

Quarterly Report Number 11 (October - December 2003)

Contract Number 527-C-00-01-00091-00
Colombia Alternative Development Project

Strategic Objective: Promote Economic and Social Alternatives to Illicit Crop
Production



Submitted to:
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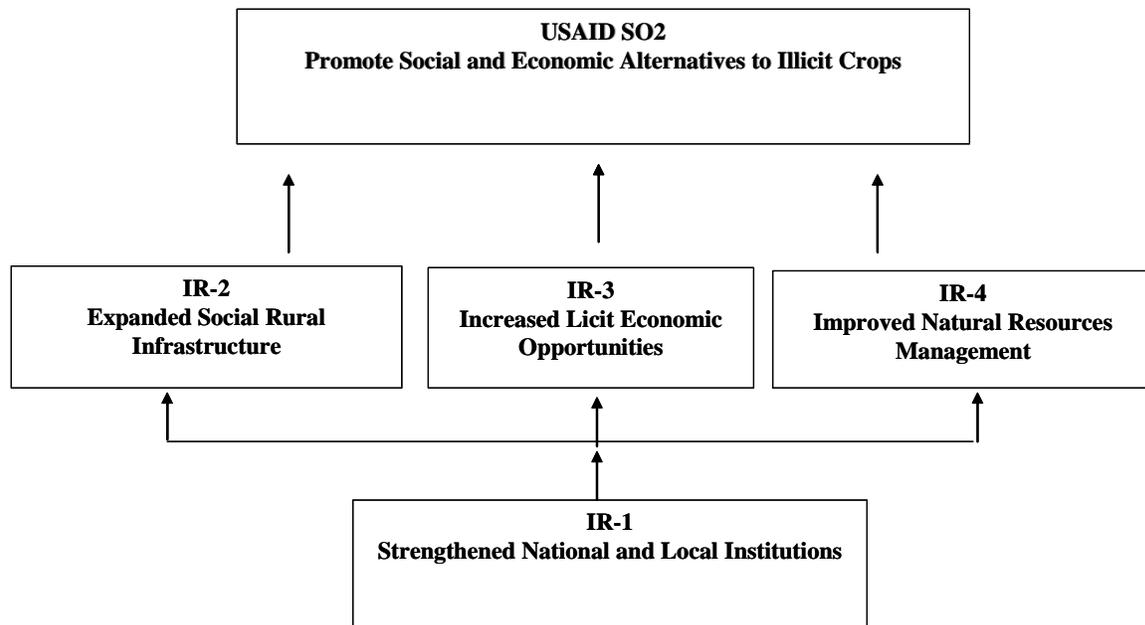
SECTION I. Background

The purpose of the Colombia Alternative Development Project (CAD) is to assist the United States Agency for International Development (USAID) and the Government of Colombia (GOC) to mount a vigorous campaign to significantly contribute to the reduction of the production of illicit crops by small-scale (three hectares or less of coca or one hectare or less of poppies) farmers in the departments of Putumayo, Caquetá, Sur de Bolivar and Norte de Santander, and poppy in the departments of Cauca, Nariño, Huila and Tolima. This is to be achieved through the development and provision of alternative licit economic opportunities to small farmers and, when interdiction and aerial spraying are coordinated, will result over time in the abandonment of illicit crop cultivation and refusal by small farmers to plant new areas in coca and poppy. Under the terms of the contract, Chemonics provides grants and subcontracts to NGOs, community and agricultural associations, municipalities and private enterprises to support the development of licit economic alternatives.

The contract was signed on March 30, 2001 and the Chemonics core team arrived in country on May 15 of the same year. On September 29, 2001, the RAISE Task Order and the Colombia Alternative Development Project were merged, forming one unified project addressing coca and poppy production

Project support is divided into four intermediate results in support of USAID's **Strategic Objective (SO) 2** as shown in exhibit A.

Exhibit A - Results Framework



SECTION II. Significant Accomplishments During the Quarter

Putumayo New Economic Initiatives: The transition to sustainable economic business development in Putumayo was significantly advanced with the signing during the quarter of the Medicinal Plants and Essential Oils, the Flowers and Foliages in Mocoa and Villagarzón and the Patía Valley Grant Agreements. Significant accomplishments were made in the construction of the Agro-industrial Centers in Putumayo and Cauca and in the development of the various agro plants that will operate in the Centers. All plants are expected to be fully operational during the next quarter. These initiatives, backed by private sector operators and investment, will, over time, become major elements of the post-coca economic structure of Putumayo.

Intermediate Results Indicators: Overall, the growth rate of the results indicators has flattened as the major projects, such as PILDAET and *Raíz por Raíz*, approach their termination dates. This was anticipated: few new families can now be incorporated; little new eradication takes place; and the crop planting activities are concluding. As the New Initiatives come on-stream, and former PILDAET and *Raíz por Raíz* families start providing the raw material for these initiatives, we expect the number of families benefiting from the program to rise. In the Licit Hectares Supported indicator, it's important to note that the project has now reached 98 percent of the contract goal, and will likely surpass the contractual goal by the next reporting period. Once this is met, CAD will have surpassed all primary results indicators under the contract with USAID.

Bosques y Maderas Products Program: With the approval of the Forest Management Plan, the equipment for the Forest Service Centers (FSC) in Cauca and Putumayo was purchased by CONIF. The FSC in Putumayo will be located in the agro-industrial center of Villagarzón. The Cauca FSC will be located in an indigenous community near Popayán. Significant accomplishments were made in the construction of the FSCs in Putumayo and Cauca

Environmental Compliance: USAID requested the preparation of a Pesticide Evaluation Report and Safer Use Plan (PERSUAP) as a pre-condition to the approval of the Environmental Analysis of seven projects. The PERSUAP was approved by USAID/Colombia as well as the Regional Environmental Office and the Washington Environmental Office.

Monitoring and Evaluation: During the reporting period, a SIMONE training "internship" was established in order to improve the quality of the information fed into the SIMONE system by the project operators. Under this program, operator representatives in charge of the SIMONE system for their respective projects spent time in CAD's Bogotá offices receiving personalized help from the M&E team. Work continued on the Social Capital Survey, the Economic Model for the Transition of the Putumayo Economy as well as the Program Appreciation and Infrastructure surveys in Putumayo, and complete reports including findings and analysis will be distributed during the next quarter.

Audits: Annual external audits for the nine Grant Agreements under PILDAET and *Raíz por Raíz* continued during the quarter, and will be finalized during the next reporting period.

Rural Infrastructure: Gerpromayo finished all social infrastructure projects under their contract, leaving only the Agro-industrial Centers' works to be completed. Significant progress was made on the infrastructure and construction of concrete bases for industrial equipment and machinery in the Agro-industrial Centers in Putumayo and Cauca.

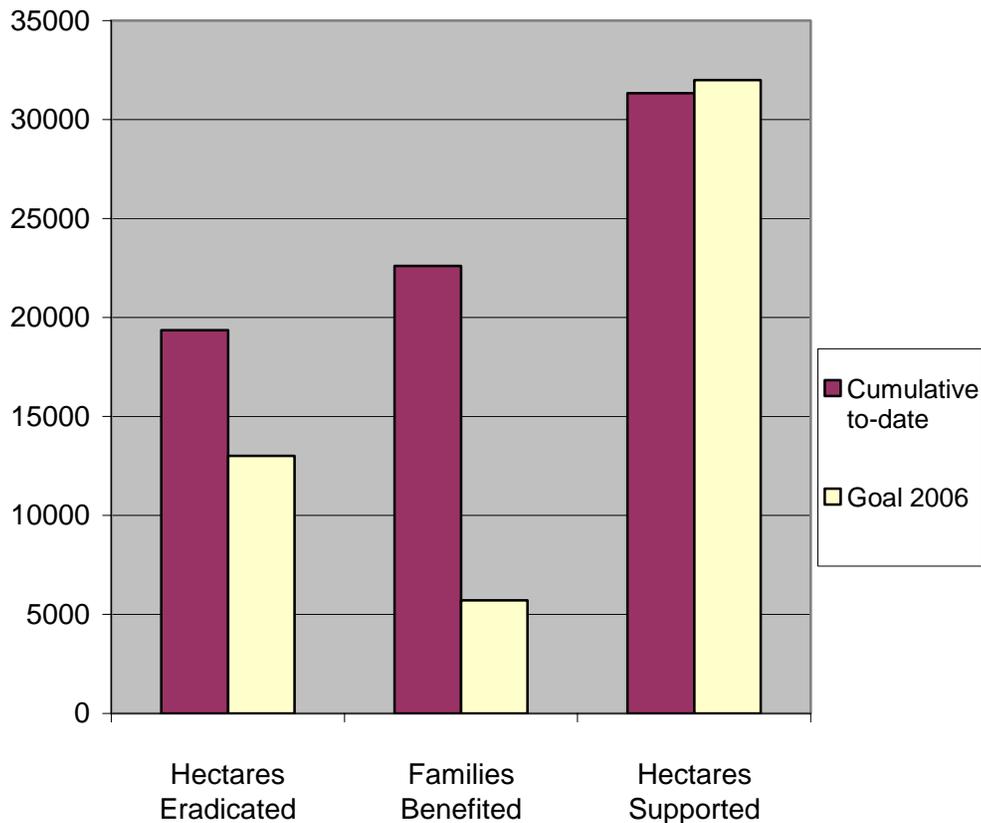
Expenditures: Total expenditures during the quarter were US\$6.2 million

SECTION III. Progress on CAD Indicators

- The number of hectares eradicated this quarter (241) increased this indicator over the contract goal by 48 percent to a total of 19,353 hectares.
- The number of families benefited during this quarter increased by 1,084, raising the cumulative total to 22,603 families. This exceeds by 296 percent the contract goal of 5,700 families.
- The number of additional hectares (2,454 hectares) of licit crops supported this quarter raises the cumulative total area to 31,332 hectares, almost 98 percent of the contract goal.

EXHIBIT III-A

TWO OF THREE LOP GOALS EXCEEDED (Life of Project) Indicators - SO-2



It is significant that the number of hectares supported continues to exceed the number of hectares eradicated; this demonstrates that alternative development is not simply one-for-one crop substitution program. Because of the relatively high returns to illicit crops, alternative crops, with lower returns, must significantly increase the area under licit crop production in order to be attractive.

Eradication this quarter totaled 241 hectares, to a total of 19,353 hectares eradicated

- 154 hectares were eradicated under the PILDAET program in Putumayo, 44 under the Rubber project in Caquetá, 41 under the *Raíz por Raíz* program in Putumayo and two under the Heart of Palm project in Putumayo. Additional eradication took place under the large commodity projects.

The number of families benefiting directly from CAD project activities increased by 1,084 families during the quarter to a total of 22,603 families benefited.

- The Bosques y Maderas program was the largest contributor to this indicator during the quarter, with 696 additional families benefited.

Licit Area supported by the project increased by 2,454 hectares to a total of 31,332 licit hectares supported to date

Although the number of hectares supported by the project during the reporting period totaled **3,071**, an adjustment of the total number of hectares supported was made pursuant to the follow-up exercise carried out by the M&E team using the SIMONE system. This adjustment resulted in a net decrease of 600 hectares in the Plan de Vida Cofán project, and a decrease of 17 hectares under the Heart of Palm project in Putumayo, resulting in a net increase of **2,454** hectares, and a cumulative total of 31,332 licit hectares supported to date.

The projects listed below resulted in an **increment** of **3,071** licit hectares supported, as follows:

- Rubber (Caquetá), 94 hectares
- Cacao (Norte de Santander), 21 hectares
- Rubber (Putumayo), 89 hectares
- *Raíz por Raíz*, 1,175 hectares
- PILDAET, 581 hectares
- *Bosques y Maderas*, 906 hectares
- Palma Africana (Norte de Santander), 205 hectares

A. PROGRESS TOWARD SO-2 GOALS ¹

The following tables show the details of the SO-2 described in the previous sections of this report.

EXHIBIT III-B

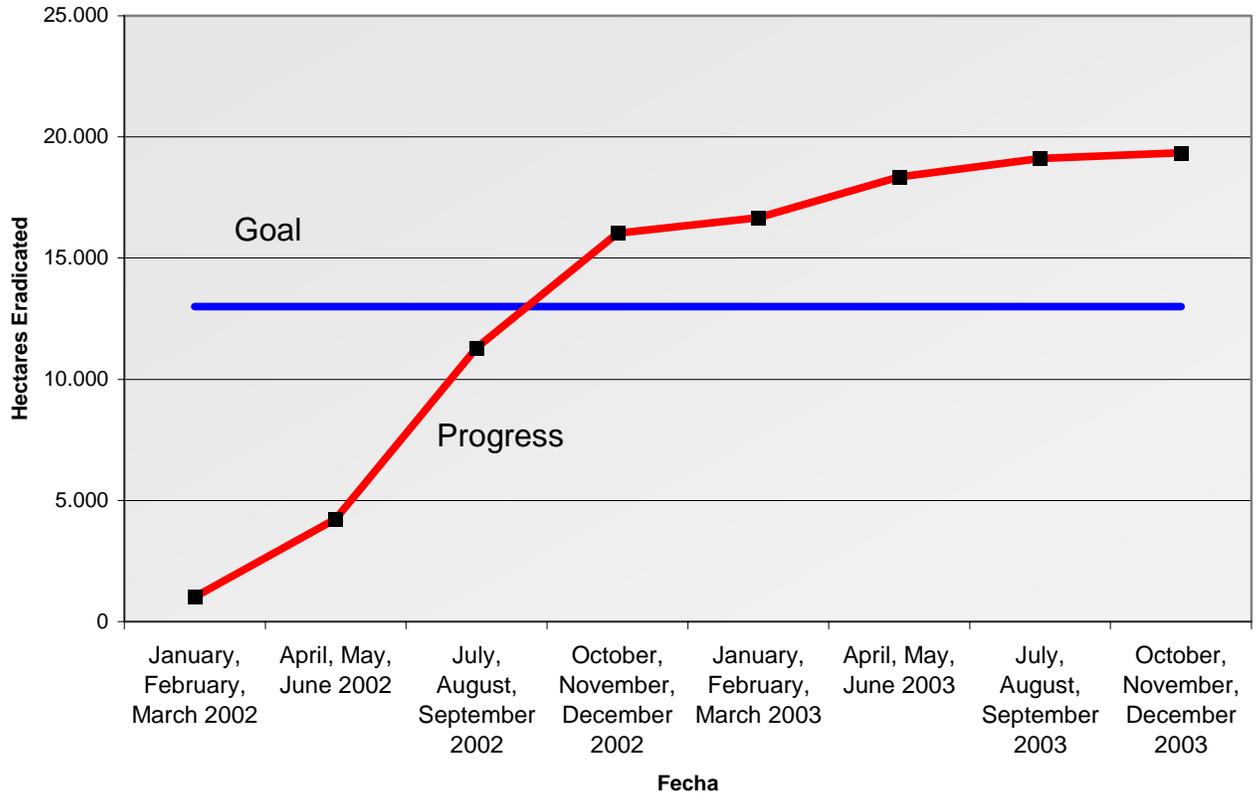
SO2 Indicator		Quarter July-Sep 2003	Cumulative 30 Sep 2003	Contractual Goals
Families Benefited	Poppy	0	2,732	5,700
	Coca	1,084	19,871	
	Total	1.084	22,603	
Hectares Eradicated	Poppy	0	1,208	13,000
	Coca	241	18,145	
	Total	241	19,353	
Hectares Licit Crops Supported	Poppy	0	3,206	32,000
	Coca	2,454	28,126	
	Total	2,454	31,332	

¹ As per p. 8, Section B of the USAID Contract with Chemonics

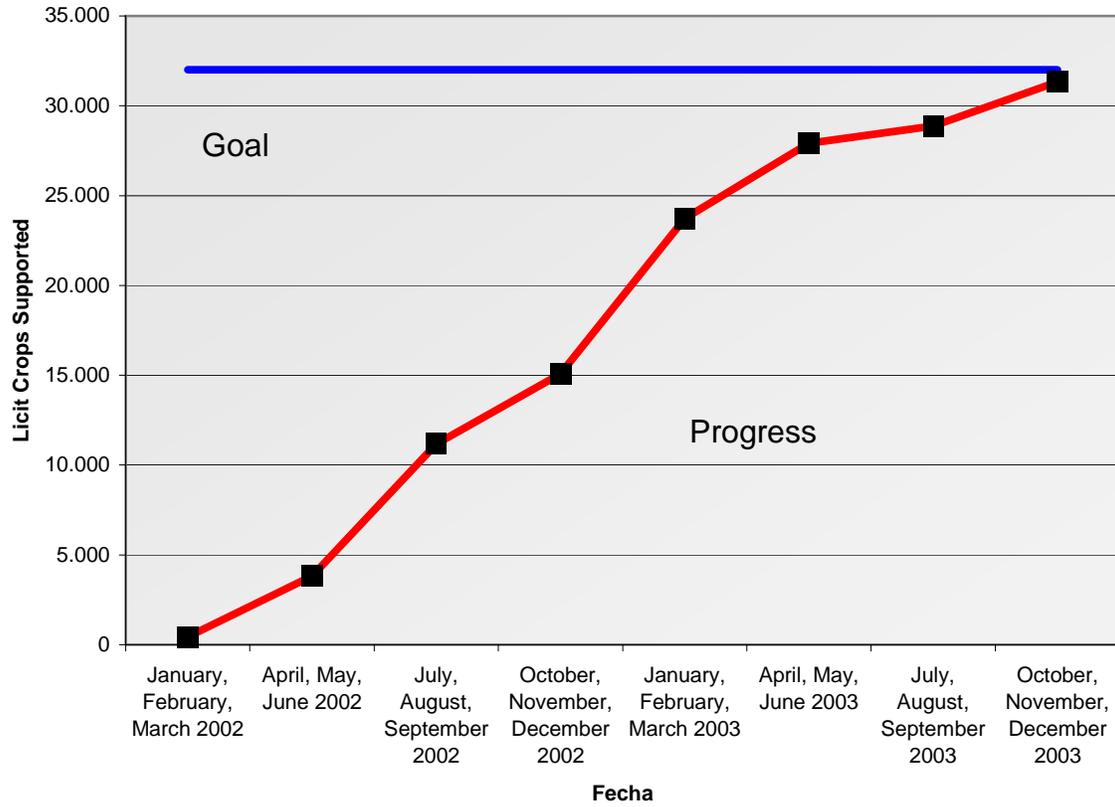
Families Benefited



Hectares Eradicated



Licit Crops Supported



SECTION IV. ACCOMPLISHMENTS BY INTERMEDIATE RESULTS

A. Strengthened National and Local Institutions

A1. Activities/significant accomplishments during the quarter:

Grantee Training/Institutional Strengthening Program

Planes y Proyectos, the organization contracted to provide institutional strengthening and organizational development activities to the Non-governmental Organizations (NGO) grantees, presented the final report of their activities.

The objective of the contract was to strengthen individual operators by creating Training Needs Assessment, working with the operators on satisfying these needs, working with the NGOs in creating institutional analyses and developing comprehensive Action Plans for each operator. The institutional strengthening provided by *Planes y Proyectos* ensured that operators continue to function as strong and efficient NGO operators in support of alternative development and their communities long after CAD funding has ended.

An important result highlighted in the final *Planes y Proyectos* report is the acknowledgement of the creation and fortification of social capital in the areas where CAD operates, as reported by the operating NGOs. As principal players in alternative development, the operating NGOs reported an increase in interaction and communication between communities, donor organizations and the State (represented by local governments), thereby strengthening the social and economic sustainability of processes begun under CAD.

Social Capital Survey Initiated

During the quarter, CAD designed and initiated a major survey of social capital. The survey will cover 1,700 households in Putumayo and the questionnaire is based upon previous social capital work in Colombia by the World Bank. Their work has helped to objectively surface significant institutional problems that must be dealt with in the next quarter.

Support to the Maracuyá Project - Huila

During the reporting quarter, the *Incubadora de Empresas de Base Tecnológica de Antioquia* continued its work to strengthen the Maracuyá Project in Huila through support provided to 16 organizations of fruit growers, in order to strengthen its sustainability and allow them to carry on activities as viable enterprises long after CAD funding has ended.

Community "Rendición de Cuentas"

To show transparency to the communities where CAD projects are working, operating NGOs continued conducting "Rendiciones de Cuentas". These meetings, attended by

members of the beneficiary communities, regional and local authorities, community oversight committees and community leaders give attendees the opportunity to hear from the NGOs and the community leaders on the status of CAD projects. The NGOs also provide detailed accounts of where project funds have been invested, allowing the community to see and discuss project expenditures and giving the communities assurance that project funds are being well spent.

Institutional Support to PDA

Payment to three PDA contractors continued as part of institutional strengthening efforts provided by the project to PDA, and USAID has instructed CAD to continue with this funding for an additional period. PDA staff consists of two contractors providing illicit crop pricing information, and one contractor providing assistance to PDA in alternative development planning.

A2. Obstacles encountered and overcome:

Support to the Maracuyá Project - Huila

The Maracuyá Project in Huila continued to face problems during the quarter, particularly with the repayment of loans taken out by the maracuyá growers, and the continued sale of fruit to buyers outside of the Forward Contracts. In an effort to help FUNDAMAR and its member associations, various meetings were held between the maracuyá growers, PDA, USAID, CAD, FINAGRO, Banco Agrario and the Bolsa Nacional Agropecuaria in order to find solutions to these problems. During the next quarter, these organizations will continue to work with FUNDAMAR in analyzing the state of individual maracuyá crops, and working with individual growers in finding solutions to the problems that have arisen in the project.

A3. Activities planned for the next reporting period:

- Institutional strengthening provided to PDA through payments to three contract staff will continue during the next quarter.
- Incubadora de Antioquia support to the Huila Maracuyá project will continue, and CAD will continue to work with the Banco Agrario and FINAGRO in order to find mutually beneficial solutions to the repayment of loans.
- Analyze and document the results of the Social Capital Survey

B. Expanded Rural Social Infrastructure

B1. Activities/significant accomplishments during the quarter

Gerpromayo infrastructure contract

During the reporting period, Gerpromayo finished all social infrastructure projects under their contract, leaving only the Agro-industrial Centers' works to be completed. In order to

finish the Agro-industrial Centers, the Gerpromayo contract received a no-cost extension until December 31st, 2003. This contract will likely be extended again during the early part of the next reporting period, in order to finish all work related to the Centers.

Specific activities in the Villagarzón Center included the stabilization and construction of the base, approximately 7,300 M², that will house CAD's Forestry Service Center operated by CONIF. The concrete base for a loading area was constructed, approximately 1,136 M², for the trucks that will be bringing in the wood from the forest and will be taking out the finished products. The concrete bases for the industrial equipment were also constructed, as well as the bases for gasoline and water tanks for the concentrates and dehydration plants. Over 3,080 M² of internal roads were constructed, and the concrete bases that will hold the industrial machinery were begun.

Specific activities in the Orito Center included the clearing of the lot where the Center would be located, the stabilization of soils and the construction of drainage works. The total area improved was 30,000 M². Over 3,970 M² of internal roads were constructed. Construction was begun on the concrete bases for the industrial equipment as well as the bases for gasoline and water tanks for the dehydration and concentrates plants

Manual labor generated under the Gerpromayo contract during the reporting period amounted to 13,276 day laborers, corresponding to a cumulative total of 52,951 daily wages to date.

Seven Work Orders were signed during the quarter for the following subprojects:

- OT 78** Construction of drainage works on the road Puerto Asís-El Muelle, construction of 17 sewers, four box culverts, construction of drainage filters and drainage ditches.
- OT 79** Structural rehabilitation of Orito City Hall, following its partial destruction by a bomb.
- OT 89** Rural electrification projects in the "veredas" of San Jose del Guineo, Bajo Eslabón and Villa Gloria in the municipality of Villagarzón, Cocayá in Puerto Asís and Nuevo Horizonte in Mocoa.
- OT 90** Construction and improvements of the Agro-industrial Center in Villagarzón.
- OT 91** Construction and improvements of the Agro-industrial Center in Orito.
- OT 93** Construction and improvements of "malocas" (indigenous community houses) in the municipality of Puerto Asís.
- OT 95** Development of plans and blueprints for "horizontal property" information of Agro-industrial Centers in Orito and Villagarzón.

DESCRIPTION	PROJECTS		UNIT OF MEASUREMENT	QUANTITY	COMPLETED DURING QUARTER	
	Completed	Under construction			PREVIOUS QUARTER	THIS QUARTER
Road Improvement	16	0	Km.	130.3		3
Construction of sewers D =0.90 cm.	188	0			1	23
Construction of Box Culverts	14	0				7
Construction of bridges (vehicular)	38	0				6
Construction of bridges (pedestrian)	4				1	3
Construction of retaining walls	3	0	M ³	994.3		1
Concrete paving	2	0	M ²	6,390		
Construction of concrete drainage ditches	7	0	M	4,520		
Construction of filters and drainage	6	0	M ³	1,518.8		1
Construction of concrete sidewalks	1	0	M ³	550		
Improvement and construction of schools	37	0				8
Rural electrification projects	7	0				5
Improvement of health posts	1					
Construction of pedestrian pathways	2	0	M	6,302		1
Indigenous constructions	3	0				3
TOTAL	329					61

The following table shows civil engineering works contracted, and completed under the Gerpromayo contract:

PILDAET infrastructure projects

During the reporting quarter, the PILDAET and *Raiz por Raiz* NGO operators completed 27 infrastructure projects in Putumayo, as shown in the Table below.

TYPE OF WORK	PROJECTS COMPLETED TOTAL	PROJECTS COMPLETED THIS QUARTER	UNIT OF MEASUREMENT	QUANTITY
Cabildo Headquarters	56	3	M ²	6,690
Aqueducts	1	0	Families	15
Schools	29	2	M ²	1,882
Road improvement	8	0	Km	16.6
Pedestrian bridges	1		M	52
Vehicular bridges	3	0	M	29.25
Elevated pathways	6	1	M	1,361
Sport fields and stadiums	8	1	M ²	1,305
Aquaculture (Fish) ponds	5		M ²	27,088
Pig production units	37	8	M ²	7,494
Cane sugar artisan mills (Trapiches)	7	2	M ²	1,609
Rice mills	4	1	M ²	542
Cattle corrals	2		M ²	540
Community stores	3		M ²	186
Health posts	2		M ²	487
Sanitary units	3		M ²	144
Productive infrastructure	33	9		
Community Indian home (Maloca) improvement	1		M ²	208
TOTAL (CUMULATIVE)	209	27		

B2. Obstacles encountered and overcome

- Heavy rains continued to be a problem in Putumayo during the reporting period, delaying Gerpromayo construction activities in certain area. In order to minimize delays, the contractor took corrective measures, such as extending the work day on days with good weather.
- Difficulties were encountered in the construction of the Agro-industrial centers. In Orito, serious drainage problems were identified and overcome by constructing drainage ditches, sewers and filters.

B3. Activities planned for the next reporting period

- Continue construction of works as set out in Work Orders signed.
- Continue with the construction and improvements of the Agro-industrial Centers in Orito and Villagarzón.

C. Expanded Licit Economic Opportunities

C1. Activities/significant accomplishments during the quarter

PILDAET and Raíz por Raíz Programs in Putumayo

PILDAET and *Raíz por Raíz* Programs in Putumayo registered important accomplishments during the reporting period in its three indicators, especially in regards to the number of licit hectares supported by the project. The number of hectares supported under the PILDAET program during this quarter amounted to 581, to a total 8,021 hectares to date (cumulative). The following Table shows progress indicators in regards to licit hectares supported by selected projects.

LICIT CROPS SUPPORTED THIS QUARTER

Licit Crops Supported by project	PILDAET	RAÍZ POR RAÍZ	BOSQUES Y MADERAS	LARGE COMMODITY PROJECTS	OTHER	TOTAL
Goal	8,400	2,900	11,670	7,731	2,183	31,639
Total, previous quarter	7,440	7,906	5,351	5,488	2,694	27,923
Progress, this quarter	581	1,175	905	-208*	0	2,454
Total, Cumulative	8,021	9,081	6,256	5,280	2,694	31.332

* 208 net hectares decreased from the cumulative total due to the follow-up exercise carried out by the M&E team using the SIMONE system.

Agro-industrial Centers

As described above under infrastructure, the construction of the Agro-industrial Centers in Orito and Villagarzón continued, with significant progress on the infrastructure (architectural, hydraulic, sanitary and electric) and purchase of machinery and equipment. While construction of the Villagarzón center is more advanced than the one in Orito, it is expected that both will be completed and fully operational during the next reporting period.

The Villagarzón center will house a dehydration plant for tubers and grains, a black pepper and plantain processing plant, a plant for the production of medicinal plants and essential oils, as well as Forestry Service Center (FSC).

The Orito Center will house a dehydration plant for tubers and grains and a concentrates plant for the production and distribution of concentrate/animal feed supplement.

A lawyer was hired to work with CAD and the companies that will operate in the Centers to begin all legal processes relating to the formation of the companies, statutes, shares, property rights as well as all other contractual issues.

Large commodity projects

During the reporting period, the large commodity projects including rubber, cacao, heart of palm and African oil palm continued concentrating on planting activities due to the onset of the rainy season in the project zones. Although these projects have already met the illicit crop eradication goals set out in the agreements, 46 additional hectares were eradicated under the in Caquetá Rubber project.

During the reporting period, 671 new hectares were planted and supported under the large commodity projects, accounting for 87 percent of programmed goals.

Project	Department	Goal Quarter (ha.)	Progress Quarter (ha.)	Goal Contractual (ha.)	Progress Cumulative (ha.)	Percentage Progress
Rubber	Caquetá	80	79.6	1,500	767	51%
Rubber, pepper, woods	Putumayo	163	89	500	426	85%
Heart of Palm*	Putumayo	70	0	850	617	73%
Cacao, plantain and wood association projects**	Northern Santander	421	298.5 (21.5) (144)	1,000	646.5 (1,118) (959)	65%
African oil palm	Norte de Santander	201	204	1,000	902	90%
Total		772	671	4,850	3,358.5	

* Includes 100 hectares (estimated) in previous years for maintenance activities.

** Includes 996 hectares planted with plantain.

Other significant accomplishments under the large commodities projects include:

Palmito project – Putumayo: During the reporting period, no new hectares of palmito were established, and 16 hectares were removed from the project's inventory due to the retirement of some beneficiaries and the taking of real on the ground surveys of actual plantations. To date there are 513.5 of planted hectares. Of the total 750 hectares planned, 68.5 percent of the target has been met. As regards the programmed goal under the Annual Operating Plan for 2003 of 600 hectares, or 85.5 percent of the goal, has been met. The

palmito goals established for the project will be met during the following quarters. Seedlings are already available in project beneficiaries' farms, ready for planting.

The project's technical team coordinated the harvesting of 57,684 *chontaduro* shoots during the reporting period, increasing production to a total of 211,321 processed shoots during 2003. During the period, 512 technical assistance visits were provided to small-farmers throughout the project zone, increasing the number of visits to 2,436 during 2003. This figure corresponds to 87 percent of the programmed goal. To date, 330 families have benefited from the project. The project technical and social teams have provided training and community strengthening support to palmito municipal and growers associations; five workshops were organized to assist youth and women on motivation and community organization.

Significant project accomplishments during the reporting period at the Puerto Asís heart of palm factory include:

- Production of 1,872 palmito boxes increasing this indicator to 14,288 boxes during 2003, or 19.3 percent of the annual programmed goal (18,000 boxes)
- The sale of 1,971 boxes in the amount of COLP \$104.3 million, bringing up cumulative sales to COLP\$353.2 million in 2003.

A strategic sales and marketing plan was instituted during the quarter, resulting in an increase in total sales and number of buyers, particularly to supermarket chains, with December 2003 bringing in the highest sales of the company's history (928 boxes). Important contacts abroad were also made during the quarter for the exportation of the product.

Rubber project – Caquetá: During the reporting period, 79.6 new rubber hectares were established, increasing this indicator to 767 hectares, 751 in agro-forestry (goal was 750 hectares) and 16 in monoculture. Eradication of 46 hectares of illicit crops took place, increasing this indicator to 896.5 hectares eradicated, and with a total of 445 families benefiting from the project to date.

Construction of a metal hangar roof structure for the rubber pilot plant was completed. This plant is the only plant in Colombia that will manufacture granulated rubber. The transfer of machinery and equipment to the hangar was completed, and a preliminary proposal for the set-up of the plant was made,

Other accomplishments during the quarter include:

- Establishment of the 12 Agrarian Transformation Societies (SATs) in charge of marketing products obtained under the project. The goal of establishing 15 SATs was met.
- Purchase of 47.4 tons of dry rubber, increasing this indicator to 202 tons during the year, or 96 percent of the programmed goal.

- Sale of 60.8 tons of dry rubber, increasing this indicator to 221 tons during the year, or 105 percent of the programmed goal.
- Realization of 393 technical assistance visits to farms and plantations, increasing this indicator to 1,404 visits during 2003, or 117 percent of the programmed goal.
- Continuation of seminars for 21 sons and daughters of beneficiary families, who are receiving training and technical assistance in agro-forestry and rubber (management of rubber cultivation).
- Delivery of 55 scythes to attend to clean-up and weed control activities in lieu of herbicides. In 2003, 167 scythes were distributed to beneficiaries.
- Realization of eight "field days" which provided agro-forestry training to 267 beneficiaries, as well as three technical assistance "rounds" for 113 growers.
- Negotiations begun with Suramericana de Caucho for the purchase of all rubber production during the next five years.

Rubber project – Putumayo: During the reporting period, 89 hectares of rubber were established, bringing this indicator to 426 hectares, or 85 percent of the programmed project goal. To date, 254 families have been benefited by the project. The Veracruz nursery located in Villagarzón provides rubber seedlings for project beneficiaries, which are used to replace old trees and plant new ones. Graft material is being prepared to improve 600 hectares of rubber, which will be distributed during the first semester of 2004.

Other important project accomplishments during the reporting period include:

- Realization of 450 technical assistance visits to project beneficiaries
- Identification of 40 lots for new plantations
- Carrying out of ten demonstrations of agronomic rubber and pepper management methods and plant disease control with 25 farmers.
- Visit of 25 growers to Ecuador for a technical "round" in which experiences and results were exchanged with other rubber producers.
- Initiation of marketing and commercialization of dried rubber to ASOHECA in Florencia, deriving from old plantations. The contracting of a marketing company for the plantain is being considered.

Cacao project – Norte de Santander: During the reporting period, 21.5 hectares of plantain, 298.5 hectares of Cacao and 144 hectares of trees were planted. Progress to date includes a total of 1,018 hectares of plantain, or 102 percent of programmed goals; 646.5 hectares of Cacao, or 64.5 percent of programmed goals; and 959.2 hectares of lumber, or 96 percent of programmed goals. The total programmed goal of rubber trees to be planted in association with plantain and trees is 1,000 hectares. Families benefited by the project to date total 431 families.

Other important project accomplishments during the reporting period include:

- Implementation of workshops by Luker on grafting and crop management for 114 growers. Luker also trained 11 growers in Bucaramanga on cacao crop management.
- Carrying out of seminars on self esteem and leadership for 69 women, wives and children of project beneficiaries.
- Realization of 891 technical visits to farmers in support of soil preparation, planting, fertilization and management of Cacao and plantain farming activities
- Sold 193.7 tons of plantain (*fhia* variety) and banana, for a value of COLP\$46.7 million, increasing this indicator to 314 tons, totaling COLP\$73 million.
- Marketing of 19.7 tons of cacao for a value of CP \$78.5 million.

Other important project accomplishments during the reporting period include:

- Realization of 349 technical assistance visits to farmers during the reporting period.
- Purchase of 133 scythes to attend to clean-up and weed control activities in lieu of herbicides. During the reporting period, 125 scythes were distributed to beneficiaries, complemented with use and safety training.
- Implementation of two training workshops on crop management and use of soils for 37 beneficiaries, and health training for 46 beneficiaries.
- Continuation of drainage and sewer construction in Villa Nueva (27 farms) and Puerto Reyes (six farms), which are located on flood prone zones.

Projects in the Macizo Colombiano (Tolima, Huila, Cauca and Nariño)

Patía Valley Project: The Patía Valley project was started during the reporting period. It will establish a productive chain of warm climate fruits and legumes on 703 hectares, eradicate 352 hectares of coca and benefit 330 families. The project, which will grow, market and sell melon, watermelon, mango and passion fruit, in addition to others, will be built around a small-scale irrigation system that is also being installed.



Children of the Patía Valley, Cauca

This project will support the establishment of competitive productive clusters of high yield products, which can be easily sold in local markets, chain stores and which may possibly be sold through Forward Contracts to national industries.

The selection of the project operator was done through a competitive bid process, divided into two activities (establishment of productive chains and irrigation) in which 78 organizations were invited to participate. Of the total invitees, 12 proposals were received and evaluated by the CAD technical review committee. After this review process, the grant was awarded to the Fundación para el Desarrollo Agrícola, Social y Tecnológico (FUNDASET).

C2. Obstacles encountered and overcome

Maracuyá (passion fruit) Project - Huila

The Maracuyá Project in Huila continued to face problems during the quarter, particularly with the repayment of loans taken out by the maracuyá growers, and the continued sale of fruit to buyers outside of the Forward Contracts. In an effort to help FUNDAMAR and its member associations, various meetings were held between the maracuyá growers, PDA, USAID, CAD, FINAGRO, Banco Agrario and the Bolsa Nacional Agropecuaria in order to find a solution to the problems. During the next quarter, these organizations will continue to work with FUNDAMAR in analyzing the state of individual maracuyá crops, and working with individual growers in finding solutions to the problems that have arisen in the project. This is a problem project.

Patía Valley Project: Initial reticence to the *immediate* eradication of illicit crops in the Patía Valley has proven to be an initial obstacle for various communities under the project. However, with the socialization work carried out under CAD and FUNDASET, as well as community and local leaders, acceptance of the project by these communities is underway.

Rubber Project – Caquetá: The principal obstacle affecting this project is the poor condition of the Valparaiso-Solita road that precludes transportation of supplies and vegetable material to farmers. Project activities are being shifted to areas offering better transportation facilities and less guerrilla risks. The security situation continues to be a constant problem in areas where the project operates.

Rubber Project – Putumayo: The combined rubber/pepper, rubber/lumber, and rubber/plantain projects farming activities continue to be delayed, due to heavy rains and guerrilla activity in the zone. The NGO operator is developing a marketing plan to improve production and sales that will be put into effect during the next quarter.

Cocoa Project – Norte de Santander: Delays in the establishment of 1,000 hectares of cocoa continue to be a problem, with only 65% of the planting goals met by the project operator (plantain and forestry goals have met their goals, however). The operator has committed to increasing planting rates during the next quarter.

Oil Palm Project -Norte de Santander: The principal obstacle affecting planting, site clearing and leveling activity progress continues to be the heavy rainfall in the project area. Drainage works have begun in the area with the hopes of alleviating some of the problem.

Agro-industrial Centers: The security situation in Putumayo continues to cause delays in the construction of the Centers, particularly with the delay in transport of equipment and machinery.

C3. Activities planned for the next reporting period

Agroindustrial Centers

Activities to be implemented during the next quarter include:

- Initiation of activities in all of the enterprises, including the purchase and processing of raw material, testing of equipment, beginning of the commercialization and sales strategies and the contracting of key personnel.
- Installation of all equipment and machinery
- Continuation of obtaining permits and operating licenses
- Integration of enterprises to PROAGRO (National Agrarian Policy) as soon as the enterprises are fully constituted.
- Operation of enterprises as business integrators upon legal constitution in order to start agricultural and cattle operations in the department
- Promotion of round table business discussions with the private sector to promote investment in the department

Palmito project – Putumayo (Agroamazonia): The aggressive sales and marketing plan will continue throughout the next quarter, and will look to increase sales in Cali, Medellín and Bogotá. Important international contacts will be followed-up with the possibility of opening up exports to international buyers.

Rubber Project– Putumayo (Futuro Ambiental): The project operator will continue implementation of a marketing plan, emphasizing plantain harvesting and post-harvesting activities during the next quarter.

Cocoa Project - Norte de Santander (Fundescat): As only 65% of the cacao planting goal has been met, the project operator will increase planting during the next quarter in order to reach the 1,000 hectares of Cacao stipulated under the contract.

Patía Valley Project: Eradication of illicit crops will begin during the next quarter, which will allow the installation of the fruit and legume crops, as well as the small-scale irrigation systems.

Maracuyá (passion fruit) Project – Huila : Work with the banks and the local associations to resolve the issues of loan defaults, contractual non-compliance and weak organizational structures.

D. Natural Resources and Environment

D1. Activities/significant accomplishments during the quarter

- The Bosques y Maderas program contributed 905 hectares to the Licit Hectares Supported indicator during the reporting period. An additional 705 families were benefited under this component during the same period.
- Construction of over 80 percent of the concrete base for the machinery and equipment that will be installed in the Forestry Service Centers in Putumayo and Cauca.
- Advancement in the possible provision of a lot by the mayor of Puerto Asís for the possible construction of the wood housing unit. CONIF finished contract with EcoNat, concluding that there is not sufficient loan resources in Puerto Asís to finance the building of the wood homes for low income and displaced families.
- Completion of the technical studies of the 37 wood species from Putumayo, analyzed by the Universidad Nacional de Medellín. The information has been translated and is being distributed to important potential domestic and international buyers.
- Handing-over of the four community nurseries to beneficiary communities, leading to the satisfactory termination of the El Semillero contract for the provision of seedlings.
- Pre-selection and qualification of 906 hectares to be included under the plantation component of the Bosques y Maderas program.

Environmental Compliance: Environmental Review Files were presented and approved by USAID for the following projects:

- Processing plant for tubers and grains, Orito, Putumayo.
- Processing plant for tubers and grains, Villagarzón, Putumayo.
- Concentrates plant, Orito, Putumayo.
- Black pepper processing plant, Villagarzón, Putumayo.
- Tropical flowers and foliage production, Villagarzón, Putumayo.
- Tropical flowers and foliage production, Mocoa, Putumayo.
- Medicinal plants and essential oils and extracts, Putumayo.
- Work Order 94 – Gerpromayo – for improvement of the road between Alto Mecaya and Villagarzón.

PERSUAP: CAD received approval from MEO and REO/LAC for the Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects, but BEO approval was still pending at the end of the reporting period. An addendum to the PERSUAP was prepared, analyzing an additional 20 CAD crops that had not been considered in the original PERSUAP.

Bosques y Maderas Program (Forest and Wood Products), CONIF (National Research and Forestry Development Corporation)

Accomplishments during the reporting period are as follows:

Natural Forest management and Forest Management Plans: The Forestry Management Plan for the Forestry Service Center in Cauca has been 98 percent completed by CONIF (980 hectares out of the 1,000 hectares of pine that will supply the FSC), and is expected to be completed in the early part of the next reporting period.



During the quarter, 39,046 PAZFOR (payment for forestry services) day-wages were paid under the project for the establishment and maintenance of plantations, totaling CP\$594 million. Total PAZFOR wages to date are 89,740, totaling CP\$1.504 million.

Panoramic of 18 year old pine plantation, Novirao Indigenous "resguardo", Cauca.

Establishment and strengthening of plantations: During the reporting period, 905 new hectares were planted for forest management, increasing this indicator to 2,161 hectares.

Environmental Evaluations and Reviews: The Environmental Impact Assessment Studies for Rubber, Cacao, African Palm, Heart of Palm, Passion Fruit, Cassava and for the Anamichú project in Tolima were corrected and submitted to USAID.

Final reports were received by CAD for the external consultancies carried out by the companies Union Temporal Riego Patía and Greystone Inc., and the information was used to prepare the Environmental Review for the small-scale irrigation activities in Patía. USAID approved this Environmental Review during the reporting period.

Community Nurseries: Now that the four community nurseries have been turned over to the communities, sales equivalent to CP\$37 million were made during the quarter, bringing their total sales to CP\$80 million. Production continues in these nurseries with the technical assistance of CONIF.

Other accomplishments under the technical program component include:

- Completion of the forestry inventory training provided by Bolivian forestry expert to the Natural Forests technicians.

- Completion of study tour to the Petén, Guatemala, by ten CONIF, COOTRAFORD AND CORPOAMAZONIA program officers to gain knowledge on community forest management and transformation of wood products that might be applicable to Putumayo and Cauca.
- Realization of study tour to Chile by ten CONIF, COOTRAFORD AND CORPOAMAZONIA program officers to attend the EXPOCORMA 2003 trade show, where they experienced the latest technologies in genetic forestry improvement for Pinus Patula and Eucaliptus. Visits were made to important forestry enterprises such as Bosques Arauco S.A., Forestal Mininco S.A., CMPC Maderas S.A., Aserríos Santa Helena, Aserraderos Cementos Bio Bio, Vivero Forestal La Posada, Central de Incendios Forestales "La Colcha", Aserraderos los Horcones and the Laboratorio de Controladora de Plagas Forestales S.A.
- Training of 11 CONIF Bosques y Maderas employees on forestry management and sustainability, primary and secondary transformation of wood and the commercialization of finished woods products.

D2. Obstacles encountered and overcome

CONIF: This organization continues to have administrative and accounting problems, resulting in delays in getting financial expenditure data to the Chemonics finance team. In response, the finance team spent considerable time training the CONIF accountant and other staff on the USAID and Chemonics financial regulations and procedures and will continue to provide guidance during the next period.

D3. Activities planned for the next reporting period

Activities during the next reporting period include:

- Submittal to USAID of the Cauca Forestry Management Plan for pine plantations belonging to the Paéz and Guambiano Indian communities.
- Finalize and obtain USAID approval for the Environmental Review File for the Forestry Service Center in Villagarzón, Putumayo and Silvia, Cauca.
- Finalize and obtain USAID approval for the Environmental Review File for the Alto Mecaya forestry project.
- Submittal to USAID of the Environmental Impact Assessment Study for the natural rubber project.
- Begin the dissemination of the various types of wood (and prices) of the wood that will come out of the FSCs to potential buyers.
- Construct and begin operations of the Totumo Service Center in Patía, Cauca. To date, 12 decorative totumo products (with technical specifications) have been designed for possible manufacturing and commercialization by project beneficiaries.
- Begin environmental monitoring activities of those actions stipulated in the Environmental management Plans for all CAD projects.

- Develop the 2004 training plan for the Pesticide Evaluation Reports and Safe Use Action Plan (PERSUAP) for CAD projects. Train New Initiative operators on PERSUAPs.

E. Monitoring and Evaluation

E1. Activities/significant accomplishments during the quarter

SIMONE Information System Training for NGOs: During the reporting period, an in-house SIMONE training "internship" was established in order to improve the quality of the information fed into the SIMONE system by the project operators. Under this program, operator representatives in charge of the SIMONE system for their respective projects spent time in CAD's Bogotá offices receiving personalized help from the M&E team.

Participating operators included Maloca, Futuro Ambiental, Agroamazonía, Huairasachac, Comfamiliar, Vida y Futuro (PILDAET and *Raíz por Raíz*) and Fundaempresa (PILDAET).

Other M&E activities during the quarter included:

A seminar was held in December in Bogotá in which new project grantees received training on the use and information inputting of SIMONE. Constant on-line support to the NGOs and operators on the use of the SIMONE system continued throughout the quarter, as well as the constant review and analysis of the information by the CAD M&E team

The SIMONE system was enriched by the addition of project management modules, which are fed by CAD's OTR (Oficial Técnico Responsable - project manager), the operators' monthly reports and the programming and evaluation matrices. This process has now replaced the traditional monthly paper reports provided by the operators to CAD

The SIMONE Monitoring and Evaluation model was distributed to all OTR and project managers.

Evaluation of effects and impact of projects: To date, the following activities have taken place in support of the program evaluations:

- An agreement was reached with the operating NGOs on the methodology and instruments to be used on the various verification surveys – Social Capital Survey, the Economic Model for the Transition of the Putumayo Economy as well as the Program Appreciation and Infrastructure surveys.
- Surveyors and data-inputting teams were selected to carry out the 1,672 Social Capital surveys the Economic Model for the Transition of the Putumayo Economy as well as the Program Appreciation and the 600 Infrastructure surveys.
- An ACCESS application was developed to house the various surveys' results.
- Questionnaires and Exit Tables were developed and designed.
- The Social Capital Survey was initiated in December.

Monthly Report: CAD continued delivering the “Monthly Report” to USAID, PDA and project operators. This report includes information on project performance indicator progress, CAD financial information and analysis of the status of each project, with emphasis on value of sales, private sector participation and use of credit by the projects.

Support to PDA strengthening: During the reporting period, Chemonics contracted three firms to develop the following three products, as requested by the Government of Colombia, agreed to and approved by USAID. Product progress is highly positive; PDA is satisfied with the speed at which Chemonics responded in developing and delivering the products requested.

Status of progress of contracted products	Progress %
▪ Information system for families of “Guardabosques” information system	100 %
▪ Improvement of the Computer Center and Logistics Network	100 %
▪ Purchase of a Data Base Server	100 %

E2. Obstacles encountered and overcome

- SIMONE system: While the quality of feed back information reported by project operators through the SIMONE system has significantly increased during the reporting period, some inconsistencies still persist. This includes incomplete information, failure in feeding data on indicators and activities, mistakes in digitalizing information, etc. This problem is being solved by carrying out one-on-one personal evaluations with NGO managers and adjusting information, as necessary.

E3. Activities planned for the next reporting period

- Final reports on the Putumayo Surveys are expected to be finalized and distributed.
- The SIMONE system will be enriched through the strengthening of the managerial modules.
- New modules will be created for the SIMONE system to include environmental evaluations, follow-through and recommendations.
- Preparation for the evaluation of effects and impact of projects in Norte de Santander will begin.
- Efforts will be made within CAD staff and project operators to further institutionalize the SIMONE system, making it the only official source of information on projects’ indicators and data.

SECTION V. Program Management and Support Activities

A. Key constraints and concerns

A1. Funding and Level of Effort (LOE) Constraints

The project continued to experience LOE restrictions. CAD submitted to the Mission a comprehensive financial and LOE proposal to increase its LOE, maintaining the contract's original ceiling price.

A2. Security Situation

The security situation remains the same as reported previously. The departments where CAD works continue to be areas of high danger. While CAD still considers that the NGOs and operators that work with the program, as organizations, are not considered "military objectives" at this time, the project maintains a high level of alert and closely monitors the security situations in project areas. Specifically, the security situation was difficult in December, with an increase in attacks on the petroleum pipeline and skirmishes among the FARC, AUC and military.

In general and with precautions, the staff of the NGOs and Chemonics continues to be able to visit sub-project field sites in Putumayo, but the unstable security situation requires the highest level of vigilance. The situation in Northern Santander continues to deteriorate in the past months, a situation that will continue to be closely monitored by CAD.

Because of the growing security concerns in urban areas, and particularly with the increase of guerrilla activity in Bogotá, CAD management hired a part-time security expert to work with staff, conducting a series of security seminars aimed at making the CAD workplace safer. Specific topics have included security training for the project's office receptionists (identifying possibly dangerous mail, identification and ways to respond to threatening phone calls, monitoring of guest coming in and out of the office, etc), personal safety for employees, and bomb and fire drills in conjunction with our building's security supervisor. These seminars will continue on an as-needed basis.

B. New CAD personnel this Quarter

None to report this period.

C. Contract modifications, amendments and reporting

During this reporting period, USAID signed modification No. 14 to the contract, unilaterally incorporating the Reporting of Foreign taxes clause.

It is expected that modifications incorporating additional LOE to the contract, as well as the inclusion of the Norte de Santander "Convocatoria" projects, will be finalized during the next reporting period.

SECTION VI. Grants Management

A. Grants

A1. Activities/significant accomplishments during the quarter

1. Grant awards during the reporting period:

The following projects/grant agreements were selected, negotiated and awarded during the reporting period:

- Grant Agreement No. CAD-058-03-1, Project “Establishment of an enterprise and of crops and machinery for the extraction of essential oils and extracts based on medicinal plants in Villagarzón, Putumayo” awarded to Fundaempresa.
- Grant Agreement No CAD-059-03-1, Project “Establishment and maintenance of 30 hectares of tropical flowers and 1.5 hectares of foliage and the formation of a marketing and sales company in Mocoa, Putumayo” awarded to Fundaempresa.
- Grant Agreement No CAD-061-03-1, Project “Establishment and maintenance of 25 hectares of tropical flowers and foliage and the formation of a marketing and sales company for national and international markets in Villagarzón, Putumayo” awarded to Natura Flowers, a private company that produces and exports flowers.
- Grant Agreement No CAD-060-03-1, Project “Patía Productive Chains in the Patía Valley, Cauca” awarded to Fundaset.

A2. Obstacles encountered and overcome

None to report this quarter

A3. Activities planned for the next reporting period

- The adjudication of the Vanilla Project in Putumayo is expected to take place during the first part of the next reporting period.
- Distribution of generic Terms of Reference to allow for consideration of proposals that meet CAD program project objectives and complement or build upon on-going activities, geographical areas and industrial nuclei, will be carried out during the next quarter. These projects, for example, may include packing bags, ice producing plants and food processing service centers (pigs and chickens). The purpose of this exercise is to finance a limited number of additional grants based of economic feasibility of the projects, period of incorporation and employment and income generation potential and to support CAD’s New Initiatives in the region.

A4. Training during the quarter, and explanation of activities

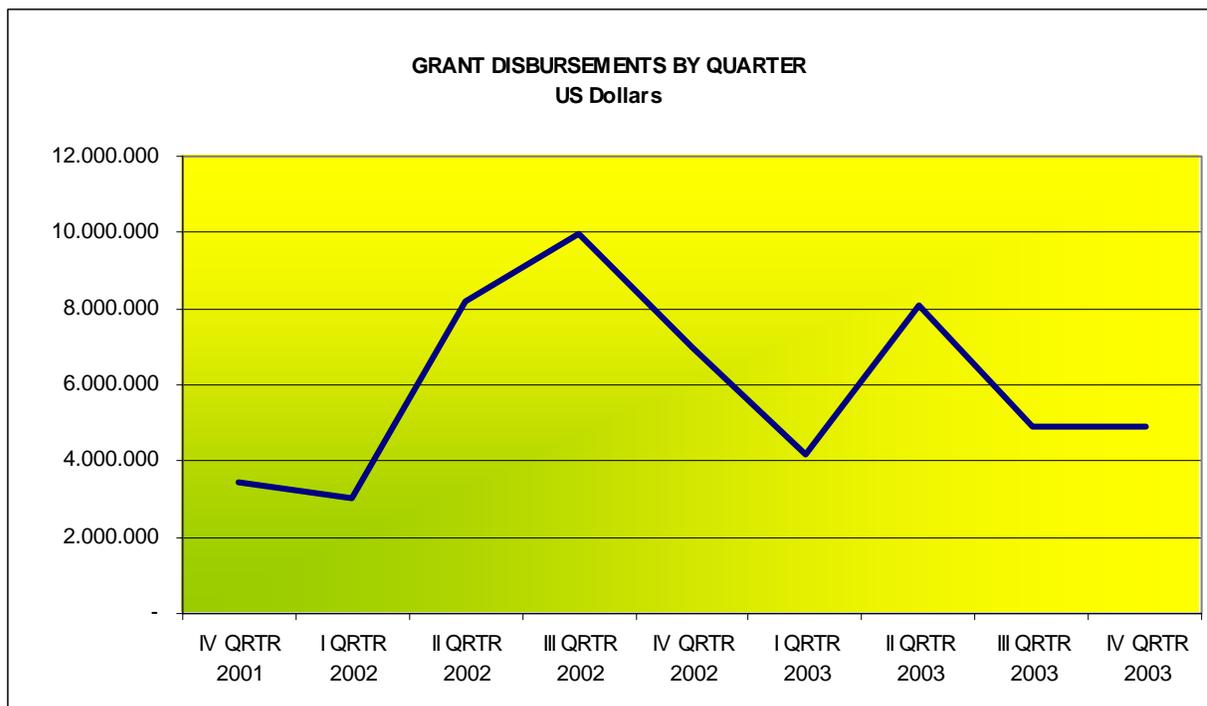
The Grants Management, Financial Management and Monitoring and Evaluation departments carried out a training workshop on “Regulatory, Financial and M&E procedures for the Management of USAID Grant Agreements and Contracts”, addressed to CAD operators and CAD staff. The purpose of this seminar was to provide the organizations with information and training on USAID and CAD policies applicable to managing sub-agreements and contracts. Of the participants, 15 women and 21 men assisted the seminar, in representation of the following organizations:

- FUNDASET – Flowers and Foliage project
- Natura Flowers
- Federación de Cafeteros del Tolima
- CONIF
- FUNDASET – PILDAET and *Raíz por Raíz*
- CAD Bogotá and Putumayo project staff

B. Grant Disbursements

B1. Grant Disbursements by Quarter

The rate of disbursements during this quarter slowed down, as productive projects have disbursed a large portion of sub-project funding.



CAD disbursements to grantees and contractors for field implementation activities during the quarter were \$4.920 million. Total Grant disbursements, for grantees and contractors only, at the end of the ninth quarter are \$53.741 million.

B2. Disbursements (Dollars)

The major contributor to this continued advance was in Intermediate Result 3 (IR-3). It is expected that this intermediate result will continue to be the major investment line considering that the project has now surpassed the manual eradication and family goals, and will honor the commitment to alternative crops and economic activities. As disbursements for the New Initiatives in Putumayo come on-line, a disbursement increase under IR3 Productive activities will be reflected during the next quarter.

DISBURSEMENTS	Quarter Oct – Dec 2003	Cumulative to 31-Dec-03
IR1 Institutional Strengthening	\$61,356.57	\$1,719,700.57
IR2 Infrastructure	\$1,057,132.87	\$6,315,807.87
IR3 Productive	\$3,054,694.11	\$40,429,548.11
IR4 Natural Resources Management	\$747,600.84	\$5,276,075.84
Total	\$4,920,784.39	\$53,741.132.38

SECTION VII. Financial Information

A. Contract Expenditures by CLIN

Contract Expenditures to Date	Contract Total	Total Expenditures through Sept. 2003	Total Expenditures October-December 2003	Balance Remaining
Invoiced to USAID				
CLIN 01	\$431.298,00	\$157.903,39	\$2.613,79	\$270.780,82
CLIN 02	\$443.195,00	\$301.925,87	\$45.033,86	\$96.235,27
CLIN 03	\$3.957.964,00	\$3.206.613,91	\$188.590,71	\$562.759,38
CLIN 04	\$478.343,00	\$635.819,89	\$90.442,44	-\$247.919,33
CLIN 05	\$13.489.400,00	\$6.568.380,37	\$993.269,34	\$5.927.750,29
SubTotal	\$18.800.200,00	\$10.870.643,43	\$1.319.950,14	\$6.609.606,43
Drawn down from FLOC				
CLIN 01	\$4.703.878,00	\$1.658.343,60	\$61.356,57	\$2.984.177,83
CLIN 02	\$5.371.309,00	\$5.260.114,20	\$1.057.132,87	-\$945.938,07
CLIN 03	\$53.074.624,00	\$37.375.560,13	\$3.054.609,84	\$12.644.454,03
CLIN 04	\$5.396.595,00	\$4.535.504,74	\$747.600,84	\$113.489,42
CLIN 05	\$0,00	\$0,00	\$0,00	\$0,00
SubTotal	\$68.546.406,00	\$48.829.522,67	\$4.920.700,12	\$14.796.183,21
GRAND TOTAL	\$87.346.606,00	\$59.700.166,10	\$6.240.650,26	\$21.405.789,64

B. Differences between disbursements and FLOC draw-downs

Advances received through the Federal Letter of Credit must be logged in and accounted for within Chemonics' accounting system at the time the money is received. These advances are reported against the CLINs on a monthly basis and a summary of spending to date is sent to USAID Bogotá along with the monthly invoice. Each month the advances received from the FLOC are allocated across the four CLINs based on disbursements made during the month. However, since not all grant disbursements are completed in the month the money is requested from USAID (for example money is requested and received at the end of the month and therefore some might remain on the 31st) there may be differences between the official financial reports generated by the Chemonics home office (which report the advances when they are received) and the disbursement report. The portion of the advance received that has not been disbursed by the end of the month is allocated to CLIN 3 and is reallocated at the end of the following month based on that month's disbursements.

The purpose the table below is to show where the differences are between the disbursements reported in this quarterly report, as well as to HHS, and the advances (draw downs) Chemonics receives and reports in the quarterly financial report above. As you will note from the chart, there was an \$84.27 difference between what had been drawn down from the FLOC and what had been disbursed to the grantees. This has been allocated to the appropriate lines; this quarter \$621.29 is pending for allocation during the next quarter and has been booked to CLIN 3

C. Allocation of FLOC drawn downs by CLIN

October-December2003

	Disbursements	FLOC draw down
CLIN 1	\$61.356,57	\$61.356,57
CLIN 2	\$1.057.132,87	\$1.057.132,87
CLIN 3	\$3.054.694,11	\$3.054.609,84
CLIN 4	\$747.600,84	\$747.600,84
Pending allocation (booked to CLIN 3)	\$621,29	\$0,00
Amount pending allocation in last report (Was booked to CLIN 3 and has now been allocated above)	-\$705,56	\$0,00
Total	\$4.920.700,12	\$4.920.700,12