditional crops being cultivated on their land. 286 of these are growing at least 2 non-traditional crops, which include pejibaye, vanilla, achiote, and cardamom.

Income: Gathering data on income in Guatemala is difficult and this is especially the case in the Ixcan where farmers are very reticent to share economic information. During the second semester of FY2002, CHF will develop mechanisms, such as production levels, that will measure income indirectly. In addition, CHF hopes to obtain more accurate information on farmer income from CORDISA.

Processing Alternatives: CHF has developed processing alternatives for palm heart and achiote. The processing for vanilla is minimal because, in the initial stages, it is expected that

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the vanilla beans will be sold green. The processes identified are being validated and refined in order to ensure optimum quality. The processing for the additional crops is in process.

Agroforestry

2. **By 9/30/2003, 1000 Farmers have adopted at least one agroforestry system using 100% organic methods:** There are currently 1008 farmers participating in the project and applying at least one of the systems implemented by the Component on 838 (2070 acres) hectares of land. 1008 farmers have established and are managing tree and plant nurseries using 100% organic methods.

Forest Management

CHF has initiated forest management at the farmer level based on satellite images of the region, which show a limited amount of forest area. The study showed that approximately 35% of the project area is forested; a dramatic number considering the area was completely forested just 35 years ago. Forest management was designed based on CHF's experience in Ixcán and the success of the existing agroforestry program and was fully incorporated into agroforestry activities during FY2000. It forms a critical piece of the farm management model and the initial exit indicators have been identified.

The design and implementation of the forest management activities corresponding to the exit indicators began during the FY2001 program period. It is important to recognize, therefore, that as the program evolves, the indicators may change in light of achievements and challenges.

3. **By 9/30/2003 150 farmers are implementing forest management systems covering 250 hectares:** Progress during the reporting period includes the refinement of the process involved in the legal registry of forested land with the Guatemalan National Forest Institute (INAB). This registry is necessary in order for farmers to be able to profit from the sale of wood and wood products. During FY2000 the project was successful in the registry of 20 acres of forested land with INAB. CHF is currently working with and providing support to 32 farmers engaged in implementing forest management systems. There are approximately 18 hectares of land dedicated to forest management either in the form of plantations or forested land being managed by farmers. Due to the long term nature of forest management implementation, significant growth in this outcome will not happen until FY 2003.

Environmental Education

4. **By 9/30/2003, 80% of teachers trained in environmental education by CHF are implementing training in the classroom.** Over the life of the project, CHF has trained 90 teachers, which have in turn been recognized by the Ministry of Education as certified Environmental Education Teachers. Of this number, 88 implemented environmental education in the classroom. All 88 evaluated learning among students through the standard grading process. This corresponds to a level of 98%. As this project target has been completed, CHF does not continue to train teachers or monitor environmental education practices in the classroom. In addition, CHF provides support to teachers and students in the implementation of Small Environmental School Projects. These projects follow the Guatemalan school year beginning in February/March and are completed by October. Projects supported include solid waste management, recycling, tree nurseries and school gardens. As of March 2002, 38 small school environmental projects have been implemented.

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5. **By 9/30/2003 at least three partner institutions under the Income Strategic Objective have received assistance to learn from CHF experience in agroforestry systems, forest management and non-traditional crops:** One of the key activities of the Agroforestry and Environmental Education Component is the coordination with and/or institutional strengthening of partner organizations. This has been done since inception of the program, through the provision of technical expertise and training to organizations and through periodic training and collaboration with other organizations.

The following organizations have received substantial training and institutional strengthening in all of the aforementioned areas:

- *The Guatemalan Agricultural Science and Technologies Institute (ICTA):* Since the beginning of the project, all agroforestry systems and methodologies have been tested and validated in conjunction with ICTA on the CHF/ICTA experimental farm. ICTA has also been involved in the testing, validation, cultivation and processing of non-traditional crops.
- *The Association of Development Promoters of the Ixcán (APDHAVIN)* This organization is a group of local development promoters from a variety of disciplines. All of the CHF agroforestry promoters 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 has high hopes that APDHAVIN will assume a leadership role in the promotion of agroforestry systems and non-traditional crops upon project completion.
- *Pastoral Social, Ixcán:* CHF has provided periodic training to this organization and its participating farmer in areas such as agroforestry and farm management.
- *Development Association of Nuevo Amanecer:* CHF has assisted Nuevo Amanecer for the past three years. Assistance has included orientation in agroforestry systems and the preparation of development plans, organizational objectives and project proposals.
- *Ixcán Industries Corporation (CORDISA):* This for-profit business was established in January 2001 after a year and a half of coordination and input from farmers participating in the CHF Agroforestry Program. CORDISA will serve as a mechanism for local farmers to process and market non-traditional crops such as palm heart, vanilla, achiote and cardamom. The business currently consists of 150 farmers, “graduates” of the CHF Agroforestry Program. Another 350 farmers have expressed interest.

CHF has collaborated and shared information and experiences with the following organizations:

- *TalitaKumi:* CHF began the process of training Talita Kumi's Carolina Farm personnel in agroforestry systems. The 18th, CHF's two Agroforestry Assistants, one CHF Agroforestry Promoter and the CHF/Guatemala Director traveled from Fray Bartolome de las Casas and Playa Grande to the Carolina Farm. A course was given on agroforestry nurseries and CHF worked with Talita Kumi to prepare and plant their first nursery.
- *Radio Ixcán:* CHF continued to support the presentation of the successful environmental education program called “Ixcán Verde” (Green Ixcán) on the local radio station. During the period, costs for airing the program doubled. As a response,

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CHF succeeded in bringing in the Organization Alianza para la Juventud (Alliance for Youth) as an additional sponsor. The organization covered 50% of the cost of the program for most of FY 2001. CHF has now ended its support of the program due to budgetary restrictions.

- *Lachuá National Park Project:* CHF worked with this organization to provide training to their staff in agroforestry systems and environmental education to communities bordering the park.
- *CECI 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.
- *Grupo Pulsar and Vanilla Farmers in Pico de Oro, Chiapas:* CHF has coordinated extensively with Grupo Pulsar in technical exchange and sharing of experiences in the cultivation of vanilla.

Plans for second semester of FY 2002

- Continue to provide training to 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

ECONOMIC ACTIVITIES COMPONENT

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.
- Add 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.
- Contribute to 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 During the first semester of FY 2002

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. This process resulted in the formation of CORDISA in FY 2001. CORDISA is established as a for profit business. Community representatives chose this model rather than more traditional models such as a cooperative or growers association as the best mechanism to commercialize their produce and provide a positive return to the Ixcán region. Coordination with AGEXPRONT was crucial to these activities. AGEXPRONT provided consultants that complimented CHF expertise to help lay the groundwork for the organization.

With the completion of the formation phase of the non-traditional crop producers' organization, CHF began implementing the institutional strengthening phase in February 2001. The CORDISA Board of Directors participated in a joint leadership training activity with members from the AMVI Board of Directors. The activity took place from February 15 through 18 and was coordinated by the Agroforestry (non-traditional crops) and Economic Activities Components.

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Palm Heart – Pejibaye: CHF continued to carry out the distribution of Pejibaye palms to community nurseries and farmers and CHF provided on going technical assistance.

Vanilla: During the reporting period, CHF provided follow up and technical assistance to farmers implementing demonstration plots with vanilla cuttings.

Cardamom: Cardamom plants continued to be produced in the CHF/ICTA Experimental Farm. Work will continue on 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 crop is currently being grown in the CHF/ICTA Experimental Farm nursery and in community nurseries. 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.

Marketing Alternatives: CHF is receiving marketing support from AGEXPRONT in order to reach this objective. The securing of buyers for CORDISA products, however, is directly related to CORDISA's production capacity. CORDISA has currently produced 6,000 jars of palm heart. Based on current capacity, it would take 6 months to produce enough to fill an export container. Therefore, the current focus is on finding a buyer who has existing shipping arrangements such that it can transport palm heart together with other products.

Progress Towards Exit Targets

Although not specifically part of the Exit Targets established in the Program Description of the Cooperative Agreement Extension, the following exit targets were outlined in the CHF Extension Proposal and Monitoring and Evaluation Plan. CHF considers these indicators as vital to the process of non-traditional crop promotion in the Ixcan.

1. **Feasibility studies and technical crop management models completed for five crops:** To date CHF has completed this objective. With support from AGEXPRONT, feasibility studies and crop management models were developed for palm heart (pejibaye), achiote, vanilla, cardamom and allspice.
2. **Five feasible crops and technical expertise are available to farmers:** Of the five crops mentioned in the previous indicator all are currently available to farmers and CHF Agroforestry promoters are providing ongoing technical assistance. During the reporting period, some 17,000 pejibaye plants were harvested and processed into 6,000 jars of palm heart. These jars are warehoused in the Ixcan pending a first export sale.
3. **Organic certification and training acquired:** Organic certification is a long and complicated process. Pre-certification was obtained for crops being grown on the CHF/ICTA experimental farm in the Fall of 1999. An application for certification of all CORDISA farms was prepared during this reporting period. The certification agency, Mayacert, will make an evaluation of CORDISA in the second semester of 2002; however, they have verbally advised CHF that full certification typically takes one year from the date of the evaluation visit.

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- 4. Three organizations of farmers strengthened to run business, conduct certification assessments, etc:** In coordination with participating farmers, the decision was reached to establish one business, CORDISA, rather than various businesses. The legal structure under which CORDISA was founded permits it to diversify its activities as competence and opportunity allow. At this time it appears that CORDISA will encompass all non-traditional crop producers in the region, eliminating the need to establish additional organizations.
- 5. A minimum of \$300 of income generated per year per farmer from non-traditional crops:** This indicator is dependent on the development of a fully operational growers' organization, in this case CORDISA. Although some farmers perceive increased income, from both traditional and non-traditional crops, reliable data is not yet available.
- 6. 60 person months of employment generated:** Employment generated to date, comes out of CHF institutional support and activities related to the initial processing of palm heart and achiote. More reliable data will be available once CORDISA is commercially operational.

Plans for second semester of FY 2002

- Provide technical assistance and training to CORDISA
- Continue coordination with AGEXPRONT regarding marketing and commercialization of non-traditional crops.
- Complete technical investigation of non-traditional crops and varieties at ICTA farm.
- Refine methods for processing for non-traditional crops
- Obtain organic certification and train farmers in the process.
- Quantify production levels of cardamom and achiote.

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. .

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%. During FY 2000, the number of banks grew to 26 with a total membership of 633 women. By the end of FY 2001, the program reached 30 banks with 794 members.

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Progress During the first semester of FY 2002

Credit Program Tracking Results

The following chart notes progress of the loan portfolio.

Indicator	Sept. '98	Sept. '99	Sept. '00	Sept. '01	March '02
Number of Banks	11	20	26	30	31
Number of Active Members	204	507	633	794	791
Average Members per Bank	18.5	18.5	25.4	26.5	25.5
Average Loan Amount	Q.567.00	Q.666.00	Q.695.00	Q.788.64	Q.996.58
Active Portfolio	Q115,625.00	Q.301,700.00	Q.496,210.00	Q.696,675.00	Q.788,300.00
Total Interest Paid	Q.5,413.00	Q.52,177.00	Q.81,931.00	Q.79,465.00	***
Arrears	0	0	0	0	0
Defaulted Loans	0	0	0	0	0
Total Membership Savings	Q.37,366.00	Q.80,364.00	Q.176,311.00	Q.370,338.28	Q.373,642.88
Average Savings per Member	Q.183.00	Q.159.00	Q.279.00	Q.466.00	Q.472.00
Savings to Portfolio**	32%	27%	36%	53%	47%
Operational Self-sufficiency	12%	39.7%	52%	57%	57%
Operational and Financial Self-sufficiency	9%	34.5%	42%	44%	44%

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

***Interest is no longer being paid to CHF in order for the Village Bank program to cover its operational costs. CESIDE made this decision in November 2001 without consulting with CHF or documenting it in writing. The consequences of this action by CESIDE have not yet been determined.

Progress Towards Exit Targets

5. **CESIDE has the institutional capacity to manage itself in a sustainable fashion providing credit to village banks:** As mentioned previously, the CHF Credit Manager, Kimberly Tilock, conducted a financial and organizational analysis of CESIDE in the first week of March 2001. The report listed several findings which have previously been detailed. On the one hand the program has several weaknesses which CESIDE has not been able to overcome. On the other hand, the program is functioning and meeting its intended purpose of providing access to credit to the selected beneficiaries. At this point in time, the most critical issue is the fiduciary responsibility of CESIDE with respect to the way it made the decision to stop paying the interest required in its Contract with CHF.

CHF is currently reviewing the FY2001 audit of CESIDE carried out by the auditor Oscar Joaquin Icuté Pinzon. Based on the results of this audit, determination of repercussions of the interest payment decision, and with USAID/Guatemala's agreement, CHF will turnover the loan fund to CESIDE.

Plans for FY2002

- Turnover the loan portfolio to CESIDE after completing review of the latest fiscal audit.

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 was a project wide support component for the CIT, Mitch and FONAPAZ projects. Support also extended 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, that the projects implemented have minimal impact on the environment and that negative impacts resulting from project activities are corrected. The Component also ensured CHF compliance pursuant to Title II, CFR, Part 216.

The Environmental Mitigation Team During the first semester of FY 2002 was comprised of the Environmental Mitigation Officer and one promoter. The component is also supported by the efforts of consultants and has trained two promoters from the AMVI Institutional Strengthening and Infrastructure Component to support Environmental Mitigation efforts. The component participated in all project activities, 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 conducted an Environmental Impact Evaluation prior to project implementation, which provided a specific environmental assessment and criteria for decision-making.

Progress During the first semester of FY 2002:

During the last fiscal year, the Environmental Mitigation Team became a fully functioning support Component of the CIT and related Projects. During the reporting period, the Environmental Mitigation Team continued to refine and validate the mechanisms and formats used in 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.

In FY 2000, CHF received USAID authorization to conduct Environmental Impact studies. During the same period, work began on the Environmental Impact Study of the Santa Maria de Dolores Bailey Bridge construction project. The study was finished and submitted to USAID in the early part of FY 2001. In December 2000, the USAID Environmental Officer approved the study. In addition, CHF has been requested to conduct environmental opinions and provide training in environmental mitigation outside the project area. The Environmental Mitigation Officer traveled to the Dominican Republic on two occasions to assist the CHF operation there in applying environmental mitigation to ongoing projects in that country. In addition, CHF was requested to conduct an environmental project opinion on the construction of a concrete vehicular bridge being built by CARE Guatemala in the Department of Alta Verapaz.

For this reporting period, the Environmental Mitigation staff of CHF was mainly engaged in supervision and monitoring of road work performed by AMVI. There was little bridge construction supervision due to the completion in September of the Mitch project and all FONAPAZ bridges except for one.

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The table below indicates Project Environmental Opinions for the first semester of FY 2002.

Activity	RESOLUTION OF THE ENVIRONMENTAL OPINION	
	Proceeds	Does not Proceed
Road Rehabilitation	5	0
Construction of vehicular Bridges	0	0
Extraction of red clay and material for refill and road ballast	3	0

Plans for the second semester of FY 2002

Continue to systematize the implementation of Environmental Impact Evaluations within AMVI and CHF at the promoter level.

OTHER ACTIVITIES

Communities in Transition Project 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. The web site is available at the following address: www.chf-ixcan.org

CONCLUSION

The political, cultural, economic, and environmental context within which CHF operates in the Ixcán is an important consideration in the CIT Project's operation. 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 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 the first semester of FY 2002:

- 104 kilometers of road maintained by AMVI during the first semester of FY 2002 for a total of 340 kilometers since inception.
- The start up of regular palm heart production by CORDISA, a community based, campesino owned business, with 6,000 jars produced to date.
- Three community infrastructure projects completed.
- 95% completion of a 45 meter steel structure vehicular bridge.
- 1,008 farmers implementing agroforestry systems using organic management practices on 2,070 acres of land.
- 476 farmers implementing farm management plans.
- 18 hectares of forest or forest plantations under forest management systems by 30 farmers.

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- 211 farmers and community leaders trained in agroforestry systems, organizational issues, and environmental education.
- 11,894 people trained since project inception.
- AMVI and CORDISA strengthened to carry out program activities supporting sustainability in the area.
- Massive reduction of project costs and personnel as part of phase out strategy:
 - Personnel reduced from 106 to 62 employees
 - Expenditures reduced from \$726,485 (FY 2001 1st semester) to \$508,015 (FY 2002, 1st semester)
- CHF activities in 93 communities in the Ixcan 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. The CHF will continue in the second semester of FY 2002 with a concentration on the institutional strengthening of AMVI and CORDISA.