



## BOLIVIAN TRADE AND BUSINESS COMPETITIVENESS: BTBC

Contract No. PCE-I-00-98-00015-00 Task Order No. 11 (Previously 820)

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EIGHTH QUARTERLY REPORT

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Submitted by:  
Chemonics International Inc. with Crimson Capital, the  
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## SECTION I

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### Introduction

This is the eighth quarterly report for the **Bolivian Trade and Business Competitiveness** (BTBC) project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date has been extended from December 31, 2004 to March 31, 2005 per modification number 5 of the above referenced contract number.

The overall project objective is to help Bolivia reduce poverty through increased investment and employment creation, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute to this “productive environment” include:
- Effective institutional, legal, administrative and regulatory conditions;
  - Development of human resources, especially in the area of foreign trade and negotiation, and;
  - Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the Andean Trade Preferences and Drug Eradication Act (ATPDEA).
- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level, and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale. The project’s focus on this area concluded with the BTBC Phase II Conceptualization Paper set forth in Q5.

## SECTION II

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### Key Achievements during the Quarter

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

The mass media component of the Campaign – TV spots and radio jingles – was concluded in October. During that month our infomercials were aired a total of 245 times in 64 programs on five stations with national coverage. Our jingle was aired 4,146 times in 15 radio stations, and our ad was published in the newspapers La Razón, Los Tiempos and El Deber. We also financed a special supplement on the FTA in the weeklies Nueva Economía and Nueva Empresa, which have approximately 10,000 subscribers nation-wide.

With respect to events, during this quarter we held the following:

- Presentation of the Soybean Sector Study, in Santa Cruz (Oct 6) and La Paz (Oct 7).
- International Conference on “Trade Negotiation between Central America and the United States: Lessons for Bolivia”, held the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> of November in Santa Cruz, Cochabamba and La Paz, respectively.

The first week of November we carried out the second survey on “Perception and Attitudes towards the FTA” in the cities of La Paz, El Alto, Cochabamba, Santa Cruz and Tarija. Results from the two surveys – presented in Section III - indicate that the Communications Campaign has had a positive impact on public perceptions of foreign trade. An image audit was also performed and found that opinion leaders, journalists and business leaders were favorably impressed with the *Bolivia Exporta, Bolivia Crece* campaign.

The website/Data Room is operating satisfactorily and now has over 200 subscribers. It includes access to over 50 campaign-specific documents and a photo gallery of all campaign events. It also has a section on coming events and a discussion forum.

##### **A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia**

On December 20<sup>th</sup>, 2004 the government finally enacted the Supreme Decree No. 27938, which was designed with BTBC assistance and provides the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual.

This long-awaited legal norm set the basis for the restructuring process of SENAPI, a process that was designed by BTBC.

### **A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

The first course on strategic management for SMEs of El Alto ended the first week of October. Twenty-five entrepreneurs concluded this course, which strengthened their management abilities and helped them design a five-year strategic plan. Awards were given to participants in a moving ceremony held on October 18<sup>th</sup> in El Alto, with the participation of Deputy USAID Administrator, Frederick Sheick, USAID/Bolivia Mission Director, Liliana Ayalde, and then Vice Minister of Industry, Trade and Exports, Juan Carlos Iturri. The training program was so successful that a second course was initiated the first week of December, with the participation of 30 more SME entrepreneurs from El Alto.

### **B. Activities to Stimulate Production and Exports**

Cumulative new jobs in BTBC-backed companies have decreased slightly this quarter as a consequence of employment declines in the secondary wood products sector, which were partially offset by new jobs created in the fine fibers and textiles and apparel companies we currently assist. Our methodology for measuring job creation is described in the footnote to the Results Table in the following page.

BTBC-backed exports in the quarter rose by an additional US\$8.6 million, where 79% of this amount is due to additional exports in the jewelry sector. We had not reported a major increase in jewelry exports last quarter due to a delay in the official publication of the national export statistics. However, these are now published and consequently we have included this important increase in this report. Of the total new exports, US\$1.8 million is attributable to the textiles/apparel, secondary wood products and leather.

BTBC has been able to integrate over 100 SMEs into the export chains, mostly producing under subcontract for larger exporting companies and in some cases exporting directly. Because many BTBC supported SMEs sell in the Bolivian domestic market, BTBC interventions have also generated an increase of some \$660,000 in local sales, representing an increase of 233% with respect to last quarter.

Throughout BTBC's work, we have placed strong emphasis on training and development of Bolivian human resources, especially at the firm level. To date BTBC has provided training for over 3,800 people, representing a 21% increase with respect to last quarter. This increase is mainly due to the new training programs implemented within the fine fibers sector, where training has increased from 184 to 589 people.

The following table summarizes BTBC's overall results in the productive sector. Sector breakdowns and additional detail are provided in the corresponding sections of this report.

## Estimated Cumulative Results in Support of the Productive Sector through December 2004

<i>SECTOR</i>	<i>New Direct Jobs*</i>	<i>New Exports (U.S.\$)</i>	<i>New Local Sales (U.S.\$)</i>	<i>People Trained</i>	<i>New SMEs subcontracted for export</i>
<b>Textiles &amp; Apparel</b>	<b>499</b>	<b>3,850,915.38</b>	<b>425,531.00</b>	<b>1,150</b>	<b>29</b>
<b>Fine Fibres</b>	<b>491</b>	<b>2,862,214.00</b>	<b>108,000.00</b>	<b>1,765</b>	<b>22</b>
<b>Secondary Wood Products</b>	<b>101</b>	<b>568,158.67</b>	<b>125,520.71</b>	<b>589</b>	<b>10</b>
<b>Jewelry</b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47</b>
<b>Leather Products</b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0</b>
<b>TOTAL</b>	<b>1258</b>	<b>20,312,258.59</b>	<b>661,510.22</b>	<b>3,852</b>	<b>108</b>

\* Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be  $120 / 5 = 24$  new jobs created.

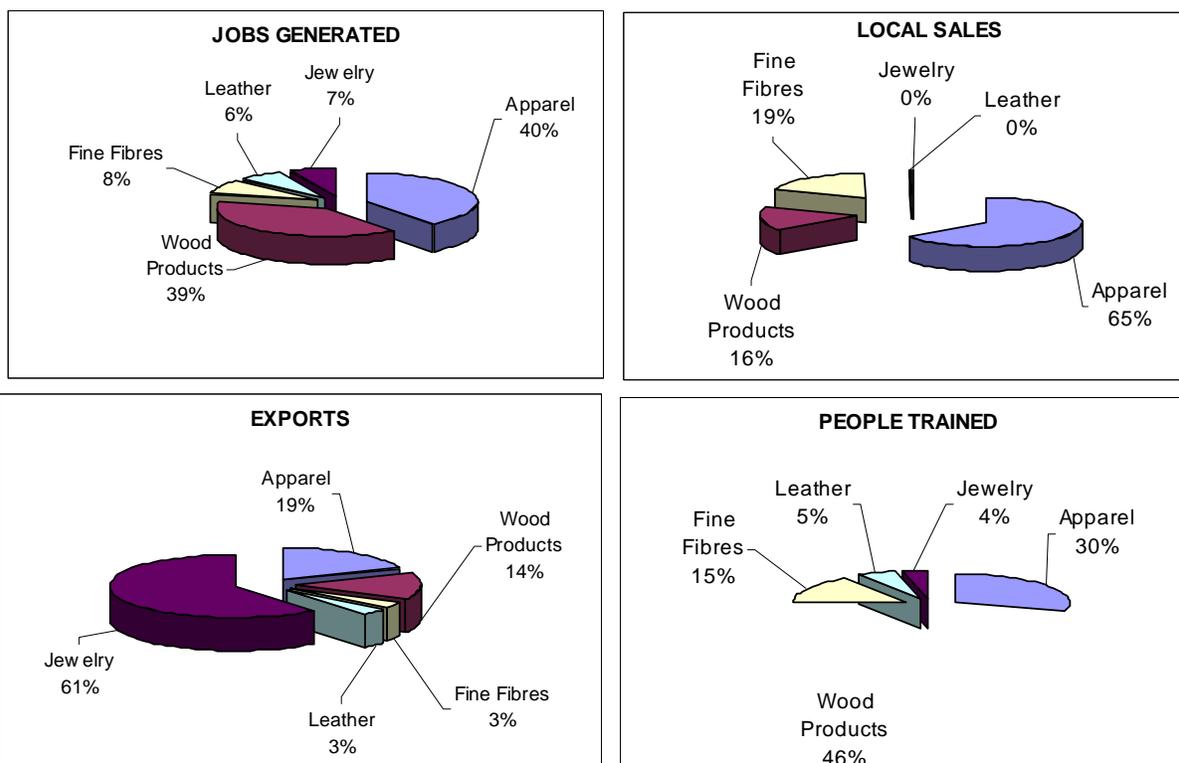
### Total Jobs Created through December 2004

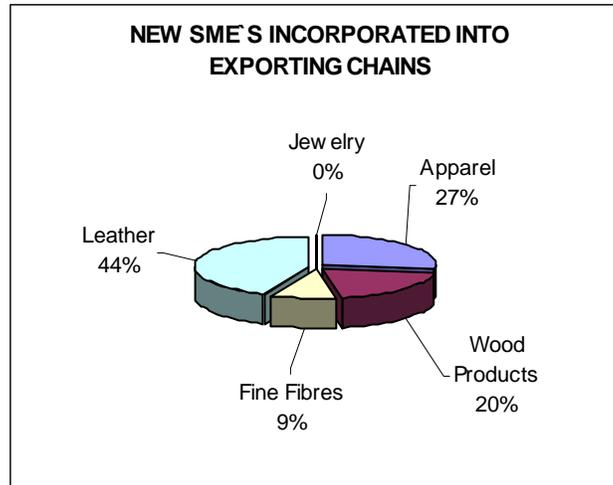
<b>Indirect jobs</b>	<b>1887</b>
<b>Total new jobs</b>	<b>3.145</b>
<b>Dependents</b>	<b>12.578**</b>
<b>Total livelihoods</b>	<b>15.723</b>

\*\*Assumes an average of four dependants per worker.

Despite the fact that we have worked mainly with one company in the jewelry sector, Exportadores Bolivianos, this company's new exports represent 61% of all new exports reported. In the case of leather one company – MACAWS – accounts for 44% of SMEs incorporated into the export chain.

The following charts reflect the distribution of results by sector:





### **B.1 Textiles and Apparel**

- With BTBC assistance, Ametex is currently in the final stages of implementing the lean manufacturing technology provided by TC<sup>2</sup>. The pilot module composed of nine operators has produced very encouraging results by achieving efficiency levels of 70% vis-à-vis international industry standards in only two months. We aim for the pilot module to achieve 100% efficiency by the end of January 2005. This module will be replicated in Ametex's various manufacturing plants to significantly improve the company's overall level of production efficiency.
- BTBC is providing training in Tarija for 45 sewing operators in assembly production systems. Upon completion of their training, these trainees will work in four SMEs selected for their export potential.
- BTBC is helping to design and implement administrative and financial management systems in three companies in El Alto, namely Rey Wear, Hogartex and Vitatex. These systems include inventory, production and commercial controls, as well as more precise methods for ascertaining product costs and margins.
- BTBC is providing assistance to four SMEs in their efforts to export cotton trousers and jackets to the USA. The SMEs are Bogama, Bartolomé, Jeans Export and Confecciones Sandra. BTBC has helped each of them prepare two sets of samples, which have been accepted by U.S. buyers North Thomson, Wails & Friends. A trial order has been received and shipment will be made mid-February 2005 for an approximate value of US\$ 50,000.
- In October BTBC arranged and coordinated an extensive six-day itinerary for Pete Minor, an international trade expert specializing in textiles and data analysis. Mr. Minor was invited by USAID to evaluate the potential impact on Bolivia if the US import quota for Asian textile products was lifted and to his recommend an appropriate Bolivian strategy for gaining entry into this market. The BTBC itinerary for Mr. Minor included meetings and roundtable discussions with senior government officials and key Bolivian players in the textile/apparel business in La Paz and Santa Cruz.

## **B.2 Secondary Wood Products**

- With BTBC assistance, during this quarter Pacahuaras and Mabet started production for Decker. They acquired new machinery that will allow them to increase production by up to 30% by the end of February. In addition, BTBC has helped the partnership complete its business plan for the production of garden furniture.
- Investment proposals for the Wood Collection Hub were received during the quarter. The proposals are currently being analyzed and modifications are being requested to better respond to project needs.
- A joint BTBC-DANIDA (Danish Cooperation Agency) program was developed for Tarija, under which SMEs are developing designs targeted to the Danish market, following the market trends and quality standards. This will be the first time that industrially manufactured products are exported from this region of Bolivia

## **B.3 Fine Fibers, Leather and Jewelry**

- The fine fibers sector has generated more than 169 new jobs and increased exports by almost US\$ 500,000, of which US\$285,000 were generated this quarter.
- BTBC commenced assistance programs to two new fine fibers companies: Beatriz Canedo Patiño and ASARBOLSEM.
- BTBC provided training this quarter in the fine fibers sector to approximately 400 women in the areas of quality control and hand-knitting techniques.
- With our support and in coordination with DANIDA, two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in the fashion fair that will take place in Denmark next February.
- Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we developed the winter 05/06 collection for Fotrama.
- We are providing assistance to three hand-knitting groups, namely Fotrama, Altifiber/Altiknits and ASARBOLSEM, which operate through major knitting networks and employ over 1,600 women in El Alto and rural areas in Cochabamba.
- With BTBC assistance, this quarter Macaws completed all procedures and documentation to obtain the ISO 14000 certification.

## SECTION III

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### Detailed Quarterly Results

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

The Communication Campaign continued full force through activities in each of its four components: supervisory activities, public education/information events, impact evaluation, and operation of the Data Room. Additionally, during this quarter we financed the publication of a special supplement on FTA in the weeklies Nueva Economía and Nueva Empresa.

##### **A.1.a Supervisory Activities**

- Organization of the third public event: “Impact of Trade Liberalization on the Soy Sector”, in Santa Cruz and La Paz.
- Coordination and supervision for publication of FTA supplement in Nueva Economía.
- Meetings with Tironi to discuss documents included in Deliverable 4, as well as to coordinate CAFTA event.
- Follow-up to Data Room activities.
- Data base generation of potential participants to event on CAFTA in La Paz, Cochabamba and Santa Cruz.
- Printing and distributing CAFTA event invitations, and supervising publicity for the event.
- Coordination and supervision of second survey on FTA with Nueva Economía.
- Organization and supervision of events in Santa Cruz, Cochabamba and La Paz.
- Review and reports on deliverables by Tironi and Nueva Economía.
- Preparation of Addendums for Nueva Economía subcontract.
- Meetings with Tironi to define coming actividades and discuss budget and expenditures.
- Meetings with CAMEX to define activities and budget for the second phase of the Campaign.
- Presentation of the second FTA survey to USAID/B and to Minister of Economic Development, Horst Grebe.
- Meeting with labor leaders in order to develop educational events related to free trade.
- Meeting of the steering committee to evaluate results of the Campaign to December 2004.

## A.1.b Public Education/Information Events

During this quarter we implemented the following two public events:

➤ **Presentation and discussion of the study “Impact of Trade Liberalization on the Soy Sector”**

This event took place in Santa Cruz on October 6<sup>th</sup> and in La Paz on October 7<sup>th</sup> and was presented by its authors, Alfonso Kreidler, Eduardo Antelo and Antonio Rocha. Prestigious local commentators were invited to each of the sessions: in Santa Cruz, Carlos Rojas, President of ANAPO and Vezna Marinkovic, ex – Vice Minister of Foreign Trade, and in La Paz, Diego Montenegro, Minister of Agriculture and Juan Carlos Requena, economic analyst.

In Santa Cruz there were 80 participants and 14 mass media organizations, including six TV stations. In La Paz there were 70 participants, including the Minister of Sustainable Development, four Vice Ministres and the Superintendent for Natural Resources. Eight media organizations were present at the event, including four TV stations.

“The main problem facing the sector is the absence of communication means and the judicial instability caused by the lack of a clear and well-defined governmental economic policy.”

-Alfonso Kreidler, Author of the study

“...the governments on duty left the soy sector to its luck and did not take into account that the sector has export capabilities comparable to the expectations for exporting gas.”

-Carlos Rojas, President of ANAPO

...we depend on CAN and should be included in the conversations on the Common External Tariff and determining the range of the tariff since the decisions made at this time will persist throughout the difficult times we face.

Vezna Marinkovic  
Empresaria del sector

Here are some of the most relevant conclusions from the event:

- The Bolivian economy has become dependent on soybean exports, which brought in \$ 2,900 million dollars in the last five years, and currently constitute about 27% of total exports.

- Bolivia depends on and needs to preserve its Andean market, but it also has to look for new markets in Asia, Mexico and Chile. This requires rapid and joint actions by the public and private sectors.
- Growers must face deterioration in the quality of their land by the use of fertilizers. The GOB must also look into authorizing the use of genetically modified soy, in order to reduce production costs. It is estimated that through an effective use of fertilizers and hybrid soy, production costs could be lowered in up to 30 percent.
- Lack of good roads is one of the prime factors that limits competitiveness of Bolivian soy. These must be improved to allow better access to both the Pacific and the Atlantic oceans.
- An abrupt fall in soy exports – due to the opening of the Andean market to Mercosur or U.S. soy – would have dire consequences on the Bolivian economy.

**COMMENTS TO THE STUDY BY JUAN CARLOS REQUENA**

- “One aspect that seems very relevant for this sector and for an adequate framework in which to discuss a sustainable strategy, is to return to the “Soy Bean Production Chain Competitiveness Agreement.”
- “It is at this level that we should look for the answer to the question of the viability of the soy bean sector as a leading sector in the economy, analyzing all the aspects that affect or could affect the future of the sector, both favorable and not favorable, and constructing a long term plan. What is clear is that the future of the soy bean sector can not be based solely in the deferment of preferences.”

-Juan Carlos Requena, Economist, Trade Capacity Analyst

➤ **International Conference “Trade Negotiation between Central America and the United States: Lessons for Bolivia”**

Dr. Alberto Trejo, former Minister of Foreign Trade and main CAFTA negotiator for Costa Rica, was invited to share his experience in that negotiation process with the “Bolivia Exporta, Bolivia Crece” campaign audience. A speaker from a Central American country was chosen not only because of the relevance in perspective to the Bolivian economy, but also because CAFTA is the most recently negotiated free trade agreement and its contents can serve as a model for the Bolivian AFTA (Andean Free Trade Agreement) negotiators.

This was the first occasion that an international speaker participated in the Campaign. Three events were held, one in each of the major cities of Bolivia: Santa Cruz on November 9<sup>th</sup>, Cochabamba on the 10<sup>th</sup> and La Paz on the 11<sup>th</sup>.

In addition to Trejos, a private exporter was invited to speak in each city so that he/she could share his/her vision and his/her experience as an exporter. The participation of Juan Carlos Iturri (Special Missions Ambassador and FTA Negotiations Coordinator for Bolivia) was

arranged in each of the three conferences. The exporting entrepreneurs were: Pablo Antelo from Chonta in Santa Cruz, Jeanette Martinez from the Cochabamba wood manufacturing sector and Eduardo Bracamonte from Exportadores Bolivianos in La Paz, jewelry exporters.

Forty different media sources covered the events, including TV news reports and interviews in the press and on radio.

The main conclusions from the presentations made by the expert, entrepreneurs and the FTA coordinator are the following:

- Bolivia should present a clear position of its expectations about the FTA with the US, explaining what should be expected from a process of this kind to all sectors.
- There are myths regarding the FTA in Bolivian society and a lot of disinformation on the topic of trade the commercial opening. Among these, the concerns of the rural sector regarding the "invasion" of agricultural and food products once the FTA is signed, when in fact there are currently no impediments for their entry.
- It's necessary to improve the property and private rights regime in order to protect investments.
- Deep social problems prevent the GOB from taking a firm stand in terms of fully participating in the negotiations.
- Bolivia can gain a lot more than any other country from the Andean region with the signing of a FTA with the U.S. or, at any rate, it is the one that has less to lose.
- The negotiating team should strive to achieve a FTA with the U.S. in 2005, otherwise there will be a lot of uncertainty and the disadvantages of Bolivia in comparison to the other Andean countries will be impossible to overcome. The commercial advantages that the ATPDEA grants the Andean countries conclude in December 2006 and they will likely not be extended without a FTA.
- One possibility is that Bolivia simply "dock" to the FTA negotiated by the other Andean countries, as the Dominican Republic did with CAFTA.
- The country's most important exporting sectors are demanding that Bolivia go from observer to full participant in the negotiations with the U.S., so that their interests be represented. Some of the biggest concerns are: preserving preferential entry of Bolivian soy to the Andean market; licenses and intellectual property rights for medicines: the protection of the native species, and the use of transgenics.
- In order to carry out an effective negotiation of a FTA with the US, it is important to have a coherent national strategy and inform the public appropriately.

### **A.1.c Impact Evaluation Mechanisms**

#### **A.1.c.i- Second survey about perceptions and attitudes towards the FTA**

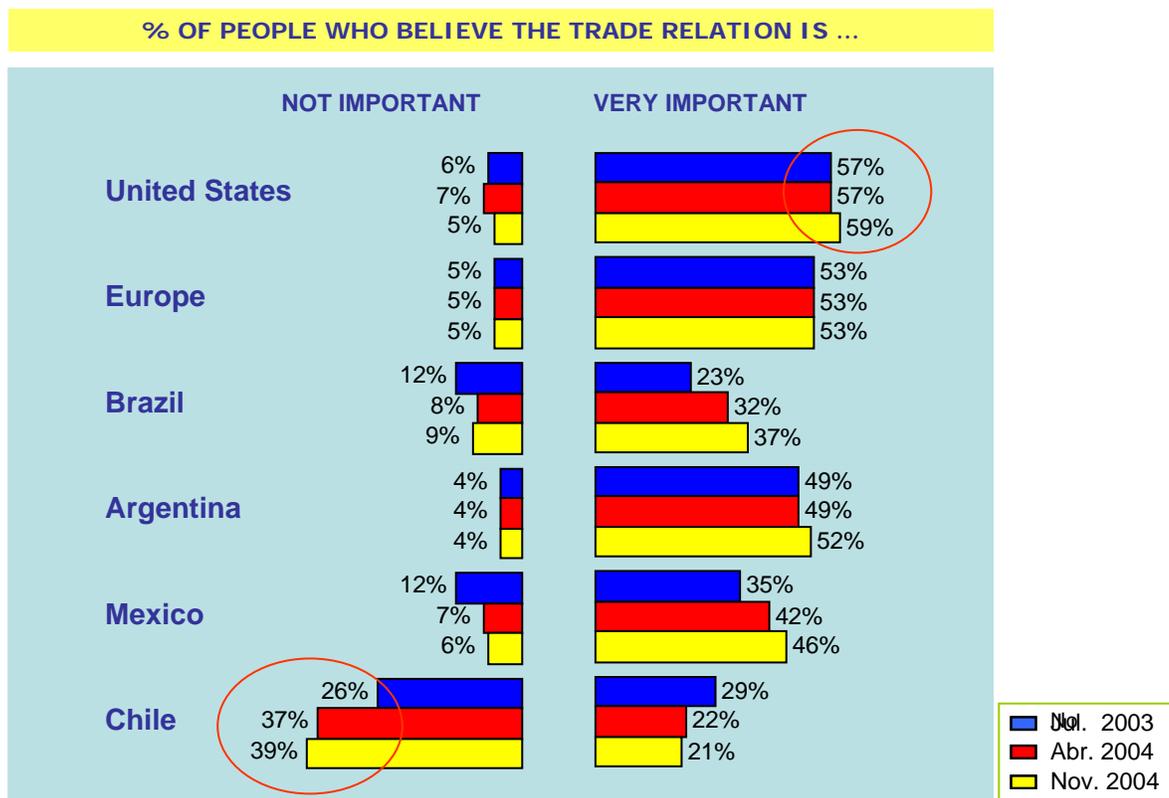
The second survey was carried out in the first week of November on the "Perceptions and attitudes towards the Free Trade Agreement with the US (FTA)", in the cities of La Paz, El Alto, Cochabamba, Santa Cruz and Tarija.

The study aimed at identifying the perceptions and attitudes about the economic situation of the country and Bolivian trade relations, particularly in relation to a FTA with the U.S. The

results of this second survey were compared with the first in order to identify the impact of the “Bolivia Exporta, Bolivia Crece” campaign.

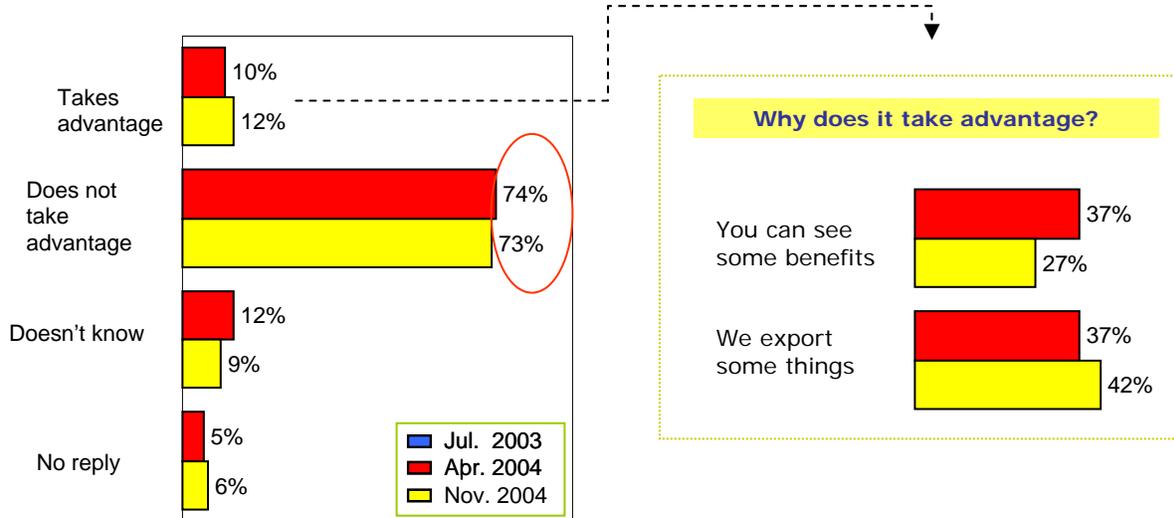
Similar to the first survey, men and women from five different socio-economic groups were targeted. Survey participants were grouped by random selection of areas and neighborhoods and systematic selection of homes and interviewees. The sample size was 2,000 people (400 per city), with an error margin of 5% per city.

The following chart shows the importance Bolivians attribute to trade relations with different countries and regions of the world. The figures have remained essentially the same from April to November.



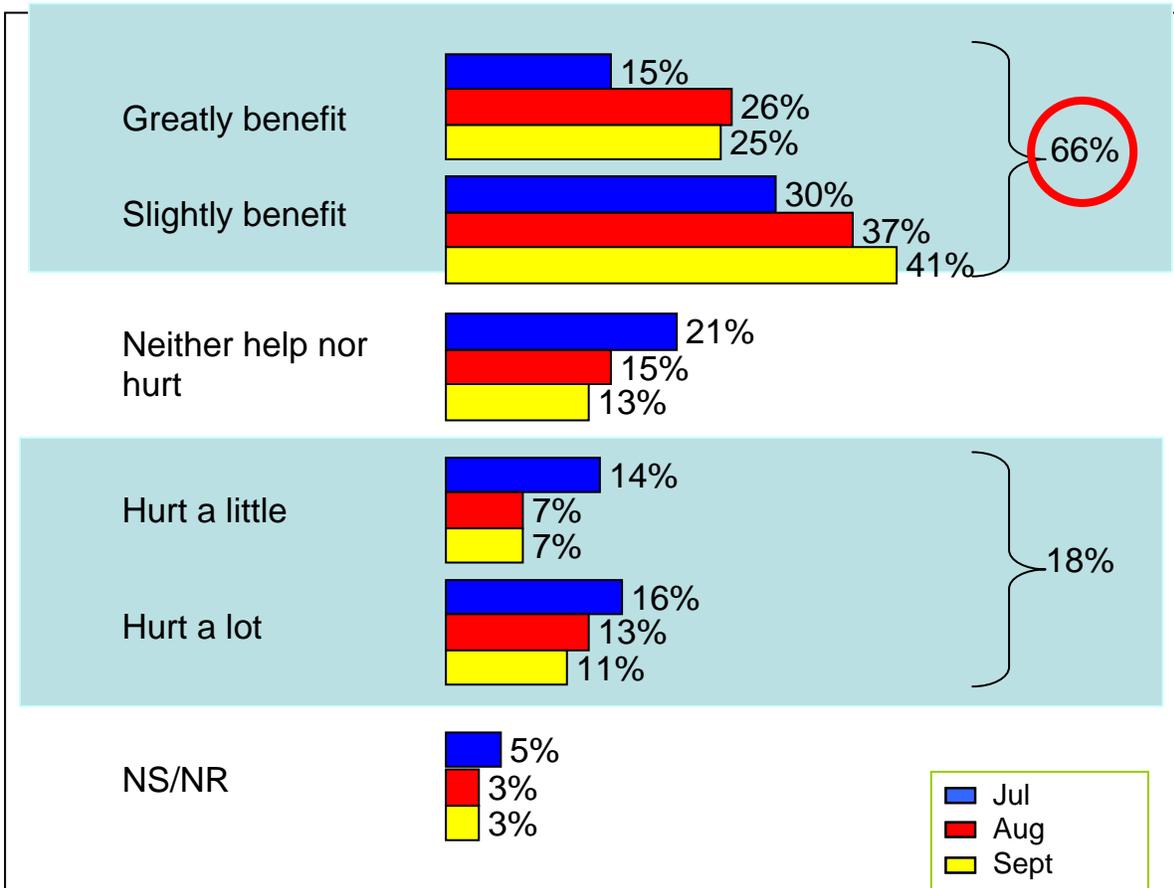
Perceptions about Bolivia's use of trade treaties also did not vary much from one survey to the next:

### Does Bolivia take advantage of its Trade Treaties?

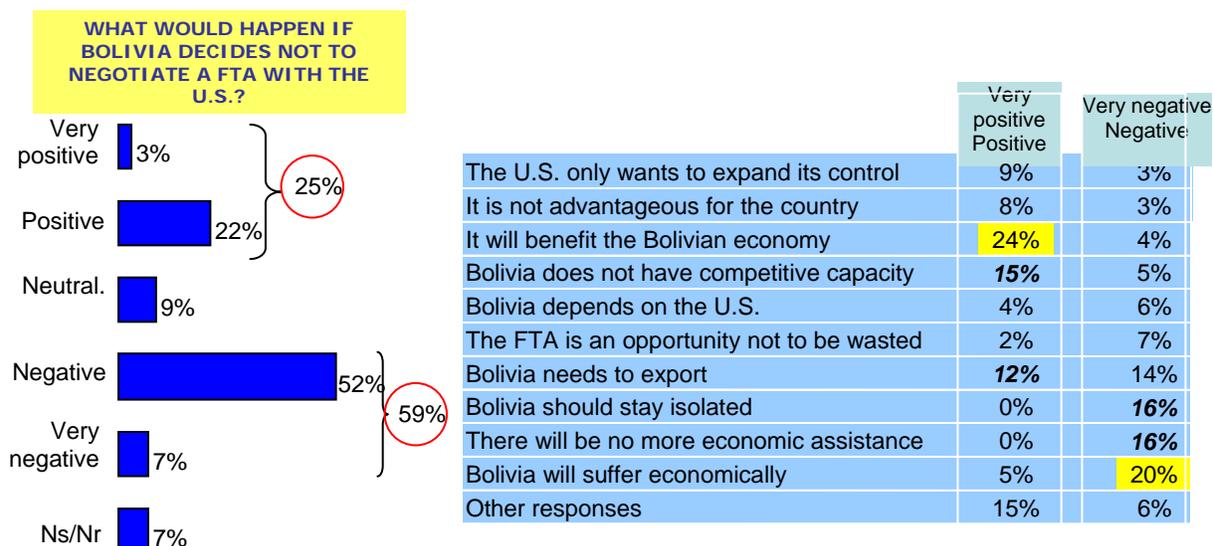


With respect to perceptions about a FTA with the United States, the following chart shows a positive change in attitude:

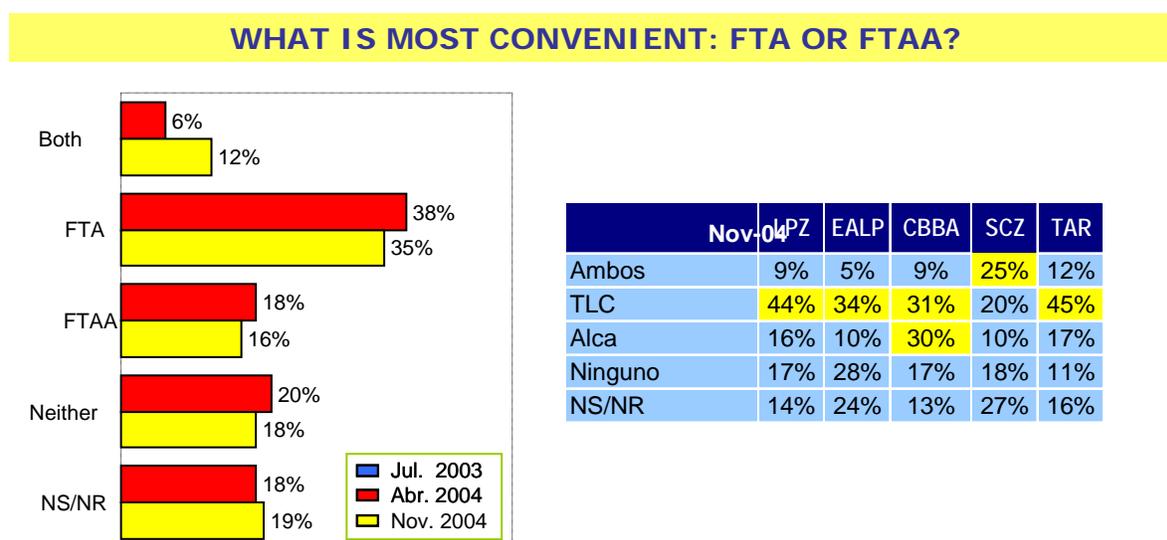
**WOULD A FREE TRADE AGREEMENT WITH THE UNITED STATES  
(.....) YOUR AND YOUR FAMILY'S WELL-BEING?**



The following question was new to the second survey. Over half of those surveyed consider negative or very negative that Bolivia **not** negotiate a FTA with the United States.



The following graph shows that more people think it's convenient to sign an FTA with the U.S. than the FTAA. There are no significant changes between April and November.



### Conclusions of the Perception Study about the FTA with the US

- Although it is perceived that the economy is not well managed, people believe it will be energized with exports.
- The expectations on future export increases are important and are associated to a positive perception on the perspectives of Bolivian exports to the U.S.
- Most people think the FTA will be signed and they think it's a good decision because otherwise Bolivia would hurt economically and be isolated.

- It is perceived that the main beneficiaries of the FTA will be the large companies and not the smaller ones.

Considering the valuable information reflected in this data, the results were presented to Minister of Economic Development Horst Grebe and part of his team on November 25<sup>th</sup>.

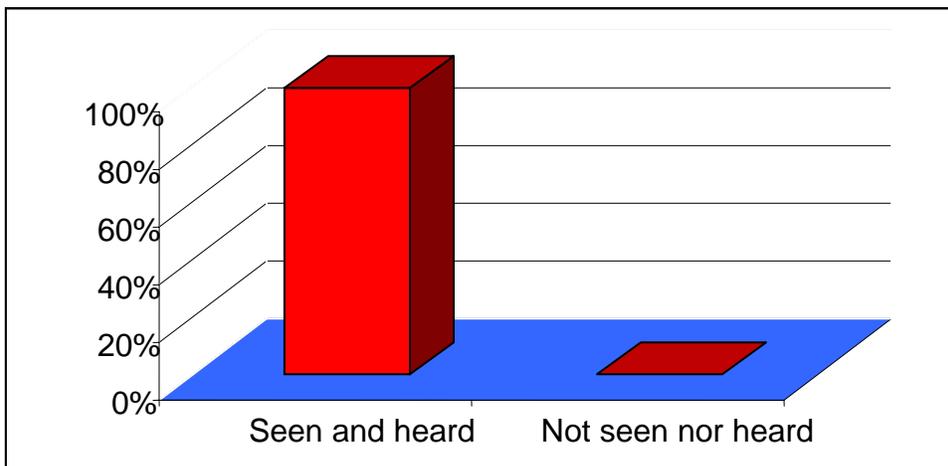
### A.1.c.ii Image Audit

A second Image Audit was performed in order to measure perceptions about the *Bolivia Exporta, Bolivia Crece* campaign among opinion leaders and entrepreneurs. The methodology was qualitative and exploratory, based on in-depth interviews using semi-structured questionnaires.

- 49 people were interviewed between November 8 and 15
- The sample was made up of opinion leaders, entrepreneurs, members of those denominated key additional general public, and specialized journalists in the area of economics from the most important media in La Paz, Cochabamba, and Santa Cruz.

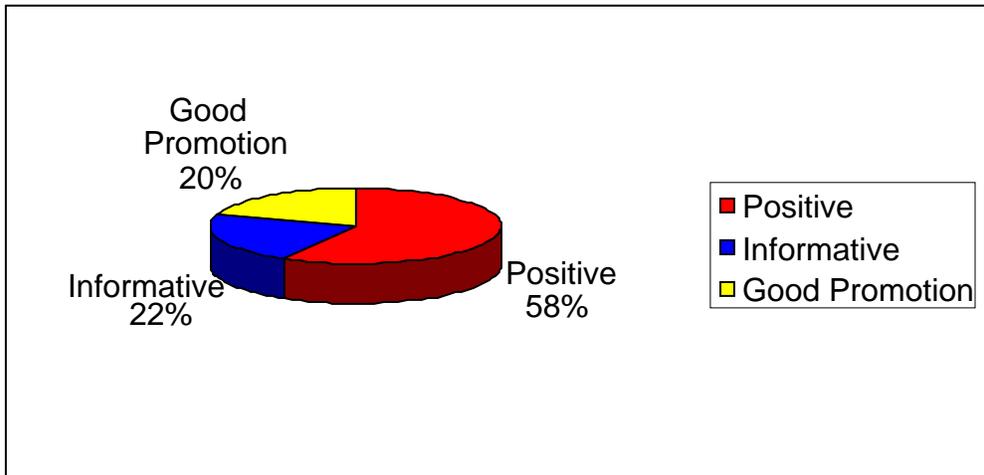
The following graphs show the results of the image audit.

#### Question 1.- Have you seen the spot or heard of the Communication Campaign: *Bolivia Exporta, Bolivia Crece*?



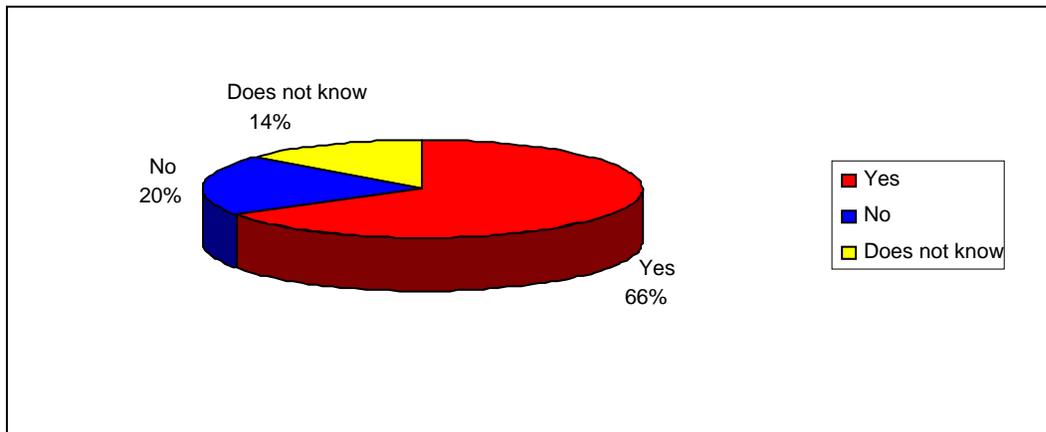
Survey: 49 persons

#### Question 2.- What is your opinion?



Survey: 49 persons

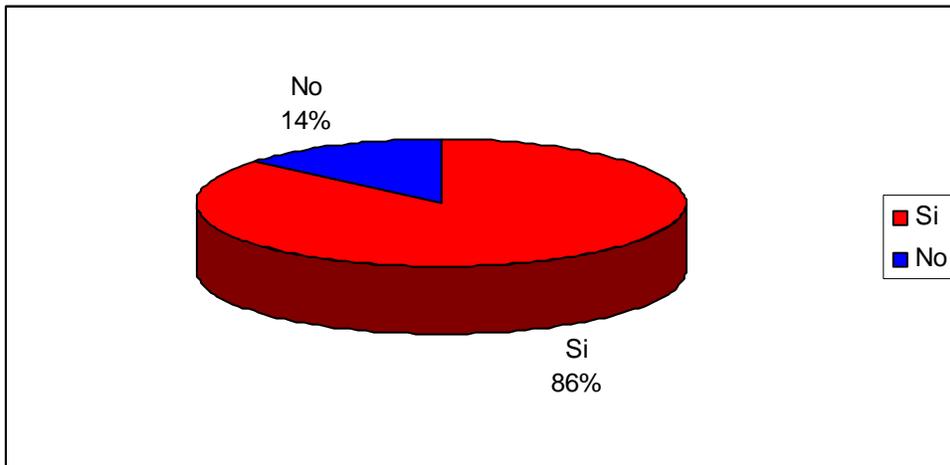
**Question 3.- Do you think this kind of campaign informs the public about the advantages of foreign markets and promotes exports and national development?**



**Question 4.- What suggestions would you make to improve the Campaign?**

- Show job creation
- More testimonies from exporters
- More information about how to export
- Language should be easier to remember
- No opinion
- Have more seminars and workshops about export policy
- Make the Campaign permanent
- Generate press material and distribute it regularly

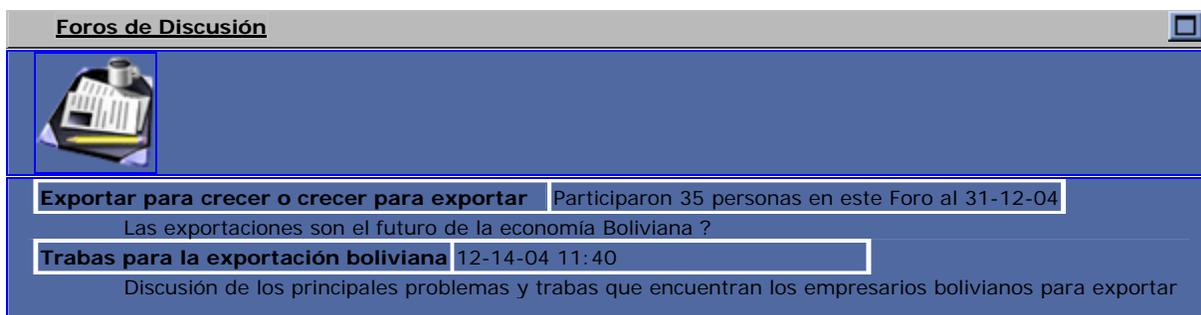
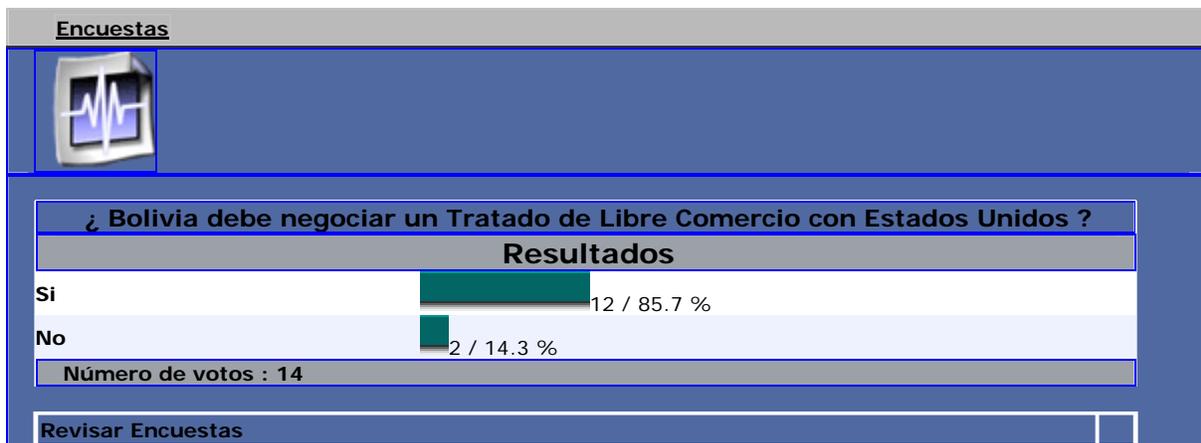
**Question 5.- Have you participated in any of the seminars of the Campaign?**



#### A.1.d Data Room

Since it was launched, the website has been widely visited and currently has more than 200 subscribers, including exporters, business consultants and university teachers and students. It has a document center of 53 files and a picture gallery that shows images of all the campaign's events. All campaign events are announced through the site and there is a discussion forum and a survey module.

Here is an example of a module included in the Data Room:



### **A.1.e Special supplement on the FTA**

During this quarter BTBC financed a special supplement on the FTA in the weeklies Nueva Economía and Nueva Empresa, which have approximately 10,000 subscribers nation-wide. The document clearly shows the positive impact of exports on the world's economies.

### **A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia**

On December 20<sup>th</sup>, 2004 the government enacted Supreme Decree No. 27938, which was designed with BTBC assistance and establishes the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual (SENAPI). This long-awaited legal norm sets the basis for the restructuring process of SENAPI, a process that was designed by BTBC.

The main tenets of Supreme Decree 27938 are the following:

1. SENAPI is transformed into an entity with its own legal, technical and administrative capacities, with only functional, not hierarchical, dependency to the Vice Ministry of Industry, Commerce and Exports (VICE).
2. The General Director will be designated by the President for a renewable five-year term.
3. The technical, administrative and legal directors will be selected by public contest, within 80 days of the Decree's publication. BTBC has been asked to be an observer to this process.
4. Within 180 days of the Decree's publication SENAPI will set forth the approval of the following:
  - a. Norms for the application of Intellectual Property Rights (Decision 486 of the Andean Community)
  - b. Updated regulations for Law 1322 on Author's Rights, in order to make it compatible with Decision 351 of the Andean Community.
  - c. The SENAPI will then proceed to regulate Decisions 391 and 345 of the Andean Community concerning Access to Genetic Resources and Vegetable Species.
5. A program is established to eliminate the huge backlog in pending procedures referred to intellectual property rights.
6. Article 26 establishes the legal bases for SENAPI's operation, including the treaties and international conventions signed by Bolivia, and in particular Decisions 486, 391, 351 and 345 of the Andean Community of Nations.

### **A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

The first course on strategic management for SMEs of El Alto ended the first week of October. Twenty-five entrepreneurs concluded this course, which strengthened their management abilities and helped them design a five-year strategic plan. Participating

companies represented a variety of sectors, including ceramics, natural foods (such as quinoa flour and pasta), shoes and leather goods, wood furniture and garments.

Most program participants were very satisfied with the course and cited the following reasons:

- Innovative design of the program, with a well defined strategy so that there is application of the knowledge to the actual situation of participating companies.

“The main challenge of this program has been to make the participants acquire a strategic vision in terms of their companies’ perspective, where, on one side, acquire a long term sense for their business activities and, on the other, identify and describe the new manager roles they should take up.

However, we consider that we should reach these objectives in a gradual and natural manner, for this reason the focus on the study was initially aimed at short run concerns that revolve around the survival of the small organization itself, so in this manner we felt that there was a shift from short run issues without traumas to the relevant medium and long term issues.”

Marco Antonio Fernandez, Strategic Management Program Director for El Alto SMEs Graduate Programs for Development, UCB

- Teachers with vast experience.
- Approach and relationship strategy with the SMEs managers in order to create solid bonds of trust and an open and participative attitude.
- Interest and collaboration on the part of participating managers.
- Attuned to the daily reality of El Alto SMEs; many of the program activities were actually held in the city of El Alto.

### **Closing ceremony of the Strategic Management Training Program for SMEs of the City of El Alto**

Awards were given to course graduates in a moving ceremony held on October 18<sup>th</sup> in Hotel Alexander Los Andes of El Alto. The event was enhanced by the participation of Deputy USAID Administrator, Frederick Sheick, USAID/Bolivia Mission Director, Liliana Ayalde, and then Vice Minister of Industry, Trade and Exports, Juan Carlos Iturri.

### **Creation of the El Alto Productive Consortium**

Once the strategic management program ended, the 25 participants asked their course teachers to advise them periodically on issues related to business management and the

application of the acquired knowledge. As a consequence, they have begun meeting every Monday and they are studying the idea of creating a productive consortium among the course's 25 companies.

The course graduates found that many of their problems were common to all in the areas of finance, technology and training. They think that creating a consortium might make it easier for them to access assistance that could help them solve structural and operative problems to be more productive and be able to export.

### **Second version of the Strategic Management Program for El Alto SMEs**

Considering the success of the Strategic Management Program for El Alto SMEs and the fact that many more companies were interested in participating, a second course was immediately prepared and initiated the first week of December, with the participation of 30 more SME entrepreneurs from El Alto. Participants for the second course were easy to identify based on previous applicants from the first training. In addition, participants from the first course recommended one to three other companies that met the necessary requirements.

The new course will end in March and will include the following modules. Commercialization and Sales; Managing Accounting and Basic Finance; Strategic Planning; Management, Leadership and Organizational Design, and Business Simulation.

### **A.4. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

The study on job creation of exporting companies registered in the chambers of La Paz, Santa Cruz and Cochabamba ended on December 14. It was based on surveys and interviews applied to participating companies.

A draft report was delivered in December and was reviewed by CAMEX, CANEB and BTBC; as a consequence, we have asked the consultant to perform a methodological revision and a more in-depth analysis of the statistical information, as well as to do some cross-referencing with leading companies from the sectors analyzed. We expect to have the final report ready for dissemination by the end of January.

## **B. Activities to Stimulate Production and Exports**

### **B.1 Textiles and Apparel**

#### **B.1.a Overview of BTBC Activities in the Sector**

Bolivian exports of apparel continue to grow; between January and October 2004 they reached a total of \$ 44.3 million, 24% higher than the same period in 2003. BTBC is contributing to this growth through technical assistance provided by its pool of specialized consultants in the following areas:

- **Production systems.** We provide basic assistance to SMEs but are also helping implement state of the art production systems through our project with Ametex.
- **Training.** We have extended our activities in this field to Tarija, where qualified labor is particularly scarce. We are coordinating with CEDEMYPE to develop a group of specialized consultants to provide training in different production systems and specific operations.
- **Incorporation of SMEs to the export chain.** Some of the large apparel companies in Bolivia are growing rapidly and need additional production capacity. BTBC is helping prepare SMEs for this type of subcontracting in the areas of manufacturing, printing, dyeing, etc. Examples in the jean business are Bogama, Val Fal, Batos and Antony.
- **Opening markets.** Several attempts are under way to enter the US Markets with a group of SMEs through trader Daniel Abugatas. Samples and quotations have been sent. Results are expected by the end of January.
- **Access to Finance.** BTBC completed a Business Plan for Rey Wear, which is being used to obtain a US\$250,000 loan to install a new dyeing plant.

#### B.1.b BTBC Projects and Results in the Textiles and Apparel Sector

BTBC-backed companies have increased exports this quarter by \$410,000 and local sales by \$232,000. Cumulative employment in assisted companies has increased slightly, due to the addition of REY WEAR, which subcontracts services from several SMEs. 118 new workers were trained this quarter.

The table below reflects BTBC's main results in the textiles and apparel sector:

#### Summary of Cumulative Results: Oct '03-Dec '04 – Textiles and Apparel

Company	New Jobs	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
BTX (MEL CONFECCIONES)	29	237.069,80	122.000,00	90	7,0
CONFECCIONES RECORD	45	1.053.923,90	-	150	5
MITSUBA	11	146.771,00	166.031,00	7	2,0
MAQUIBOL	87	1.052.103,67	-	50	7
ASEA-MYTEX.	38	909.934,01	-	150	4
ALFACH	35	123.000,00	38.000,00	12	3
VAL FAL	6	15.500,00	5.250,00	22	0,00
JHECCEM	15	3.500,00	-	5	0
MAKAM	6	13.040,00	-	2	0
TRAILER	11	20.000,00	-	10	0
TORINO	10	44.200,00	-	3	1

DINATEX	2	-	-	10	0
IMAGEN	1	-	4.050,00	1	0
CORCEL	0	-	-	0	0
TRES COLORES	4	9.000,00	-	44	0
DIM's JEANS	9	24.800,00	-	10	0
BATOS	31	46.450,00	80.200,00	45	0
BOGAMA	20	7.000,00	-	0	
REY WEAR	130	144.623,00	-	20	0
AMETEX		-	-	98	0
TEXTURBOL	0	-	-	12	0
ACOTAR	0	-	-	45	0
HOGARTEX	10	-	10.000,00	14	
UPC- Capacitaciones pool de consultores					
		-	-	300	
BANCO BISA		-	-	50	
<b>TOTAL</b>	<b>499</b>	<b>3.850.915,38</b>	<b>425.531,00</b>	<b>1.150</b>	<b>29</b>

### **AMETEX, La Paz.**

With BTBC support, Ametex is now completing implementation of the pilot module for the lean manufacturing technology provided by TC<sup>2</sup>. The pilot module is manned by nine Ametex operators and has achieved efficiency levels of 70% of international industry standards in less than two months.

There has been an important change in attitudes of the pilot module operators with regards to production, because they have understood the importance of quality and they have become involved in all stages of the production cycle. In a strong teamwork environment, the operators resolve their own problems and are empowered to do so.

The CEO of Ametex, Marcos Iberkleid, has expressed great satisfaction with the BTBC-backed intervention from TC<sup>2</sup>, especially with the upcoming rollout of the pilot module to other Ametex plants.

### **Alfach Jeans, Cochabamba.**

During this quarter, BTBC helped Alfach consolidate its commercial relationship with a Chilean buyer named Justina Contrera y Jose Ortiz in Santiago, which has increased its orders to 15,000 garments per month. We have also helped Alfach implement a new production module consisting of six light machines to manufacture logo t-shirts for sale to local corporations and institutions.

### **Batos, Cochabamba.**

During this quarter BTBC helped Batos deliver on the order that was obtained during a BTBC-supported sales trip to Santiago, as reported last quarter. Over 25,000 units have

been exported to the client Antonio Amaya, Distribuidor de Prendas de Vestir. BTBC is now helping Batos produce samples for various additional clients in Santiago.

#### **Mitsuba, Santa Cruz.**

BTBC provided assistance in developing the garments and the planning of the production for two new clients, Fierres and The Mayer Group. Regrettably, some orders were lost because of insufficient time to knit the fabrics in Peru.

#### **Jeshem, Santa Cruz.**

With our support in production systems, machinery procurement, industrial design and training sewing operators, Jeshem is now considered ready for export production. Jeshem has implemented a new line with 12 operators to provide maquila-type garment assembly services. Its other two lines, with ten operators each, are producing exclusively for export. BTBC has also helped recruit a technical expert to put Jeshem's Gerber cutter back into operation, so that the company can provide cutting services to third parties and thereby increase much-needed revenues.

#### **Rey Wear, El Alto.**

Due to increased orders, we are pleased to report that Rey Wear has added two additional knitting groups, totaling 80 new people, and sub-contracted three SMEs with our assistance. BTBC has trained the head of each knitting group in costing and production. We also helped Rey Wear finalize its business plan, which allowed them to obtain a \$220,000 loan for their new dyeing facility.

#### **Hogartex, El Alto.**

This is a relatively new manufacturer of towels, with substantial growth potential. During the quarter, BTBC provided assistance in management systems and finishing techniques.

#### **Batt, La Paz.**

Batt is a subsidiary of the Ametex group that manufactures both fabrics and garments for the local market. Batt has five retail stores in the main Bolivian cities and is now developing a garment collection for sale across Latin America.

In order to meet the new demand, BTBC is assisting Batt in the creation of a planning and organization unit to manage subcontracting operations with SMEs.

#### **ACOTAR, Tarija.**

ACOTAR is the apparel manufacturers' association of Tarija and has about 30 members. At their request, BTBC is providing training for 45 sewing operators for the four SMEs thought to have the greatest export potential.

#### **B.1.c Additional Activities in the Textiles and Apparel Sector**

- In order to assist our clients in their procurement of production inputs for their export orders, BTBC contacted three suppliers of garment manufacturing inputs in Colombia, namely Fabricato (fabrics), ECA (zippers) and Botonat (buttons).

- BTBC is providing assistance to the Cochabamba-based Premier group to inaugurate a small manufacturing operation in Tarija to produce for export to Paraguay and Argentina.
- The State Government of Tarija (“Prefectura”) has agreed to lease a warehouse in Bermejo to create a distribution center from which Tarija-based manufacturers can service the area, which is a natural market for Tarija. BTBC deployed a reconnaissance mission to Bermejo to evaluate available premises and make recommendations.
- At the request of Peruvian garment trader Daniel Abugatas, BTBC organized four SMEs in La Paz to quote and produce samples of polo shirts and t-shirts for two export orders from the U.S., from TEXMABOL and Jeans Exports. The samples were shipped on December 22<sup>nd</sup>.
- As a result of meetings with DANIDA, the Danish Agency has invited two BTBC-backed companies to attend a fair in Denmark in February, with all expenses paid. These companies are Altifibers/Altifashion and Millma.
- Discussions were held with INFOCAL, with a view to jointly offering training courses in patterning and design and machine operation.

## B.2 Secondary Wood Products

### B.2.a Overview of BTBC Activities in the Sector

As illustrated in the table below, Bolivian exports of wood products continue to grow at a steady pace:

<b>BOLIVIAN EXPORTS OF WOOD PRODUCTS</b>			
<b>January- October 2003/2004, US\$ millions</b>			
<i>Product</i>	<i>Jan-Oct 2003</i>	<i>Jan-Oct 2004</i>	<i>% change</i>
Sawn wood	18.57	25.05	34
<b>Sub-total primary wood products</b>	<b>18.57</b>	<b>25.05</b>	<b>34</b>
Doors and windows	10.47	12.67	21
Wood furniture	8.75	11.73	34
Other wood products	3.64	5.83	60
<b>Sub-total secondary wood products</b>	<b>22.86</b>	<b>30.23</b>	<b>32.2</b>
<b>TOTAL</b>	<b>41.43</b>	<b>55.28</b>	<b>33.42</b>

Source : SIVEX

The growth of secondary wood products has been driven primarily by wood furniture and flooring and decking, followed by windows and doors.

The dominant companies continue to be CIMAL and United in the furniture industry, and MABET and La Chonta in doors. Other companies such as Sali, UTD, Muebles Hurtado and Carpintería Don Fernando have increased their exports compared to 2003.

A significant constraint during this quarter was the limited availability of diesel fuel, which significantly reduced the output of saw mills that provide sawn wood to manufacturing and export companies. In some cases, diesel shortages caused delays in export shipments.

During this quarter, BTBC has started supporting companies in Tarija by contacting them with international buyers and providing production assistance to achieve compliance with international quality standards. BTBC has also worked with companies in Tarija to obtain financial resources from FORTALEZA.

The following is a summary of the main activities of BTBC wood sector consultants during this quarter:

- **Planning and production processes:** BTBC continues supporting the ongoing improvement of production plants, mainly medium and small companies located in Santa Cruz, La Paz and now Tarija. The objective of this assistance is to improve their production capacity in order to allow them to comply with international orders. More than 80% of the companies in the Bolivian wood sector are SMEs, having on average no more than 15 employees and an installed capacity to process up to 3,500 board feet. In order to fulfill larger export orders, it is frequently necessary to coordinate production among SMEs.
- **Kiln drying.** During this quarter BTBC concentrated its kiln drying efforts in Cobija and Cochabamba, helping make integral improvements to the entire drying process. BTBC technical assistance included appropriate loading of the kilns to increase productivity, air speed control and humidity reduction. BTBC also inspected equipment to ensure proper functioning, and we alerted our clients to problems such as clogged air ducts, low turbine speeds and heat loss due to poor insulation. Significant improvements in drying times have been achieved through implementation of BTBC recommendations, for instance a reduction from 48 to 33 days drying time for mahogany. We expect to further reduce this time to 25 days. BTBC also developed drying curves, based on the model developed by the Madison Research Laboratory in the U.S. for the *mapajo* wood species.
- **Classification and cutting of sawn lumber:** This quarter saw a substantial increase in BTBC technical assistance related to pre-dimensioning sawn wood. BTBC has worked primarily with saw mills that process alternative wood species, such as IMAPA and SAGUSA. Lumber throughput has been reorganized and redistributed. Radial cuts have been introduced to replace parallel cuts, substantially increasing the yield in hard woods. Logging workers have been trained to perform certain cutting operations in the forest, thus saving time in the saw mill. In addition, personnel have been trained on immersion techniques to rid logs of stains and fungus for higher quality sawmill input.
- **Chain of custody certification:** BTBC has continued supporting saw mills and drying operations to implement Smartwood/Forestry Stewardship Council (FSC) recommendations. This quarter FSC visited IMAPA and SAGUSA and made recommendations related to maintaining a strict separation of uncertified and certified wood, improving industrial safety in the sawmill and improving signage in the entire production area. BTBC helped to implement these recommendations and, as a result, we

expect that both companies will receive extensions of their FSC certifications for another year.

- **Market linkages and commercialization:** BTBC has been very active this quarter as follows:
  - Through the pool of consultants, BTBC has been able to encourage SMEs to subcontract parts and pieces and flooring. For example, through BTBC contacts SOEX outsourced from Schmidt Wood and Ultimate Design, and BTBC provided technical assistance to help Casablanca outsource garden furniture from San Joaquin.
  - BTBC has made significant efforts in Tarija, by initiating a project with COMAS in coordination with the Danish Cooperation Agency DANIDA. BTBC helped COMAS manufacture samples for prospective Danish buyers based on Danish designs. These samples will be exhibited at the Danish Furniture Trade Fair in May. We have also worked with GINKO, helping them to close a trial order with the US buyer Globex Inc. Hardwood Flooring for two containers of flooring.
  - BTBC has developed several samples for New Hemisphere, a Tampa-based buyer. The CEO Mark Montgomery, a major customer of Hurtado and Fatima, asked for BTBC support to develop additional suppliers. New Hemisphere is opening markets for new products and is interested in expanding its network of suppliers in Bolivia. BTBC supported him in the organization and design of a new production line and in the entire sample development process.
  - BTBC has also helped companies increase their local sales within Bolivia. For example, through a BTBC contact, Mueblería López obtained an important contract to furnish a hotel in La Paz.

## B.2.b BTBC Projects and Results in the Wood Products Sector

Cumulative employment in secondary wood products has decreased with respect to last quarter, basically because a number of companies that received assistance early in the year generated an important number of jobs that was later reduced, as some purchase orders were cut back. This brought down our figure of permanent jobs created, as we averaged the monthly amount of jobs created during the life of the project.

### Summary of Cumulative Results: Oct '03-Dec '04 – Wood Products

Companies	New Employees	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
CASA BLANCA	34	197,040.00	-	14	12,0
Mobilia	10	52,000.00	-	40	0,0
Ultimate Design - Calderon	9	53,400.00	4,000.00	10	2,0
Mabet- Pacahuaras	100	300,000.00	80,000.00	148	0,0
Muebles Hurtado	46	245,854.00	-	64	0,0
Somain	22	72,396.00	3,000.00	29	0,0

CIMAL	6	620,000.00	-	12	0,0
Schmidt Wood	4	14,500.00	-	8	1,0
Línea Rústica (*)	8	13,152.00	-	0	0,0
KAOBA	0	26,800.00	-	0	0,0
IBEMA	9	63,022.00	-	22	2,0
UNITED	163	1,000,000.00	-	1238	0,0
SOEX	8	30,000.00	-	1	3,0
SAGUSA	13	80,000.00	-	70	0,0
SALI	4	27,000.00	-	6	0,0
PROMAD	11	850.00	-	4	0,0
MONTANA	6	-	6,000.00	7	0,0
BTL	5	17,700.00	-	8	2,0
ECOWOODS	2	3,500.00	-	3	0,0
FATIMA	0	-	-	0	0,0
IMAPA	18	45,000.00	-	67	0,0
COMAS	6	-	-	12	0,0
CHINGA DECORACIONES	2	-	-	2	0,0
MUEBLERIA LOPEZ	8	-	15,000.00	0	0,0
TOTAL	491	2,862,214.00	108,000.00	1.765	22,0

The following are the companies which BTBC assisted this quarter:

### **Muebles Hurtado, Santa Cruz**

BTBC concluded its support for Hurtado's night shift producing garden furniture. A BTBC consultant started up and managed the night shift for several months. Over 40 workers were trained in wood classification and preparation, patterning, tool usage, route sheets, sanding and quality control. With the improvements in production and management techniques, Hurtado has become one of the leading companies in the sector. Hurtado continues being the major supplier for Casablanca, with ongoing BTBC assistance to comply with production orders and specifications.

### **San Joaquín Santa Cruz**

This is a small company sub-contracted by Casablanca to produce outdoor furniture for the US market. This company has excellent tools but doesn't have adequate equipment for serial production. San Joaquin presented several constraints to manufacturing quality products, including inadequate raw materials, imprecise angles and irregular cuts that did not fit in the joints. Workers did not have necessary skills. This quarter BTBC provided assistance to San Joaquin including the development of three alternative plant layouts, training for the workers and classification of wood.

### **Casablanca International, Santa Cruz and High Point, North Carolina**

BTBC continued to support Casablanca by providing production assistance to its suppliers, Hurtado, Somain and San Joaquin.

### **Somaín, Santa Cruz**

This quarter Somain faced a decrease in its export orders. In order to retain its recently hired workers, BTBC helped the company shift part of its production to the local market. For example, BTBC is helping Somain manufacture an order for 1,000 desks for the Military University in La Paz.

Casablanca has provided Somain a set of blueprints to produce 6 style designs for the US market. BTBC helped Somain management calculate the production costs for these.

### **Muebles Fatima, Santa Cruz**

BTBC supported Fatima in the development of their garden furniture product line. In October Fatima received a small trial order from New Hemisphere, which was then increased to a full 40' container. BTBC supported the company in production planning and control, sample supervision and approval, sawn wood quality control and standardization of the Anaconda styles.

### **Chinga Decoraciones Santa Cruz**

BTBC provided assistance to Chinga Decoraciones principally in management. BTBC helped define administrative and operating roles and responsibilities, develop an operational flowchart and manual and produce the first set of formal financial statements since the company began operating 20 years ago. During 1Q05, BTBC plans to support the company in production planning and controls, solving problems related to low worker productivity and resolve a variety of weaknesses within the production process.

### **IMAPA, Cobija**

In order to increase productivity and yield in sawmill operations, BTBC provided extensive assistance to IMAPA in three areas during this quarter, namely felling trees in the rainforest, sawmill cutting procedures for different species, and warehousing and classification of the wood. In tree felling, BTBC made recommendations on homogenizing the size and diameter of the trunks to optimize processing times in loading, transportation and cutting. In sawmill processes, BTBC showed IMAPA how to position the trunks on the processing trolleys in order to make radial rather than tangential cuts, achieving yield increases of up to 40%. We performed a time and movements study and balanced the production line to reduce bottlenecks. We reviewed the organization of the sawmill process and made recommendations for adjusting the functions of each worker. We made technical improvements to the band saw which drastically reduced band breakages and consequent downtime.

### **SAGUSA, Cobija**

During this quarter Sagusa obtained an important order from a European buyer for the wood species Mapajo cut in Surfaced 4 Sides (S4S). Because Sagusa has never worked with this species before, they sought BTBC assistance to enable appropriate delivery. BTBC provided assistance including the following: chemical treatment to preserve the logs, as

Mapajo is a soft species needing to be treated with fungicides and insecticides in a ponding process prior to sawmilling. Pre-dimensioning of lumber and improved saw bands to reduce bottlenecks and downtime in the sawmill process. Development of an integral kiln drying process for Mapajo by adapting a program from the Madison Laboratory in the US, and utilizing a vertical rather than horizontal stacking technique in the kilns to avoid twisting and warping. Training for staff on post-kiln chemical treatment to protect against insects and fungus.

### **Mueblería López La Paz:**

This small company requested BTBC support to install a new plant. BTBC consultants designed and implemented the lay out. We also helped the company obtain an order to outfit a hotel in La Paz and provided assistance in the design of the wooden furniture, doors, moldings and closets for this contract job. Once the designs were approved, BTBC developed a program to calculate production costs and make provide pro-forma quotes. Additionally, BTBC is helping the company in the development of new experimental wood dryers.

### **SOEX La Paz**

During this quarter BTBC was instrumental in helping SOEX obtain much-needed financing from Procredito. BTBC helped the company develop its business plan, with which Soex was able to obtain working capital finance in the amount of US\$ 40,000 from Procredito. These funds are being used to buy raw materials for the production of an export order. BTBC also helped SOEX sub-contract part of the production to two SMEs, namely Ultimate Design and Schmidt Wood.

### **Mabet - Pacahuaras, La Paz & Riberalta**

During this quarter Mabet generated significant results arising from support provided by BTBC during the last quarter (see the previous quarterly report), and indeed it has become the company with the highest growth in the sector. In the period January to November, Mabet increased its production by 22% compared with the same period last year. During this quarter, BTBC provided assistance in balancing the production lines utilizing both new and existing machinery. In addition, BTBC assisted in a variety of areas such as the development of production lines to manufacture flooring and outdoor furniture, designing a dust extraction system for the new plants, time and movement studies and resolving bottle necks in molding production.

### **COMAS, Tarija**

In a joint effort with the Danish cooperation agency, BTBC is supporting COMAS in the production of indoor and outdoor furniture samples for the Danish market. Designs were developed by Jacob Berg, a likely future partner of the company. A visit of a representative of the Chamber of Danish SMEs, Steffen Thomsen, is expected during 1Q05. The idea behind this visit is to match-make a joint between COMAS and a Danish partner in order to market the products in Denmark. To date, ten prototypes have been developed and additional designs are underway.

### **Federación de Pequeños Empresarios, Tarija**

BTBC provided assistance to 4 SMEs belonging to this association to install operations in the industrial zone in Tarija. BTBC produced a detailed inventory of equipment and produced energy consumption projections. The installation phase was completed in December and we provided technical assistance to start production. These SMEs have the capacity to produce both flooring and furniture. BTBC has introduced them to Casabalanca and initial conversations are underway, with a view to a possible production order for export to the US.

### **GINKO, Tarija**

This company has obtained an order from US-based GLOBEX Inc. owned by Gerhard Lamprecht. Mr. Lamprecht has placed an order for two containers per month of flooring produced with the species Quina Quina and Tajibo. During the quarter BTBC helped organize Ginko's relocation to new premises. BTBC is also helping Ginko to apply for financing from Fortaleza. Ginko needs US\$35,000 to finance the acquisition of new equipment.

### **INDUSTRIAS JEREZ, Tarija**

This is the oldest industry in Tarija. They have recently purchased a saw mill to improve their wood supply, which has been a difficult constraint in the past. They have obtained export orders from buyers in Paraguay and need a steady supply of sawn wood. BTBC provided assistance in developing the layout for setting up the new saw mill. Implementation is planned for 1Q05.

## **B.3 Fine Fibers, Leather and Jewelry**

### **B.3.a Overview of BTBC Activities in the Sectors**

This quarter BTBC continued expanding its activities in the fine fibers sector by commencing assistance programs to three new companies. On the other hand, there has been no new BTBC activity in the jewelry and leather sectors.

**Fine fibers.** The fine fiber sector is still new for BTBC. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed at medium and high-end markets, being exported in low volumes. Most alpaca garment manufacturers need support in design, employee training and marketing. It is important to market the benefits of camelid fibers (alpaca and llama) in the target markets. It is perhaps even more important to adjust Bolivian designs so that they are appealing to target market consumers.

The following is a summary of BTBC's activities in the fine fibers sector:

- **Production Systems.** This quarter BTBC has worked extensively to help companies improve the following key areas: productivity, increasing capacity, production planning and control, inventory management and implementation of additional production lines.
- **Quality Control.** In many of the interventions BTBC has helped implement various quality control systems and mechanisms. Quality control is fundamental to secure clients. It is also important for reducing costs through early detection of defects and minimizing rejects.

- **Design.** Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we developed the winter 05/06 collection for Fotrama, based on the market trends and major wool inventories owned by the company. Most camelid companies need support in this area.
- **Opening Markets.** BTBC-backed companies continue harvesting results from the BTBC/CANEB Business Development Project. Examples of fine fiber companies with growing exports resulting from these interventions are Altifashion with more than US\$ 36,000 for 4Q04 and US\$ 100,000 for 2Q05. Intiwara is also projecting an initial trial order of US\$ 10,000 for 2Q05 with one of the major sweater companies in the US.
- **Training.** BTBC has provided training in a diversity of areas, including design, quality control, costing and quoting, production systems and broad management.
- **Diagnoses and Recommendations.** BTBC has done in-depth diagnostic evaluations of several companies to help them identify their internal constraints and develop recommendations as to how to overcome them. These diagnoses have been followed by BTBC interventions to help apply the recommendations.
- **Hand-knitting garments.** BTBC is providing assistance to three hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women, Altifiber/Altiknits, a company outsourcing production to a further 300 women and ASARBOLSEM, an association which groups approx. 1,000 women, 400 directly and the rest through production cooperatives and farmer associations.
- **Subcontracting Production:** In a variety of instances, BTBC has made introductions between companies that have resulted in subcontracts for production. For example, BTBC is helping a dominant exporter of camelid garments identify small and medium textile manufacturing companies to which to outsource industrially knitted garments

**Leather Sector.** Macaws continued being our major project within the leather sector. The project ended in November, and all major objectives were accomplished. We helped Macaws to maintain the ISO 9001 certification, to obtain the OSHAS 18000 certification, making it the first Bolivian company to obtain the OSHAS 18000. At this point, the company is ready to obtain the ISO 14001. We expect Macaws to obtain this certification during the first quarter of 2005. In addition, thanks to our support in the area of training, Macaws consolidated its export business to Venezuela, in addition, there has been a substantial growth of its brand Bellagio in the US, being the only Bolivian brand marketed through internet.

**Jewelry Sector.** Exportadores Bolivianos, the gold and silver jewelry manufacturer which received BTBC assistance in 2003 to open a new production plant in Bolivia, continues growing and generating very substantial exports to the U.S. Minerales y Metales (M&M), the producer of gemstones which received BTBC assistance earlier in the year to implement a new jewelry manufacturing plant, is expanding its local jewelry business, having opened two retail jewelries in Santa Cruz.

### B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sector

The fine fibers sector generated more than 100 new jobs this quarter and new exports of more than \$360,000. In addition, BTBC has made a major effort this quarter by providing training for about 500 people in fine fiber activities.

In the leather sector, the assistance provided to Macaws has contributed to an increase of 72% in the company's total exports with respect to last year. Vis-à-vis last quarter, exports this quarter have increased by \$120,000 and 20 new SMEs have been incorporated into Macaws' export chain. The company has achieved certifications for ISO 9001 and OSHAS 18000, and is preparing for certification in ISO 14001 expected by March 2005. In sum this company with the five training courses in leather upholstery, two in machine maintenance and five in small leather goods manufacturing techniques, has trained 210 people, hired 78 people and incorporated 47 new SME's to its export chain.

In the jewelry sector BTBC provided assistance in earlier quarters, and we will continue reporting the results of our interventions until the end of the project. We highlight that the majority of jobs that were created in Exportadores Bolivianos have been maintained. This company alone represents 74% of Bolivia's total jewelry exports. In the period January to October 2004 it exported \$37.5 million, representing an increase of 31% versus the same period the previous year. Exports attributable to BTBC's intervention are over double the company's commitment to BTBC – the commitment was US\$ 5 million in new exports and to date they have surpassed US\$ 12 million.

As with the table of general results, the following table now includes number of people trained and local sales.

#### Summary of Cumulative Results: Oct '03-Dec '04 Fine Fibers, Leather and Jewelry

Companies	New Employees	New Exports US\$	New Local Sales	People Trained	New SMEs in export chains
Milos International	22	138,574.31	41,874.74	3	0,0
Origenes Bolivia	9	37,166.74	3,286.00	4	1,0
Altifashion	13	86,000.00	4,000.00	2	1,0
Altifibers	17	42,500.00	-	2	6,0
Fotrama	18	86,027.60	45,848.00	332	0,0
Knitted Apparel	9	36,000.00	-	2	0,0
**Gloria Thaine	5	9,000.00	-	0	0,0
**Alpaca Style	0	16,000.00	-	0	0,0
**Terraltas	0	10,000.00	-	0	0,0
**Intiwara	3	1,500.00	-	5	0,0
**Shalom	5	105,390.02	30,511.97	4	0,0
Asarbolsen	0	-	-	75	2,0

<b>*Patterning and Design Workshops</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>0,0</b>
<b>*Design Workshop</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>0,0</b>
<b><i>SUBTOTAL FINE FIBERS</i></b>	<b>101</b>	<b>568,158.67</b>	<b>125,520.71</b>	<b>589</b>	<b>10</b>
<b>Export. Bolivianos</b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0,0</b>
<b>Minerales y Metales</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b><i>SUBTOTAL JEWELRY</i></b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0</b>
<b>Macaws</b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47,0</b>
<b><i>SUBTOTAL LEATHER</i></b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47</b>
<b>TOTAL</b>	<b>268</b>	<b>13,599,129.21</b>	<b>127,979.22</b>	<b>937</b>	<b>57</b>

The following are the companies in which BTBC made interventions this quarter:

**Milos International, Fine Fibers, La Paz.**

During 2004, Milos' sales increased substantially, over 100% increase in exports and a 45% growth of local market sales. During this quarter, Milos (Liliana Castellanos) closed export deals with Steeng Olesen of Visto International, a Danish company specialized in the direct sale of coats and suits in Copenhagen. The BTBC-brokered commercial relationship with US client Linda Richards continues growing. During the quarter, BTBC has provided support to Milos in the areas of production planning and control, costs control, inventories, and training of new personnel in quality control.

**Altifashion, Fine Fibers, La Paz.**

This quarter, BTBC provided assistance to Altifashion to implement a new system to control inventory and work in process, which will generate two new jobs. In addition, a US\$ 100,000 order is expected for 2Q05, as a result of the BTBC/CANEB Business Development Project in the U.S.

**Altifiber/Altiknits, Fine Fibers, La Paz.**

In the previous quarter, a BTBC diagnosis resulted in a number of recommendations to improve production systems and quality control. Implementation of these recommendations has commenced this quarter. In addition, through a BTBC contact, the Danish Cooperation Agency DANIDA, has invited Altifiber/Altiknits to participate in the Danish garment fair in February with all expenses paid.

**Orígenes Bolivia, Fine Fibers, La Paz.**

No new activity.

**Millma, Fine Fibers, La Paz.**

As in the case of Altifiber/Altiknits, through a BTBC contact, the Danish Cooperation Agency DANIDA, has invited Millma to participate in the Danish garment fair in February with all expenses paid.

**Knitted Apparel, Fine Fibers, La Paz.**

During the quarter, BTBC provided assistance to Knitted Apparel in production systems and quality control.

**Shalom, Fine Fibers, La Paz.**

BTBC continues providing assistance to Shalom in management, production systems and quality control.

**Fotrama, Fine Fibers, Cochabamba.**

BTBC provided extensive assistance to Fotrama in production systems, quality control and cost analysis to prepare quotations. Over 300 women were trained in the new quality control systems.

In addition, BTBC is supporting FOTRAMA in the development of the 2005/6 Winter Collection, through a local designer, who is working in coordination with the company's design and development department. The new collection will be presented to potential clients during 1Q05. The new collection is being developed considering not only market trends, but also the wool inventories owned by the Company. Fotrama has important unused wool inventories, that once converted into sweaters and exported to Europe would represent sales for more than US\$ 200,000.

**Intiwara, Fine Fibers, La Paz.**

Intiwara and Icelandic have jointly developing a collection for 2005. Samples have been shipped to prospects. A US\$ 10,000 trial order is expected for 2Q05.

**Asociación Artesanal de Bolivia Señor de Mayo, ASARBOLSEM, Fine Fibers, La Paz**

ASARBOLSEM is an Association composed of 19 production groups employing over 400 people, of which 95% are female and 5% are male. They produce different types of handicrafts and alpaca garments are their most important product line. ASARBOLSEM exports its production mainly to Europe and it has received various awards in Europe and from the United Nations in recognition of its work.

BTBC is assisting ASARBOLSEM with a "Training Program in Textile Craft Production" for two new groups with over 75 additional people. BTBC is also providing technical assistance to improve the competitiveness of the organization as a whole.

**Beatriz Canedo Patiño ( BCP), Fine Fibers, La Paz**

BCP Alpaca Designs is a pioneer in the Bolivian fashion industry and has been in operation for 18 years, competing in the international high fashion markets with designer garments

made from Bolivian fine Fibers. The company currently exports to Asia, Australia, Canada, Europe and the United States. It sells locally in Bolivia through three company-owned retail boutiques in La Paz and Santa Cruz. About 40% of BCP's production is exported and the rest is sold in the local market.

BCP has significant potential growth, but it is over-leveraged and is facing cash flow pressure. In order to move to the next level, BCP is seeking a strategic investor. BTBC is assisting by retaining Profin, a local investment bank, to develop an information memorandum and help BCP the approach to potential investors. BTBC is also providing technical assistance to help BCP transition from tailor-made to industrial manufacturing.

### **COPROCA, Fine Fibers, La Paz**

COPROCA is a cooperative composed of approximately 1,200 families that raise alpaca herds for supply to COPROCA. COPROCA's main activity is spinning alpaca yarn, and importantly they are beginning to spin de-haired llama yarn. During the quarter, BTBC began an assistance program to help COPROCA obtain ISO 9001 certification. In 1Q05, BTBC also plans to provide technical assistance in the area of industrial alpaca dyeing.

### **Exportadores Bolivianos, Jewelry, La Paz.**

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, Exportadores Bolivianos' exports continue to grow as a result of BTBC's pivotal intervention in 2003. To date over US\$ 12 million in new exports have been generated as a result BTBC's intervention.

### **Minerales y Metales (M&M), Jewelry, Santa Cruz.**

No new activity.

### **Macaws, Leather Goods, Cochabamba.**

Over the past year, BTBC has provided extensive assistance to Macaws (see previous quarterly reports). This quarter, Macaws closed a deal with a Venezuelan buyer for celular phone cases. This new commercial relationship represents a firm order for 100% of the installed capacity of Macaws' and its SME suppliers. Macaws' exports for the period Sep 03- Dec 04 were US\$731k, almost doubling its exports over the same period prior to receiving BTBC support. Having helped Macaws obtain ISO 9001 and OSHAS 18000 certification, BTBC continues working with the company towards ISO 14001 certification, expected by March 2005.

In order to supply the increased demand from the Venezuelan client, MACAWS is implementing a second production line. BTBC plans to provide training for the new workers and additional SMEs.

## **B.4 Market Linkages Activities**

### **B.4.a Market Linkages in Textiles and Apparel**

- BTBC has continued working with Peruvian garment trader Daniel Abugatas, who has placed an order on behalf of a US buyer. BTBC is coordinating production by four SMEs to manufacture this order.

#### **B.4.b Market Linkages in Secondary Wood Products**

- DANIDA – BTBC, have established a strategic alliance for the introduction of Bolivian furniture into Denmark, using Danish designs and market trends.
- Globex Inc. is a company interested in buying at least 10 containers of flooring per month, manufactured with different wood species. BTBC made the initial contact and is supporting local companies to comply with this objective.
- New Hemisphere, is a company that was already working in Bolivia, but is now looking into increasing its operations. BTBC is supporting in the development of designs and prototypes.
- Scandi Wood, a potential Danish investor is willing to install a new industry or a collection hub in Bolivia. BTBC is organizing the itinerary for a visit in February.

#### **B.4.c Market Linkages in Fine Fibers, Leather and Jewelry**

- Two fine fiber companies were selected to go to a fashion show in Denmark. Through BTBC support and coordination with the Danish Cooperation Agency DANIDA, two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in the fashion fair that will take place in Denmark next February. It is important to point out that DANIDA finances 100% of the participation costs.
- Visto International, Denmark. Steeng Olesen, General Manager of Visto International, a company specialized in selling coats and suits through his own boutique chain, visited Bolivia to coordinate actions with Milos International and meet new suppliers. BTBC introduced him to Origenes Bolivia, Shalom and Knitted Apparel. Samples and quotes are being prepared and additional orders may arise as a result.

#### **B.5 Increasing Access to Capital**

- BTBC supported GINKO and SOEX to obtain financing in the amount of US\$75,000 through Precrédito and Fortaleza.

#### **B.6 Training for the Productive Sector**

Since its inception, BTBC has provided training for 3,784 people: 1,765 in wood products, 1,082 in garment manufacturing, 589 in fine fibers, 210 in leather and 138 in jewelry. Much of this training was on-the-job, but we also trained people in structured workshops or seminars. Some examples of BTBC training during this quarter include:

- As part of its BTBC-backed intervention in Ametex, TC2 has conducted three courses which were attended by 90 Ametex employees. They received training in remuneration systems, quality control and implementation of lean manufacturing.
- During the quarter, BTBC began the training program for 45 sewing operators belonging to the Apparel Association of Tarija (ACOTAR).

- BTBC is providing training to the workers of the three SMEs in La Paz that are being sub-contracted by Rey Wear for export production.
- BTBC trained 123 people in several companies the secondary wood products sector.

## **B.7 Major Events and Other Activities**

**USAID/Bolivia Mission Director's Visit to Cochabamba.** In December USAID/Bolivia Director Liliana Ayalde visited BTBC-backed companies in Cochabamba, namely Alfach and Batos. The Director was favorably impressed with the two plants and BTBC's work.

**Apparel specialist visit to Bolivia.** In October Pete Minor, an international trade expert specializing in textiles and data analysis, visited Bolivia invited by USAID to evaluate the potential impact to Bolivia if the U.S. imported Bolivian textiles once U.S. import quotas from Asia are lifted.

BTBC arranged and coordinated an extensive six-day itinerary for Mr. Minor including meetings with public sector authorities and key Bolivian players in the textile/apparel business in La Paz and Santa Cruz. BTBC's agenda for Mr. Minor included senior level round table discussions as well as individual meetings with the Vice Minister of Industry, Commerce and Exports Mr. Juan Carlos Iturri, the Vice Minister of International Economic Relations Mr. Isaac Maidana, members of the Foreign Office treaty negotiating team, the Director of the Bolivian Investment Promotion Program Jorge Gottret and virtually all of the principal private businesspeople in the sector.

Towards the end of his visit, Mr. Minor made a public presentation during which he outlined the risks and opportunities that Bolivia faces in the new market environment, once the Asian quotas disappear. His major conclusion and concern was the apparent absence of a national development strategy for the sector. The strategy to be developed should address local and international markets, FTAs, laws and regulations, financing, promotion, technological and industrial development and services needed to develop the industry.

**High Point International Furniture Market.** In October, Carlos Woolgar attended the High Point Market to evaluate the opportunity of using that event to market Bolivian secondary wood products and to make recommendations on an appropriate strategy. This is certainly a major event in the furniture industry and BTBC should help Bolivian companies attend. However, the location of the Bolivia stand must be carefully selected well in advance, and the selection of samples to be displayed and pricing must be both fashionable and competitive. There are a number of smaller more specialized fairs that are also worth attending.

**Visit to TC<sup>2</sup> headquarters in Cary, NC.** Carlos Woolgar visited TC<sup>2</sup> headquarters in October to hold discussions on a potential expanded role for TC<sup>2</sup> in Bolivia. The prospects are exciting, as lean manufacturing technology is applicable to all of the labor-intensive industries that BTBC is assisting.

## SECTION IV

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### Project Issues

#### **A. IPR Initiative Reactivated**

After a long wait, on December 20<sup>th</sup> the government enacted Supreme Decree No. 27938, which establishes the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual.

#### **B. Technical Assistance and Project Closure**

As the close of BTBC approaches, a number of short term consultant contracts are expiring and the project's level of activities is decreasing. Some companies are seeking technical assistance for February and March, and with the proximity of project close it is becoming more difficult to accommodate their requests.

In addition, it is important to note that many of the interventions executed this quarter and during 1Q05 will not show results before the end of BTBC 1, since technical assistance often requires several months to produce effects on exports and employment.

#### **C. Counterpart Contributions to BTBC Interventions**

The quantity and nature of counter-part contributions has improved during BTBC. We are now consistently obtaining counter-part contributions for all of our interventions.

#### **D. Wood Collection Hub Reactivated**

Despite the promotional efforts supported by BTBC, only two private sector proposals were presented to USAID and FUNDAPRO to participate in this project. The proposals are currently being analyzed to determine if they meet the required standards; otherwise, the project will remain stalled.

## SECTION V

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### Major Activities for Next Quarter

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1 Communication Campaign: “Foreign Trade and National Development”**

Once the mass media component has ended, activities will focus on specialized publicaiotns, seminars and educational workshops, as well as on evaluating the impacts of the campaign. These activities will include:

- Symposium on "Regional Potential for the Development of Exports", to be carried out in Santa Cruz, Cochabamba and La Paz.
- Workshops about how to increase exports to the U.S. in selected sectors: La Paz (textiles, wood, jewelry); Cochabamba (textiles and agro-industry), Santa Cruz (textiles, wood and agro-industry)
- Special supplement on weekly newspaper “La Epoca” on the Andean free trade Agreement with the US
  - Objectives: To provide a forum on different aspects related to the FTA with the U.S. and its importance in developing exports
  - Contents: Interviews with authorities and experts related to the topic, opinion columns, figures and statistics and interest pieces.
  - Edition: 9000 copies nation-wide
  - Audience: decision makers such as entrepreneurs, diplomats, political leaders, intellectuals, scholars and social and labor leaders.
  - 1000 additional copies for college seniors majoring in subjects that have a foreign trade component
- During this reporting period, CAMEX has edited and circulated the specialized magazine “Bolivia Exporta, Bolivia Crece”, containing valuable information on foreign trade matters. BTBC will support CAMEX in this effort by providing computer and editing equipment.
- Evaluation of the mass media campaign and the informative/educational component of the events already carried out, through a series of 10 focal groups distributed in the following way: 3 in La Paz, 2 in El Alto, 2 in Cochabamba and 3 in Santa Cruz. This qualitative evaluation method will yield information about the impact, credibility and new attitudes and perceptions regarding exports and the FTA.

##### **A.2 Strategic Training for SMEs**

- Monitoring and control of the second SMEs strategic management course. Special consideration will be given to participant’s concerns in terms of applying strategic tools to their particular business.
- The second course will end on March 3<sup>rd</sup>, 2005. We expect to have a graduation ceremony shortly thereafter, with the presence of public and private authorities.

### **A.3 Intellectual Property Rights**

Now that the legal norm that guides the restructuring and re-orientation of SENAPI has been approved, we will discuss with the GOB possible next steps that could be accomplished by the project by the end of March 2005, including assisting SENAPI in its reorganization efforts and hosting workshops to inform and educate IPR stakeholders - lawyers, special prosecutors, circuit judges, entrepreneurs, etc. – about the new rules, regulations and procedures in place regarding Intellectual Property Rights.

### **A.4 Census of Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

We expect to have this report ready by the end of January.

## **B. Activities to Stimulate Production and Exports**

### **B.1 Textiles and Apparel**

- Support the Bolivian National Chamber of Industry (Cámara Nacional de Industrias) in the organization of Bolivia's first international fashion fair "Bolivia Moda 2005."
- Provide training for 20 new sewing operators to be employed by Bogama in El Alto.
- Provide training for 15 SMEs in quality control.
- Provide training in assembly production systems to five consultants en Cedemype (the Center of Micro and Small Enterprise) in Tarija.
- Provide training for 45 new sewing operators to be employed by Simon Jeans in Cochabamba.

### **B.2 Secondary Wood Products**

- Support GINKO in the installation process
- Support COMAS to produce with the required quality within acceptable price ranges
- Help SOEX to subcontract new SMEs
- Consolidate the Schmidt Wood exportation order to the US
- Support New Hemisphere operations in Bolivia through subcontracting
- Support the development of activities of Globex in Bolivia
- Support the production of Maderex in Cochabamba
- Support sample development of Tarija SMEs.
- Extend contracts of consultants pool

### **B.3 Fine Fibers, Leather and Jewelry**

- Finalize BTBC assistance to Asarbolsem in training and quality improvements for 75 women that hand-knit in El Alto and are exporting their products.
- Design and produce samples for the winter 2005/06 FOTRAMA collection.
- Coordinate a program for the industrial production and dehairing of llama fiber with the intervention of the Ministry of Agriculture, Prodem and ONUDI.
- Provide assistance to Curtiembre Vis Kuljis, a leather tannery, to seek buyers for leather-based dog treats.
- Provide assistance to COPROCA (yarn spinning mill) to improve the quality of the dyeing process.