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Más Inversión para el Desarrollo Alternativo Sostenible

# SECOND QUARTER REPORT FY 2008

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**Cover Photo:** Women of San Alberto, department of Cesar, working in Indupalma's nursery.

Report Prepared for the  
United States Agency for International Development

# MÁS INVERSIÓN PARA EL DESARROLLO ALTERNATIVO SOSTENIBLE

Second Quarter Report FY' 08

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

APRIL 2008

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# ACRONYMS

ABC	Agribusiness Component
ADAM	Áreas de Desarrollo Alternativo en los Municipios
ARD	Associates in Rural Development
AWP	Annual Work Plan
BPIN	Banco de Proyectos de Inversión Nacional
C&G	Contracts and Grants
C&O	Communications and Outreach
CAPP	Colombia Agribusiness Partnership Program
CFC	Commercial Forestry Component
CIF	Certificado Incentivo Forestal de reforestación
FFS	Farmer Field School
FINAGRO	Fondo para el financiamiento del sector Agropecuario
FOMIPYME	Fondo Colombiano de Modernización y Desarrollo Tecnológico de las Pequeñas y Medianas Empresas
FOG	Fixed Obligation Grant
FTE	Full Time Equivalent
FUPAD	Fundación Panamericana para el Desarrollo
G&S	Grants and Subcontracts
GoC	Government of Colombia
ICBF	Instituto Colombiano de Bienestar Familiar
IDP	Internally Displaced Populations
INVIAS	Instituto Nacional de Vías
LoP	Life of Program
MAVDT or MMA	Ministry of Housing and the Environment
MHCP	Ministry of Finance
MIDAS	Mas Inversión para el Desarrollo Alternativo Sostenible
MTEF	
PC	Project/Proposal Coordinator
PILAS	Programa de Apoyo y Asistencia Humanitaria Integral a la Población Internamente Desplazada y Otros Grupos Vulnerables
PMP	Performance Management Plan
PPD	Program Planning Department
PS	Project Suppliers
RBB	Results Based Budgeting
SIM	Sistema Información de MIDAS
SFS	Súper Intendencia Financiera
SME	Small and Medium Enterprises
SPS	Sanitary and Phyto-sanitary Standards
ToR	Terms of Reference
USAID	United States Agency for International Development

# EXECUTIVE SUMMARY

Q2FY08 was an unusual quarter for MIDAS due to the large number of occurrences that required MIDAS Senior Staff attention. The 2008 Work Plan was finalized which included the finalization of a scaled-back LoP contract funding scenario along with an agreement with USAID on a revised scenario for reaching

MIDAS has achieved 76% of the LOP target in Families Benefited reaching 134,032 in Q2.

and even exceeding contract LoP indicator targets.

There was also the Government Accountability Office audit and the USAID evaluation which required setting up major field trips and briefings. Negotiations were finalized with Accion Social for a new 2008 agreement

to manage a first tranche of \$1.3 million in GoC funds. Unfunded project lists were prepared for possible Clinton Foundation and Afro-Indigenous Earmark funding. A contract amendment was negotiated to shift funds from forward years to facilitate the continued efforts of the Policy Component. Finally, MIDAS managed a transition in the hiring for the DCOP and Communications/Outreach Office Director positions and a merging of its Grants & Contracts office with ADAM.

MIDAS ended the second quarter of FY08 exceeding one of its four key 2008 Work Plan targets in terms of actual achievements - the target for New Hectares was exceeded in 102%. The target for New Jobs created was almost achieved (95% of the target). Eighty percent of the Families Benefited and 59% of the Natural Forest hectares work plan goals were achieved. In the case of Natural Forestry, MIDAS began implementing during the quarter a revised Natural Forest strategy agreed to with USAID that puts more emphasis on achieving targets through a new conservation and stewardship scheme than on the production of more Forestry Management Plans.

At the component level, MIDAS assistance through the Policy component resulted in critical reforms to improve funding for small-scale farmers through FINAGRO; deregulation of micro-lending; and the decrees establishing an SPS unit in the Ministry of Environment. Efforts also began on a series of land restitution activities. The SME component will shortly exhaust all available investment funds and is actively selling its model to other donors and the GoC. In addition to launching its new Better Management of Natural Forest strategy, the Forestry component committed most of available funding for forestry plantations with 14,956 hectares now planted benefiting 4,192 families. The Agribusiness component continued its efforts to strengthen 92 producer associations that include more than 15,504 small-scale organized growers.

MIDAS has now achieved 76% of its LoP target for Families Assisted, 23% New Hectares, 25% Natural Forest Hectares, and 50% of New Jobs Created. MIDAS is now going beyond its emphasis on quantitative results and is beginning to assess the qualitative impact of these achievements, particularly in terms of their contribution to Alternative Development. A Case Study is being prepared of the Alternative Development impact of MIDAS activities in Catatumbo. The project is also beginning to look at the relationship among investments in ex-conflictive areas, the decline in illicit activities, and the increase in social capital formation.

# 1. OVERVIEW

## 1.1. DELIVERING ON COMMITMENTS

New Hectares quarter target was achieved at 102%.

MIDAS now has uncommitted C&G funds of \$24,833,016 from the original budget or \$11.034.642 under the scaled-back LoP budget scenario of \$163.5 million. MIDAS continues to have a stock of unfunded

Agribusiness and Commercial Forestry projects. The MIDAS investment in these projects in terms of due diligence, economic and financial analyses, negotiations with banks, funding leveraging, and benefits to small farmers and vulnerable groups make them highly attractive and “saleable” to other financing institutions. The capabilities of the SME component’s unique project provider network also exceed the ability of MIDAS to finance all the employment generation projects that it produces. These demand-driven projects are also attractive because of their high job creation ability and resource leveraging. The demand for services from the Policy Component by private banks to help expand their microfinance and by different GoC agencies for institutional reform assistance also exceeds MIDAS’ resource availability.

MIDAS is reaching the point where its New Hectares establishment, Natural Forest Hectares, New Jobs creation, and Families Benefited achievements are producing significant and visible impacts in strategic Alternative Development areas.

Results during the quarter raise cumulative achievements as follows:

**Table 1: Key Q2FY08 and Cumulative Indicator Achievements**

Indicator	LoP	Adjusted LoP	Achievements Q2 FY'08	Cumulative	% of LoP (% adjusted LoP)
Families	151,437	151,437	38,961	134,032	89 (76)
New Hectares	217,239	172,805	6,852	50,529	23 (29)
Natural Forest hectares	150,000	107,268	7,325	37,971	25 (35)
New Jobs	177,000	177,000	24,547	88,847	50 (50)

MIDAS now has 399 projects in implementation and 417 projects in implementation, assessment and development, divided by the components as follows: CFC with 14 projects for forestry plantations, 7 projects for sustainable management of natural forest; ABC with 24 new projects and 20 projects which were previously managed by CAPP; and SMEC with 352 projects in rural and urban areas.

More important, MIDAS is strengthening alliances that will further increase the Alternative Development impact of its programs. MIDAS successfully executed an agreement with Acción Social to administer \$1.5 million in GoC funds in 2007, and is now negotiating a new agreement for about \$1.3 million for 2008.

## **1.2. THE NUMBERS**

### **1.2.1. Overall Expenditures**

Total cumulative MIDAS expenditures at the end of March 31, 2008 were \$ 68.2 million, representing 37% of total life of contract funding available. Actual expenditures for Q2 FY'08 were \$10.6 million. This represents a 19% decrease vs. the previous quarter. The program reached approximately 70% of its expenditure target for Q2 FY'08 of \$15.3 million. The less than anticipated expenditure rate is a cause of concern and was primarily due to under expenditures of the Grants & Contracts line item for CLIN 2 (Agribusiness) and CLIN 4 (Policy). However, the less than anticipated expenditure rate did not have a strong impact on indicator targets for the quarter.

### **1.2.2. Overall Achievements**

For the New Hectares target, 102% of the quarter target was achieved and 95% of the New Job Created target. MIDAS has now achieved 76% of its LoP target for Families Assisted, 23% New Hectares, 25% Natural Forest Hectares, and 50% of New Jobs Created.

### **1.2.3. The Small & Medium Enterprise Component**

During the quarter the SMEC certified 18,996 new FTE jobs and benefited 36,955 families. Adding this figure to the 44,633 cumulative FTE jobs reported as of the end of December 2007, the SMEC has now certified a cumulative total of 63,629 new FTE jobs, benefited 170,041 families and strengthened 9,887 firms. These results represent an increase of 43% compared to the previous cumulative figure and a fulfillment of 89% of the 2008 Work Plan targets.

During Q2 FY08 the SMEC certified 10,995 New Rural Jobs in 242 rural municipalities of which 44 are new municipalities not impacted before. During this quarter the SMEC certified 4,801 New Jobs that benefited vulnerable groups, i.e. Afro- Colombians, Indigenous, female heads of households, displaced and demobilized populations.

The SME Component started the process of reducing the size of its Project Provider network to reflect the reduction of new funding availability. At the same time, it is expanding the capacity of the Project Provider network to deliver new projects along the Pacific Coast and other areas that may be of interest to USAID for investing resources from the Afro-Indigenous earmark. The SME Component achieved all of its burn rate projections.

### **1.2.4. The Commercial Forestry Component**

The CFC began efforts to launch its new “Better Management” of Natural Forests strategy that builds upon the Lessons Learned of the 5 pilot projects carried out with Bajo Mira y Frontera, Alto Guapi, El Nuánamo, Concosta, and the Cabildo Mayor de Chigorodo. The new strategy places more emphasis on conservation and each participating community will delimit a conservation area and present a plan for

active vigilance and protection by the community. Design of the follow up grants to implement the new strategy in four of these communities was completed and will be executed next quarter.

Integral to these grant agreements are the execution of memorandums of understanding to be signed with each community that clearly outlines what is expected of them. In return for effective protection, the community will receive between COP\$ 37,500 and COP\$ 41,650 per hectare that they agree to invest in productive agricultural and agroforestry projects within their communities. Under the new strategy a total of 30,198 hectares will be placed under conservation and a total of COP\$ 1,590,250,000 will be provided to communities for protection and vigilance efforts. Accion Social is interested in providing support to expand efforts under the new strategy to include communities in their interest. The CFC is also working closely with the Policy component to identify a source of funding that will allow the conservation payments to the communities to continue in the future after the project ends.

In the area of plantation forestry, CFC finalized the design of two projects that will be signed during Q3 FY08 and added to the 14 plantation projects already under implementation.

During this quarter, the main indicators showed significant albeit mixed progress: the number of hectares planted surpassed the goal for the quarter with 1,144 hectares compared to 943 planned. On the other hand, the number of Families Benefited achieved during the quarter only reached 588, out of a goal of 759 (77%). MIDAS total project support reached \$827,000, out of a goal of \$1,089,000 (76%). Two producer associations were strengthened during the quarter for a 20% achievement of the goal.

The CFC component was the component with the second best burn rate. It projected a quarterly expenditure of \$2 million and achieved expenditures of \$1.55 million.

### **1.2.5. The Agribusiness Component**

In terms of quarter achievements, the component registered the planting of 5,207 New Hectares, 7,278 Families Benefited and the creation of 4,732 New Jobs (FTE)—equivalent to 106%, 265%, and 179% of the 2008 Work Plan targets for the quarter, respectively. Additional funding was committed in new projects during the quarter that will eventually add 4,885 New Hectares, 1,952 New Jobs (FTE), and benefit 2,552 families. There are also 3 projects in the approval phase that will contribute 4,000 additional New Hectares that will be committed next quarter. The final 6 projects in the pipeline should be finalized next quarter.

The component had projected expenditures of \$5.5 million for the quarter and achieved only \$3 million. Most of this shortfall was in the G&C line item (\$1.8 million).

### **1.2.6. The Policy Component**

During QR2 FY08, the MPC exceeded its quarterly goals for approved decrees, resolutions and circulars. This strong performance was obtained in two fronts: First, the reform of collective accounts regulation to allow pension funds to invest in private equity funds was implemented by the Superfinanciera (SFC) issuing two circulars for this purpose. Also, The GoC anticipated the reform modifying registration procedures for labor unions and the reform of the Banco de Proyectos de Inversión, which were expected for later in the year.

Second, a number of other critical reforms were adopted by the GoC in areas closely related to the MPC/GoC reform objectives established in the 2008 Work Plan. These includes critical reforms adopting recommendations to improve funding for small-scale farmers through FINAGRO; deregulation of micro-lending; and the decrees establishing an SPS unit in the Ministry of Environment.

### 1.2.7. Private and Public Sector Funds Leveraged

Negotiations were finalized with Acción Social for managing an additional \$1.3 million in funding for 2008.

The CFC component is presently contributing only 12.5% of the total project investment and ABC component 10%. With an investment of \$90.7 million, USAID/MIDAS funds are leveraging more than \$746 million in private and public funds. MIDAS' successful

experience in 2007 in executing \$1.5 million in Acción Social funds supporting 25 distinct MIDAS projects resulted in negotiation of a new agreement with Accion Social for 2008 for an additional \$1.3 million in GoC funding. The Clinton Foundation has taken a particular interest in the MIDAS SME model and discussions are still ongoing regarding the possibility of the Clinton Foundation financing a major application of the model in a specific geographic area of their interest – such as Cartagena.

### 1.3. THE PIPELINE

The pipeline includes all grant and contractual instruments that received USAID technical approval and require USAID CO or CTO approval before signature by MIDAS. Under the SME component there were 7 projects approved during the quarter that will be signed early next quarter. Once signed, these projects will result in the creation of 2,135 New Jobs. The ABC component has 3 such projects and the CFC component 3 Natural Forestry projects. All of these projects should be signed in the early part of the quarter and have the potential of yielding achievements that will be recorded in 2008.

## 2. MIDAS PROGRAM

### 2.1. ACHIEVEMENTS

#### 2.1.1. Key Indicators

Number of firms strengthened surpassed quarterly goal by 273%.

MIDAS achieved and surpassed all its commitments goals for 2007. Only a small fraction of the portfolio is still to be committed, and will be finalized by June

2008. Therefore all reporting for CY2008 and onwards will concentrate on implementation (i.e. actual achievements).

Achievements for Q2 FY08 have closely matched goals established in the WP08 for most indicators. More hectares were planted during the quarter than what was planned (102%) while the number of firms strengthened surpassed the quarterly goal by 273%. Other indicators were close to the goal: New Jobs (95%) and Families Benefited (80%). The first quarter of the calendar year is usually a slow one in terms of planting and jobs generated. Accounting for this slower than usual behavior, allowed components to make accurate predictions for the quarter.

Table 2 presents the results in terms of LoP goals. The number of jobs created increased from 36% to 50% in cumulative terms between last quarter and this one. The number of hectares rose from 23% to 30%, the number of natural forest hectares increased from 20% to 25%, while the number of Families Benefited grew from 63% to 89%. LoP goals for New Hectares and natural forest hectares were slightly dropped in the WP2008. These changes have allowed MIDAS to present cumulative achievements for all indicators that are above 30% of the LoP goals, with 45% of LoP elapsed.

**Table 2: Achievements January to March 2008**

Performance Indicators	SO	IR	LoP Goal	Adj. LoP Goal	2008 (AWP target)	2006 + 2007 (actual)	Q2 FY'08 (actual)	2006-2008 Cum.	2008 / AWP target %	Cum. / LoP GOAL % (Cum./LoP Adj.%)
Number of Jobs Created	SO2, SO3	2.1	177,000	177,000	115,957	64,300	24,547	88,847	21%	50%
New Hectares	SO2	2.1, 2.3	217,239	170,696	72,806	43,676	6,852	50,528	9%	23% (30%)
Hectares Supported (Attended)	-	-	N.A.	N.A.	27,470	25,152	4,703	29,855	17%	N.A.
Managed Forest Hectares	SO4	2.1, 2.4	150,000	107,268	60,122	30,646	7,325	37,971	12%	25% (35%)
Number of Families Benefited	SO5	2.1	151,437	151,437	213,894	95,071	38,961	134,032	18%	89%
Number of Families Benefited	Int.	-	293,000	340,677	269,439	49,610	39,842	89,452	15%	31% (26%)
Number of Producer Associations/Processor Strengthened	SO3	2.1	88	88	134	170	21	191	16%	217%
Private Sector Firms Formed or Strengthened	SO2	2.1	10,505	10,505	1,124	8,394	1,562	9,956	139%	95%

Figure 6 to Figure 12 show the geographic distribution of MIDAS projects by corridor, component, and municipality. MIDAS has projects in all corridors and departments, and is achieving a wide regional distribution, particularly in rural areas.

### 2.1.2. Performance indicators

During the reporting period, the MIDAS Contracts and Grants office focused on the implementation, modification and closure of existing projects. To date MIDAS has committed COP \$155,701,887.812 which at a COP \$ 2,100/\$1 rate represents \$ 74.1 million. The MIDAS Contracts and Grants Department committed 56 new contracts and grants worth COP\$ 9,247,625,341 which was a slight reduction from the previous period, since the program is reaching the point of full commitment.

To date MIDAS has committed \$ 74.1 million in subawards. During the quarter, 56 new contracts and grants were committed totaling \$4.4 million.

The most significant change from the previous quarter was a shift from issuing new agreements to modifying and closing existing ones. Sixty-five contracts and grants were closed during the reporting period while another 73 were modified. In addition to modifications, the Contracts Specialists for the Forestry and Agri-business components processed, on average, 12

administrative modifications or approvals for projects in implementation per month. These include approval of TBD positions, minor budget modifications and other modifications which do not require USAID approval. The number of grantee site visits performed during the period increased greatly with a heavy focus on the forestry component projects. The compliance officers in conjunction with comptrollers worked closely with the grantees to prepare for the external audits which will be begin in April.

### 2.1.3. Financial indicators

By Q2 FY08 MIDAS has spent 37.5% of the total budget of \$182 million for the life of the program (Table 4). During Q2 FY08 MIDAS expenditures totaled \$10,537,784, a 20% decrease from the previous quarter. By the end of March 2008, MIDAS accomplished 95.9% of the latest LoP expenditure projections delivered on March 2008 and 69% of the WP expenditure projections for the first quarter of CY 2008.

**Table 3: Total Cumulative Expenditures to March 31, 2008 by CLIN – MIDAS Program**

	Budget	Clin 1 Small & Medium Sized Enterprises (SME) Development	Clin 2 Agribusiness	Clin 3 Commercial Forestry	Clin 4 Policy & Institutional Reform	Total Spent Inception to 03/31/08	Remaining to 12/21/10	% Spent
Personnel								
<b>Total Personnel</b>	<b>19,696,765</b>	<b>3,501,643</b>	<b>3,125,223</b>	<b>2,246,359</b>	<b>1,231,222</b>	<b>10,030,501</b>	<b>9,666,264</b>	<b>50.9%</b>
Fringe Benefits	7,831,019	1,409,509	1,406,643	937,889	523,771	4,247,546	3,583,473	54.2%
Travel & Transportation	9,334,697	659,494	769,894	505,968	1,299,043	3,211,590	6,123,107	34.4%
Allowances	2,761,279	189,682	261,442	168,464	88,710	704,455	2,056,824	25.5%
Subcontracts	110,904,669	7,137,051	14,176,972	4,436,569	11,358,256	36,621,906	74,282,763	33.0%
Equipment	739,403	492,420	336,778	243,335	216,232	1,288,187	(548,784)	174.2%
Other Direct Costs	4,990,229	1,167,190	973,219	710,484	679,369	3,505,899	1,484,330	70.3%
<b>Subtotal</b>	<b>156,258,061</b>	<b>14,556,990</b>	<b>21,050,171</b>	<b>9,249,068</b>	<b>15,396,603</b>	<b>60,252,833</b>	<b>96,005,228</b>	<b>38.6%</b>
Indirect Costs								
<b>Total Indirect Costs</b>	<b>18,616,236</b>	<b>1,803,498</b>	<b>1,911,314</b>	<b>1,261,714</b>	<b>903,371</b>	<b>5,838,202</b>	<b>12,778,034</b>	<b>31.4%</b>
Fixed Fee	7,173,798	690,699	968,752	444,504	687,209	2,762,675	4,411,123	38.5%
<b>Total Costs &amp; Fixed Fee</b>	<b>182,048,095</b>	<b>17,051,188</b>	<b>23,930,238</b>	<b>10,955,287</b>	<b>16,987,184</b>	<b>68,210,972</b>	<b>113,837,123</b>	<b>37.5%</b>
<b>Percentages by CLIN</b>		<b>25.0%</b>	<b>35.1%</b>	<b>16.1%</b>	<b>24.9%</b>	<b>100.0%</b>		

### 2.1.4. Burn Rate Analysis

From an initial Burn Rate projection of \$15,394.503 for the first quarter of year 2008, MIDAS only achieved 69%. Real burn rate for the quarter was of \$10,537,784, \$4.8 million behind the projection. Most of the lag (\$3.2 million, equivalent to 67%) lies in the Grants and Subcontracts (G&S) line. ABC and MPC are responsible for most of this lag. There was also a \$724,830 credit given to USAID in the January voucher because of an adjustment downward in the indirect cost rates in the contract. Therefore, MIDAS expenses were actually \$724,830 higher for January than what USAID had to reimburse USAID. We do not think it prudent yet to scale back on the \$62.5 million total burn rate projected for 2008. We will not be able to make up the full deficit of \$4.8 million next quarter but should be able to over the next two quarters.

The lag in the policy G&S line can be explained as follows:

- The projected burn rate numbers represent figures calculated on December 2007. The Component, however, has experienced several budgetary changes, particularly regarding the Agriculture / Forestry / Environmental Reform subcomponent. Towards the end of last year, MIDAS decided to manage the subcomponent directly through ARD, instead of through the subcontractor TSG. As a result, the component's internal budget was realigned, moving \$1.25 million from the G&S line to the Labor line. This change reduced the overall G&S line to \$7,466,222, 80% of which are TSG. Hiring of personnel under the labor line took longer than anticipated, and the resulting overhead

was smaller than under TSG, thus further reducing expenditures for the quarter. The impact of this change in the over all projection is being calculated and will be presented to the USAID in May.

- The current cash-flow scenario assumes a continuous execution starting from January 1st. This assumption has not been met because several consultants have not agreed to be hired for a few months, since their contracts are contingent on MIDAS budget realignment, which has not been submitted to the USAID. This situation has generated high levels of concern within the Component's team of consultants.
- Invoices for TSG are usually two months behind, an issue that was not contemplated when projections were done. This quarter's figures correspond to November, December and January, a time in which many activities are either ending or starting, and the flow of invoices is slower. Policy is currently working with TSG to find a mechanism to accelerate the flow of invoices to reduce the two-month lag.

ABC numbers are also below projections as a result of the delay on three specific projects:

- Fedecafé: It is behind on disbursements (\$800,000 lag) although they have a 100% accomplishment on other indicators.
- Codesarrollo that was supposed to start on the first quarter but only started on April and will only request disbursements on the second quarter of 2008.
- BSD which was supposed to start in Q2 FY2008 but is still on approval phase.

Additionally, delays on credit approval and disbursements on other projects have contributed to the lag in disbursements.

ABC is currently reorganizing its projects follow-up procedure to improve accomplishment and is also reviewing its portfolio on a project by project basis to determine how to cover the gap during the year and keep its projections as close as possible to the ones presented in the 2008 WP. Some flexibility on the approval of cost and non-cost extensions is needed to compensate between poor and good performers and ensure that goals will be reached.

CFC accomplished 76% of the G&S line projection. Disbursements were mainly delayed by the Natural Forest Best Management Strategy projects which were supposed to start during the first quarter, demanding disbursements, but which are still on approval process. CFC is also reviewing projections to cover the gap.

SMEC is achieving its goals by over a 100%. The component has made a great effort to maintain its projected numbers.

## **2.2. NEXT QUARTER OBJECTIVES**

MIDAS committed most of its portfolio by the end of CY 2007 and is entering full implementation in 2008, with few additional approvals pending for ABC. SME will continue to approve additional projects until June 2008 to reach the maximum funding level approved in its G&S line on 2008 budget.

From the total portfolio of 529 projects in the business components, 399 are currently in implementation. Projects represent a potential investment of \$90.8 million, of which \$66.1 million are already in implementation phase, \$ 19 million are in approval and \$5.7 million are in development.

**Table 4: Portfolio Status as of March 31, 2008**

COMPONENT	PROJECTS IN IMPLEMENT.	PROJECTS TOTAL COST (COP \$000)*	MIDAS AMOUNT (COP \$000)*	TOTAL VALUE PROJECTS IMPLEMENT. ONLY (COP \$000)*	MIDAS SUPPORT IMPLEMENT. ONLY (COP \$000)*	MIDAS %	MIDAS APPROVAL PHASE (COP \$000)	MIDAS DEVELOP. PHASE (COP \$000)
SME	343	467,499,548	45,729,413	446,487,158	38,085,217	8.53%	7,644,196	0
Commercial Forestry	28	241,989,230	33,010,872	223,582,019	27,883,004	12.47%	0	5,127,868
Agribusiness	28	828,415,506	83,327,149	732,616,425	72,852,844	9.94%	3,717,000	6,757,305
Policy**	0	28,604,274	28,604,274	0	0		28,604,274	0
<b>SUBTOTAL</b>	<b>399</b>	<b>1,566,508,558</b>	<b>190,671,707</b>	<b>1,402,685,603</b>	<b>138,821,064</b>	<b>9.90%</b>	<b>39,965,470</b>	<b>11,885,173</b>

\* Value of projects is represented in Colombian Pesos

\*\* Policy Activities are classified on approval phase since 2008 and 2009 are to be signed but not signed yet

# 3. SMEC

## 3.1. ACHIEVEMENTS

### 3.1.1. Key Indicators

18,996 jobs were created achieving 89% of the Q1 AWP target.

During Q2 FY 08 the SME component continued to achieve growth in New Jobs created, Families Benefited, and business firms strengthened albeit at a

slower pace than the previous quarter. In terms of regional impact, the SMEC is reaching 434 municipalities in all 6 MIDAS corridors - 325 of them classified as rural (75%) and 109 as urban (25%). This is an increase of 13% compared to the end of December 2007 when the component had reached 385 municipalities - 281 rural (73%) and 104 urban (27%).

During the quarter the SMEC certified 18,996 new FTE jobs and benefited 36,990 families. Adding this figure to the 44,633 cumulative FTE jobs reported as of the end of December 2007, the SMEC has now certified a cumulative total of 63,629 new FTE jobs, benefited 170,041 families and strengthened 9,887 firms. These results represent an increase of 43% compared to the previous cumulative figure and a fulfillment of 89% of the 2008 Work Plan targets (Table 5).

**Table 5: SMEC Achievements for the Quarter**

<b>Achievements</b>				
<b>Performance Indicators</b>	<b>LoP Goal @ 163.5 M Level</b>	<b>QR2 FY 08 (actual)</b>	<b>QR2 FY 08 (Q1 AWP Target)</b>	<b>%QR2 FY 08 / Q1 AWP Target</b>
1. Number of Jobs Created	125,000	18,996	21,372	89%
2. New Hectares	15,000	501	816	61%
2.1. Hectares Supported (Attended)	25,000	4,495	6,566	68%
3. Number of Families Benefited	125,000	31,095	45,353	69%
3.1. Number of Families Benefited (Internal)	293,000	5,895	20,258	29%
4. Private Sector Firms Formed or Strengthened	10,400	1,514	554	273%
5. Producer / Processor Associations Formed or Strengthened	8	0	10	0%
6. MIDAS Total Project Support (\$000)	\$ 26,000	\$ 2,302	\$ 2,217	104%

**Table 6: SMEC Achievements LoP**

Performance Indicators	LoP Contractual Goals	LoP Goal @163.5 M Level	Cumul. 2006 and 2007	QR 2 FY '08 (Actual)	Cumul. 2006-2008	2008 (AWP Target)	% Cumul. 08 / AWP Target	% Total Cumul. / LoP Contract Goal	% Total Cumul. / LoP Goal @163.5 M Level
1. Number of Jobs Created	125,000	125,000	44,633	18,996	63,629	90,135	21%	51%	51%
2. New Hectares	15,000	11,079	1,079	501	1,580	10,000	5%	14%	11%
2.1 Hectares Supported (Attended)	25,000	47,216	20,565	4,495	25,060	26,651	17%	53%	100%
3. Number of Families Benefited	125,000	125,000	83,308	31,095	114,403	191,276	16%	92%	92%
3.1 Number of Families Benefited (Internal)	293,000	293,000	49,610	5,895	55,505	276,715	2%	19%	19%
4. Private Sector firms Formed or Strengthened	10,400	10,400	8,373	1,514	9,887	1,108	137%	95%	95%
5. Producer/ Processor Associations formed or strengthened	8	8	63	0	63	20	0%	788%	788%
6. MIDAS Total Project Support (\$000)	\$ 26,000	\$ 21,842	\$ 4,482	\$ 2,302	\$ 6,784	\$ 14,307	16%	31%	26%

## New and Supported Hectares

As of March 31st, 2008 the component committed funding into grant instruments that will result in the planting of 12,129 New Hectares of which 1,580 (13%) were certified as of Q2 FY08 and the rest are expected to be certified in the next 2008 and 2009 quarters. It also certified 4,495 of additional Supported Hectares. Adding this figure to the 20,565 cumulative Supported Hectares as of the end of December 2007, the SMEC has now certified a cumulative total of 25,060 Supported Hectares. This result represents a fulfillment of 53% of the 2008 Work Plan targets and a strong indicator of the significant impact the component is having in rural areas.

## Families benefited

During Q2 FY08, SMEC support and technical assistance has benefited 36,955 families through stable job creation, resulting in an increase in family income and quality of life. Of this total, 31,095 are families of individuals that were hired during the execution of the expansion programs, and 5,860 correspond to families of individuals that were already working in the businesses strengthened by the SMEC support.

## Firms strengthened

As a result of SMEC technical assistance support, 1,514 firms were strengthened or created during this period. Adding this figure to 8,373 cumulative firms strengthened during CY2007, the cumulative total is 9,887 firms by the end of March (95% of LoP goal and 137% of WP 2008 goal). To date the SMEC has supported 71 producer associations, compared to an overall project goal of just 8.

## MIDAS support

During Q2 FY08 the component disbursed \$2,302,373—97% to consultants for services provided to business to expand their operations and 3% to project suppliers for packaging of projects—which represent a fulfillment of 104% of the 2008 Work Plan target for the quarter. To date the component has

disbursed resources for \$6,784,373. The amount disbursed during this quarter represents 16% of the 2008 Work Plan goal, and the cumulative figure, 31% of the revised contract goal.

### **3.1.2. Other Achievements**

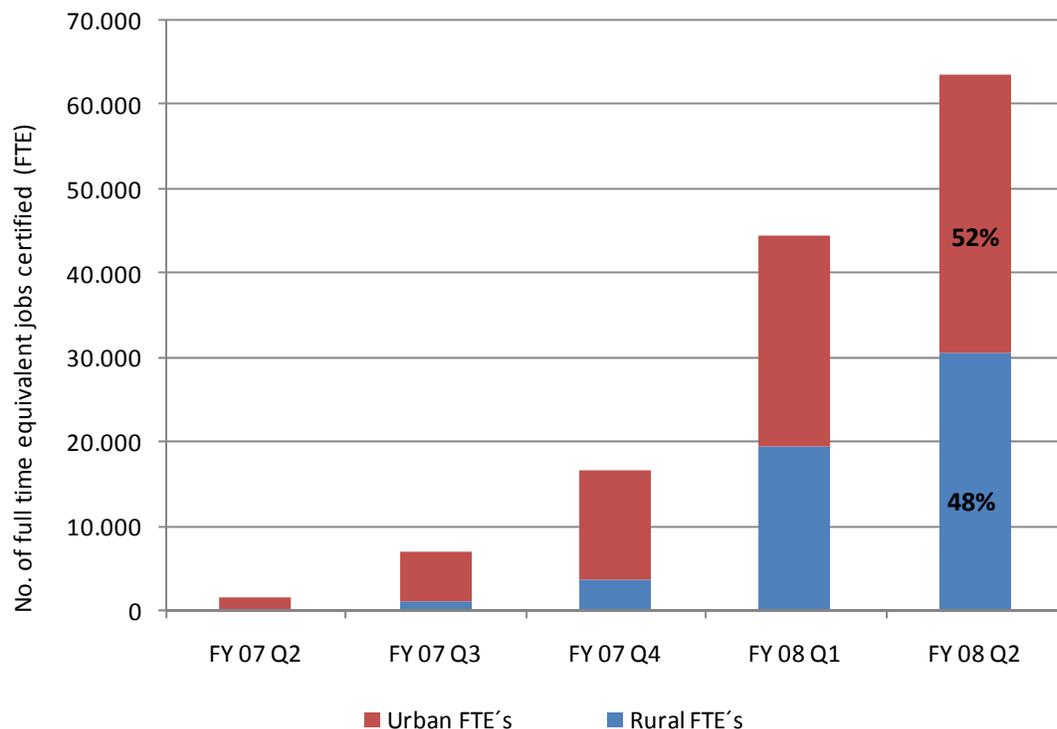
#### **Building the Foundations for Sustainable Economies in Rural Areas**

During Q2 FY08 the SMEC certified 10,995 New Rural Jobs in 242 rural municipalities of which 44 are new municipalities not impacted before. Adding this figure to the 19,538 cumulative Rural FTE Jobs generated at the end of December 2007, the SMEC has certified a cumulative total of 30,533 Rural FTE Jobs in 325 rural municipalities. This figure represents an increase of 56% versus the cumulative Rural New Jobs figure reported last quarter; 48% of the total New Jobs certified and 131% of fulfillment of the quarter goal.

The total New Rural Jobs certified to date and the number of municipalities being impacted has been possible through the support of 115 rural projects oriented towards strengthening managerial and productive capacities of small rural producers. These jobs are distributed by economic sector as follows: Specialty coffee (58%), fruits and vegetables (18%), caña panelera, cereals and oil seeds (4%), milk and dairy products (3%), others (18%). Because of the technical assistance, the organizations benefited with these projects will have stronger administrative, productive and market linkages that will allow them to continue generating stable and sustainable jobs.

During this quarter, the SMEC signed 18 rural projects (62% of total projects committed), representing 6,842 (76%) committed jobs, and a total support from MIDAS of \$1.040 (72%). As can be seen in the following graph, the share of rural jobs committed continues to grow. This growth will continue into the rest of 2008.

**Figure 1**



### Access to Employment for Vulnerable Groups

4,801 New Jobs were created for women, indigenous, displaced and demobilized people.

During this quarter the SMEC certified 4.801 New Jobs that benefited vulnerable groups, i.e. Afro- Colombians, Indigenous, female heads of households, displaced and demobilized population.

The leading projects for job certification target vulnerable groups. Fundemerca and Asmet Salud are specifically oriented towards generating employment for Afro-Colombian communities. Fundemerca, located in northern Cauca (an area heavily affected by the armed conflict), is an association of 29 peasant organizations, mainly comprised by small Afro-Colombians farmers and producers. Fundemerca is in charge of marketing its members produce into large retail markets. The technical assistance provided with MIDAS support will help strengthening the organization, through improved marketing, enhancing productive processes, inclusion of new

products and increased volumes to respond to clients' requirements. Asmet Salud is an association located in Popayán that is leading a project to strengthen 150 Afro-Colombian small farmers in business and marketing practices to generate self-employment and improve their income.

In terms of employment for indigenous groups, Prohaciendo has certified 4,262 indigenous jobs, 71% of the jobs the Component has certified for this ethnic group. This project is located in the Natagaima, Tolima and is oriented towards improving the capacity of small farmers through technology training in farming and cattle ranching. Basic business and marketing training is provided, as well. ACTUAR project has benefited 1,941 female heads of household, representing 30% of the total employment certified for this group. Comfamiliares Risaralda has certified 777 New Jobs for displaced population, around 26% of

the jobs the component has certified for this group and Fundamilenio project has certified 13 New Jobs for demobilized people, 42% of the jobs the component has certified for this group.

Additionally, the component has worked with Acción Social in nine projects to support more than 1,500 internally displaced families from Santander, Boyacá, Huila, and Antioquia to create new micro or small companies. The newly formed small companies will receive technical assistance through MIDAS in business administration, and from Acción Social in transitioning to integrate themselves into society and in providing fixed assets (e.g. livestock, beauty salon supplies, office location, etc.) to assure sustainability.

During this Quarter the SMEC signed 20 projects involving vulnerable groups. These projects will generate 4,099 jobs and commit \$599,733 of MIDAS contribution, ensuring that vulnerable group certification dynamics continue in the future.

## Synergies with Acción Social

SMEC is implementing 15 projects under the Acción Social – ARD 2007 Agreement. These projects will generate 3,175 New Jobs, benefit 3,246 families (many of them Guardabosques-FGB), and commit \$520,000 in MIDAS contribution.

- 14 out of the 15 projects have been formalized (FOGs signed). There is one FOG pending due to the environmental review annex.
- All projects have signed start up certifications.
- Each project has an average of 3 follow up visits by SMEC project specialists.

These projects have showed a positive performance in terms of products delivered, number of jobs certified vs. jobs forecasts, and legalization processes (Acción Social and MIDAS contributions). The following table shows an overview of their general status:

**Table 7: Acción Social Projects' Achievements**

<b>Average Basic Indicators (as of March 31, 2008)</b>	
<b>Physical Progress</b>	
% Technical Assistance progress vs. FOG	111.26%
% Technical Assistance progress vs. total project	35.03%
<b>Indicators Progress</b>	
% jobs vs. FOG	100.10%
% jobs vs. total project	36.88%
<b>Financial Progress</b>	
% legalization of business supplies	42.41%
% legalization of Technical Assistance fees	18%
% disbursements MIDAS vs. FOG	N.A.
% disbursements MIDAS vs. total project	4.48%

Finally, it is important to mention that ARD is currently negotiating a new agreement to manage additional Acción Social funds. It is foreseen that SMEC will be responsible for \$130,500. These resources should support 5 projects in: palm oil, timber, and bee keeping.

## **Action Plan for the Allocation of Remaining SMEC's support resources and Project Portfolio closing**

CY2007 was a year of outstanding growth for the SMEC. The Component approved or committed projects that will take achievements during CY2008 to more than 100% of its contractual LoP goals for most of its performance indicators. Simultaneously, the emphasis and strength of the component's team and structure will focus on the successful implementation of the portfolio. SME Component required a specific action plan for the efficient allocation of the remaining support resources and for closing the project portfolio. In this action plan, the SMEC will fund around 60 new projects valued at \$3.6 million. These projects will be approved during monthly review committees scheduled for the first seven months of the year. Complying with this strategy, during Q2 FY08 SMEC committed 29 projects representing close to \$1.5 million in MIDAS contribution.

Most of the resources committed during CY2008 will be awarded to proposals identified during the optimization process presented to the USAID for the 2008 WP. However, it was clear that some of these proposals might not be approved, or might be modified during formulation and evaluation procedures of the component. Therefore, the SMEC designed and redefined its tools for the satisfactory fulfillment of these purposes. First, the evaluation matrix used by the technical team for supporting its recommendations to the Review Committee, was improved by redefining the weight of its criteria. The reference number obtained using this adjusted methodology has shown a better capability to differentiate those proposals strongly related to the strategic interest of the Program from those that are not necessarily aligned.

The SME component has designed a methodology to objectively and competitively award resources to proposals not identified during the optimization process. This methodology adds up all freed resources in a single bourse for the six regional offices to compete for the resources through their proposals. Proposals are presented to the Review Committee ranked by its technical evaluation, and the committee approves projects accordingly to funds availability and the relevance to the strategic interest of MIDAS.

### 3.1.3. Success Story

#### **Farmers leave coca behind and welcome environmentally friendly farming** *700 farmers harvest peace in Nariño*

In other parts of the world, April is when spring is in full bloom; a time when there is a sense of renewal and a dewy freshness in the air. Although most regions of Colombia only experience two seasons, dry and rainy (defined as winter), this April became the season of hope for 3500 villagers.

Recently, the department of Nariño has recovered from a very difficult period that lasted for years. This mountainous region wasn't covered with layers of white snow; but instead was flooded by rivers of blood. Hundreds of men and women died due to the ongoing violence that was generated by the illicit business of cultivating coca.



Small fruit and vegetable farmers of Nariño learning new farming techniques

Through a local vegetable association, the USAID funded program MIDAS provided support for the villagers with 337 million pesos (approximately US\$150,000) in capacity building. Cesar Delgado, one of the beneficiaries affirms that “90% of the project’s beneficiaries used to grow coca and to date, none of them do. They now produce fruits and vegetables. As coca areas decreased, so did violence.” The process benefits 700 people directly and a total of 3500 by including their families. A major objective is to strengthen social capital through farmers’ developing better and stronger relationships with neighbors and other community members.

Another goal is the establishment of an environmentally friendly farming culture. At the same time, beneficiaries apply clean technology to the half hectare plots each of them handles (that accounts for 350 hectares in total). In addition, they are learning to use biological products such as fungi, bacteria and plant extracts to control diseases and insects in the crops. To date, the project has generated 500 New Jobs out of the 1.433 projected for the end of the year.

After the crude and long winter that people in northern Nariño endured, the sun is starting to shine on both their lands and lives. A long journey still awaits, but these beneficiaries know that the route they chose made the difference between life and death.

### 3.2. MAIN CHALLENGES

- Design a methodology to evaluate the contribution of MIDAS interventions in the institutional strengthening of the Project Suppliers Network. It is expected that results from this evaluation will be presented during the Network closing event planned for August and September.
- Implement the Project Management System and other information tools designed by IT to facilitate information and knowledge management within the component.

- Design a methodology to evaluate and define the strategic areas as part of the Knowledge Management Strategy the component is implementing in 2008.
- Design and approve the ToRs for procuring the services of a specialist who will support the Knowledge Management strategy and the component in the implementation of beneficiaries' impact and service surveys.

### 3.3. NEXT QUARTER OBJECTIVES

#### Quantitative Objectives

**Table 8**

<b>ACHIEVEMENTS</b>				
<b>Performance Indicators</b>	<b>2008 AWP target</b>	<b>Q2 FY'08 (actual)</b>	<b>Q3 FY'08 (Q1 AWP target)</b>	<b>Q2 + Q3 / 2008 AWP target</b>
<b>1. Number of Jobs Created</b>	90,135	18,996	27,690	52%
<b>2. New Hectares</b>	10,000	501	3,676	42%
<b>2.1 Hectares Supported (Attended)</b>	26,651	4,495	22,156	100%
<b>3. Number of Families Benefited</b>	191,276	31,095	67,978	52%
<b>3.1 Number of Families Benefited (Internal)</b>	276,715	37,123	106,204	52%
<b>4. Private Sector firms Formed or Strengthened</b>	1,108	743	361	100%
<b>5. Producer/ Processor Associations formed or strengthened</b>	20	8	12	100%
<b>6. MIDAS Total Project Support (\$000)</b>	\$ 14,307	\$ 2,302	4,269	46%

#### Additional Qualitative objectives

- The 2008 SMEC strategy and action plan is focused in the successful implementation of the projects portfolio. This represents various challenges for the next quarter: Implementation Committees, personalized support to regional offices, and the supervision of established commitments and ongoing projects.
- Support the formulation and presentation of the five projects included in ARD – Acción Social 2008 Agreement, currently under negotiation.
- Successfully support the implementation of the Afro-Colombian and Indigenous earmark.
- Begin the development of a data base with complete information of the Consultants Network. The objective is to provide the business community with comprehensive information on business services providers, at the national and regional levels.

# 4. CFC

## 4.1. ACHIEVEMENTS

### 4.1.1. Key Indicators

CFC launched 3 additional Natural Forestry projects implementing the new “Better Management” Strategy outlined in WP 2008.

During QR2 FY’08, CFC’s work focused on finalizing the investment of remaining available Grants & Contracts funding, both for plantations and natural forests. This effort required the prioritization of projects and the consideration of factors such as impact on the regions’ alternative development and type of

beneficiaries to whom the activities are directed.

As a result, CFC finalized the design of two projects that will be added to the 14 plantation projects already under implementation and which should be signed during Q3 FY08. Also, CFC established three additional projects for the development of new forestry management plans, based on the “Better Management” concept defined in the 2008 Work Plan.

CFC also finalized the design of the four projects that are integral for the implementation of the Natural Forest Strategy and constitute phase II to the pilot projects previously undertaken. The development of Lessons Learned from the implementation of these pilot projects is integral to the success of the new “Better Management” strategy. With the portfolio completely defined, the component is now concentrated on full implementation and the strengthening of support from the CFC PCs to the grantees. Table 9 shows the performance of the CFC during the quarter.

**Table 9: Component achievements for the quarter**

<b>Achievements</b>				
<b>Performance Indicators</b>	<b>LoP Goal @ 163.5 M Level</b>	<b>QR2 FY 08 (Q1 AWP Target)</b>	<b>QR2 FY 08 (Q1 AWP Target)</b>	<b>%QR2 FY 08 / Q1 AWP Target</b>
1. Number of Jobs Created	18,764	819	1,847	44%
2. New Hectares	61,849	1,144	943	121%
2.1. Hectares Supported (Attended)	N.A.	N.A.	N.A.	N.A.
2.2. Natural Forest Hectares	107,268	7,325	12,322	59%
3. Number of Families Benefited	7,600	588	759	77%
3.1. Number of Families Benefited (Internal)	N.A.	N.A.	N.A.	N.A.
4. Private Sector Firms Formed or Strengthened	26	0	5	0%
5. Producer / Processor Associations Formed or Strengthened	81	2	10	20%
6. MIDAS Total Project Support (\$000)	16,586	827	1,089	76%

During this quarter, the main indicators showed significant albeit mixed progress: the number of hectares planted surpassed the goal for the quarter with 1,144 hectares compared to 943 planned. On the other

hand, the number of Families Benefited during the quarter only reached 588, out of a goal of 759 (77%). MIDAS total project support reached \$827,000, out of a goal of \$1,089,000 (76%). Two producer associations were strengthened during the quarter for a 20% achievement of the goal.

The number of hectares of natural forest under “Better Management” was 7,325, out of a goal of 12,322 (59%). Only 44% of the goal of 1,847 jobs created was achieved, mainly because during these months a smaller than anticipated number of people were employed for planting and maintenance. Since these activities are expected to pick up with the onset of the rainy season (April-May 2008), this situation should be corrected in the next quarter. Table 10 shows the performance of the CFC against the program's goals:

**Table 10: Component Achievements LoP**

Performance Indicators	LoP Contractual Goals	LoP Goal @163.5 M Level	Cumul. 2006 and 2007	QR 2 FY '08 (Actual)	Cumul. 2006-2008	2008 (AWP Target)	% Cumul. 08 / AWP Target	% Total Cumul. / LoP Contract Goal	% Total Cumul. / LoP Goal @163.5 M Level
1. Number of Jobs Created	21,000	18,764	3,986	819	4,805	7,389	11%	23%	26%
2. New Hectares	67,500	61,849	13,811	1,144	14,955	21,951	5%	22%	24%
2.1 Hectares Supported (Attended)	N.A.	N.A.	592	N.A.	592	0	N.A.	N.A.	N.A.
2.2 Natural Forest Hectares	150,000	107,268	30,646	7,325	37,971	60,122	12%	25%	35%
3. Number of Families Benefited	7,600	7,600	3,537	588	4,125	5,735	10%	54%	54%
3.1 Number of Families Benefited (Internal)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Private Sector firms Formed or Strengthened	50	26	20	0	20	6	0%	40%	77%
5. Producer/ Processor Associations formed or strengthened	35	81	34	2	36	31	6%	103%	44%
6. MIDAS Total Project Support (\$000)	18,100	16,586	3,259	827	4,086	5,635	15%	23%	25%

The table shows cumulative compliance compared to the original contractual obligations and to obligations established in the WP 08. The degree of cumulative compliance of the indicators against the two alternatives does not vary significantly. In the long run they will be fully met and eventually exceeded.

- Employment: 23% cumulative compliance with LoP goal, equivalent to 4,805 New Jobs.
- New hectares: 22% cumulative compliance with LoP goal and 24% with new goal established under WP 08, equivalent to 14,955 New Hectares planted.
- Natural forest hectares: 25% cumulative compliance with LoP goal, and 35% with new goal established under WP 08, equivalent to 37,971 hectares under “Better Management”.
- Families: 54% cumulative compliance with LoP goal, equivalent to 4,125 Families Benefited.
- Private companies: 40% compliance with LoP goal, equivalent to 20 companies strengthened or formed.
- Processor/producer associations: 103% cumulative compliance with LoP goal, equivalent to 36.
- MIDAS total project support: 23% cumulative compliance with LoP goal, and 25% with new goal established under WP08, equivalent to \$ 4,086,000.

Figure 2 shows percentage of achievements for the main indicators towards Q2 FY'08 and LoP Goals:

**Figure 2**

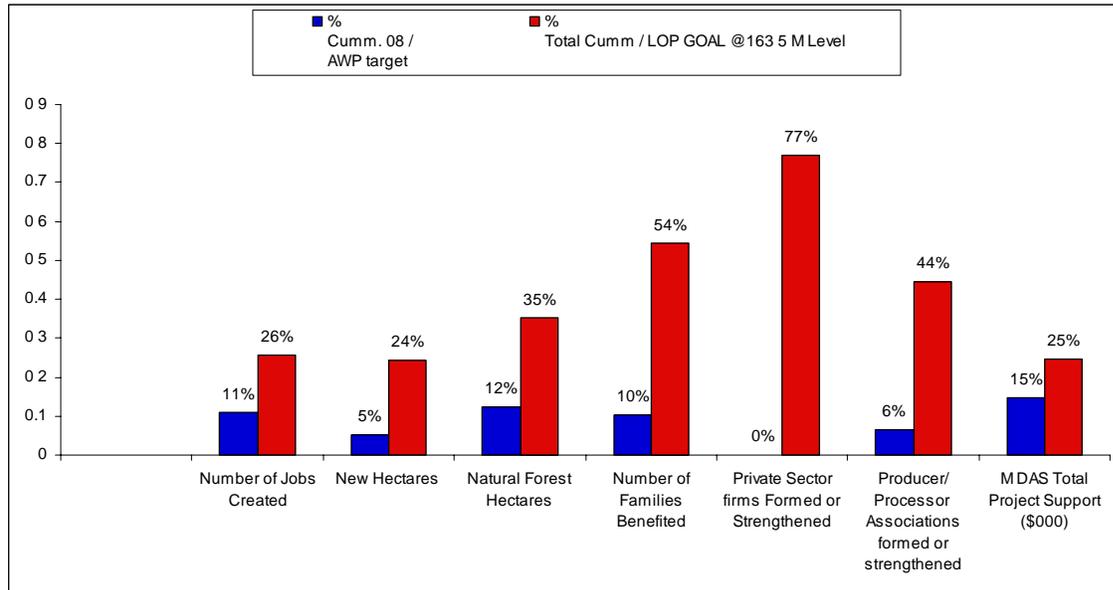
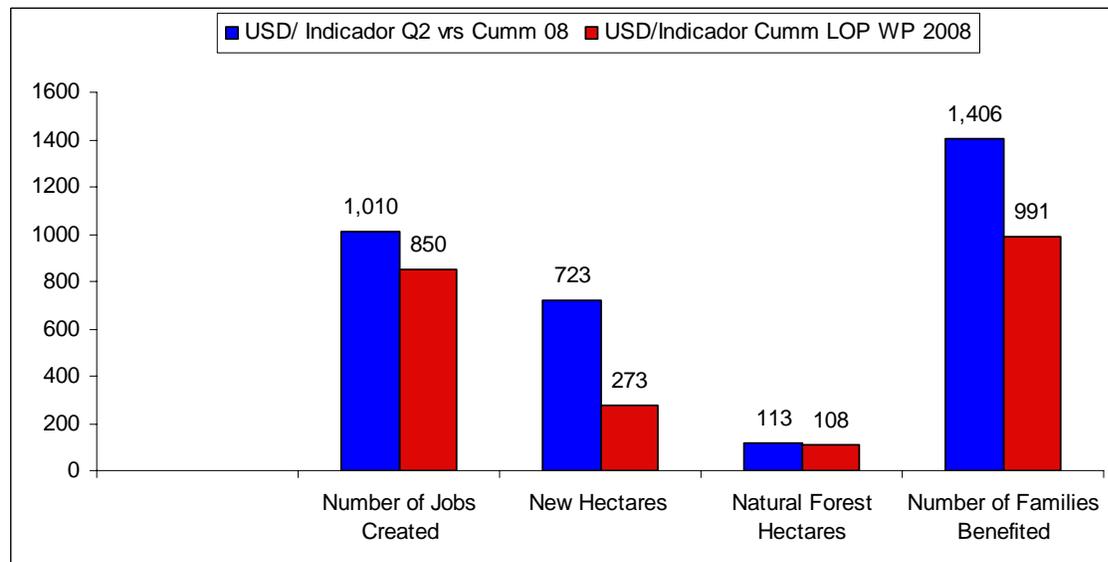


Figure 3 shows other achievements during the quarter and cumulative achievements.

**Figure 3**



## 4.1.2. Other Achievements

### Plantations

- Approval for Agronaya S.A. forest plantation project was obtained. The contract is being drafted.
- The “due diligence” process has began for a plantation project by the Indigenous Council of Tálaga.

### Natural Forest

Approvals for the four “Better Management” projects (Phase II) were obtained and contracts are being drafted.

- An agreement between ARD and the 4 communities in charge of the “Better Management projects” was drafted with ample community participation and a consensus was reached for approval by the parts.
- CFC continued supporting the design of the Forest Management Plan for the Community Councils of Riosucio, Salaquí and Cacarica in the Chocó Department, done by UNODC.
- CFC started the implementation for the design of the Forest Management Plan for Santa Cecilia, done by the Technological University of Pereira (UTP), in the jurisdiction of CARDER, the Risaralda CAR.
- CFC started to implement the design of the Forest Management Plan for the Río Cajambre Community Council in Buevaventura, executed by Fundación Colombiana para la Farmacia Natural (FUNDACOFAM), in the jurisdiction of CVC, the Valle del Cauca CAR.
- Agreement was reached with the MIDAS Communications & Outreach on the fundamentals of a plan for disseminating the “Better Management” strategy inside and outside the communities to be launched next quarter.
- CFC actively participated in the forestry technical roundtable in Tumaco, presenting the results of the pilot projects for natural forest extraction with five Community Forestry Enterprises of the Pacific basin, on which the “Better Management” strategy is based.
- CFC trained 1,507 people between beneficiaries and technical personnel from projects on field technologies, environmental, and socio-entrepreneurial issues.

1,507 people received technological, environmental and socio-entrepreneurial training from CFC.

### 4.1.3. Success Story

#### Farmers Build Their Futures With Timber

*While harvesting Alder trees, rural families grow food security for sustenance*

Juan Pablo Morales smiles and his blue eyes sparkle with enthusiasm and satisfaction. He has achieved his goals. His hardworking hands planted 4,100 alder trees on his four hectare farm plot known as Albania. In addition, he recently obtained the title deed to his property which he purchased 18 years ago and has just hired two people to help with his growing farming responsibilities.

He is one of the beneficiaries of the coffee-timber project implemented by the alliance created between the USAID program MIDAS, the national coffee producer council, KFW bank, and small farmer associations in Colombia. The initiative supports the establishment of 26,864 hectares of timber plantations throughout the country.



When the project was launched in the department of Tolima, Morales, who didn't initially meet the requirements, expressed his interest. He proved to be persistent. The first step for him was to obtain a deed to the land he had bought many years ago. "To legalize the farm, I borrowed the money and talked to the former owner who finally passed the title to me. I got my neighbors to plant the trees, and I agreed to pay their wages when I started receiving money."

This farmer's endless imagination, work ethic, and positive attitude are both the inspiration for his neighbors and the source of income for his large family-which includes twelve dependants. The training and guidance he receives from the program, allowed him to dramatically improve his farming operation.

*"I'm happy now because I know I can offer my children a better future through the wood tree project."*  
Juan Pablo Morales, project beneficiary and his family.

"I'm happy now because I know I can offer my children a better future through the wood tree project; I can grow beans, coriander, cabbage, and squash to feed my family in the mean time. Eventually, I'll acquire livestock and I'm sure we'll make a good living out of it (...) and by the way, thanks for the assistance", he declares enthusiastically.

"I'm happy now because I know I can offer my children a better future through the wood tree project; I can grow beans, coriander, cabbage, and squash around the trees to feed my family. Eventually, I'll acquire livestock for the farm and I'm sure we'll make a good living out of it (...) and by the way, thank you for the assistance", he declares enthusiastically.

Being a program beneficiary has encouraged Morales to find better living conditions. Before, he lived three hours away from the main road. Now he has moved closer and the location will enable his descendants to commercialize the wood that's produced by the family farm.

Juan Pablo wakes up early to fulfill his responsibilities of overseeing his alder seedlings and the food security crops. At night, he goes to sleep with the satisfaction of knowing that his children will harvest the fruit of his labor.

## 4.2. MAIN CHALLENGES

Close monitoring of all projects under implementation constitutes the main challenge for CFC during next quarter. Not only performance indicators but burn rate must be closely monitored by CFC management to ensure achieving the quarter goals.

To do so, CFC will continue to work closely with grantees to assist them with the paperwork process for their applications for credit and negotiations with companies obligated to invest in forestry activities for the purposes of environmental compensation (ECOPETROL and ISA, among others).

Support from the recipients in the creation and strengthening of producers' associations is a priority task for the CFC that will continue during the next quarter.

The increase in reforestation, in which MIDAS has played a key role, generated an increase in the demand for vegetative material to establish plantations. CFC will contact farms and greenhouses that produce this material to ensure fulfillment of planting plans for each project.

Dissemination of the "Better Management" strategy among public, private entities and community organizations involved will be a priority activity for the component during the next quarter. Actions will also be initiated to ensure the sustainability of the strategy when support from MIDAS is terminated, such as contacting organizations interested in paying for environmental services to protect natural forests or to avoid deforestation.

## 4.3. NEXT QUARTER OBJECTIVES

The first challenge for the CFC for the next quarter is to fulfill the Q2 goals for WP 2008, including the differences accumulated during Q1, setting the targets as follows:

- \$1,853,696 in disbursements, consisting of \$1,591,484 for next quarter and \$262,212 that were not disbursed during the previous quarter.
- Eight thousand three hundred and ninety six hectares from plantations, which correspond to the target set for the second quarter.
- The new target in hectares of natural forest for the next quarter is 23,997 hectares, corresponding to 19,000 hectares from the quarterly target according to WP 2008, plus 4,997 hectares that were not implemented during this quarter.
- In terms of employment, we must generate 3,343 New Jobs, corresponding to 2,217 jobs for the target for the next quarter of WP 2008, plus 1,026 remaining from the previous quarter.
- The target for the number of families is 1,048, equivalent to 876 from the target for the next quarter according to WP 2008 and 172 that were not implemented during the previous quarter.
- Obtain definitive approval and signing of agreements for the two remaining projects to complete the plantations portfolio of 16 projects. These are those of AGRONAYA and TALAGA.
- Obtain definitive approval and signing of agreements for the implementation of the "Better Management" strategy in the communities of Bajo Mira y Frontera, Alto Guapi, Concosta y Cabildo mayor de Chigorodó.

- Obtain ratification of the strategy agreements from the assemblies of the communities targeted by the interventions.
- Sign agreements with an external monitoring service for overseeing the proper execution of the “Better Management” strategy.

# 5. ABC

## 5.1. ACHIEVEMENTS

The Second Quarter of FY'08 continued with an emphasis on project implementation and important advances in ABC's effort to approve all remaining prioritized proposals and commit remaining Grants & Contracts funds. The component was able to pass 3 projects into approval as well as sign a grant that was in the pipeline since the previous quarter.

ABC significantly surpassed Q2 targets for all key indicators.

ABC successfully surpassed quarter goals for most indicators (New Hectares, Families, and Jobs), even though the actual burn rate was below forecast. Results for this quarter show just how diversified and labor-intensive the ABC portfolio has become, with a multiplier effect on Families Benefited and New Jobs.

The component continued to strengthen implementation and is moving projects forward at a steady rate, although exogenous factors continue to generate achievement lags. Field work methodologies have continued to be implemented and the component has been able to perform eleven ICO (Indice de Capacidad Institucional) index evaluations to determine project organizational strengthening needs. Finally, the remaining No Cost Extensions for the exCAPP projects were completed and signed.

In qualitative terms, ABC has been working on capturing the positive externalities generated by project implementation, to understand MIDAS impact beyond quantitative indicator achievement.

### 5.1.1. Key Indicators

In terms of actual quarter achievements, the component registered the planting of 5,207 New Hectares, 7,278 Families Benefited and the creation of 4,732 New permanent FTE Jobs—equivalent to 106%, 265%, and 179% of the WP 2008 goals for the quarter, respectively (Table 19).

**Table 11: Component achievements for the quarter**

Achievements				
Performance Indicators	LoP Goal @ 163.5 M Level	QR2 FY 08 (Actual)	QR2 FY 08 (Q1 AWP Target)	%QR2 FY 08 / Q1 AWP Target
1. Number of Jobs Created	31,000	4,732	2,646	179%
2. New Hectares	97,768	5,207	4,934	106%
2.1. Hectares Supported (Attended)	N.A.	0	819	0%
2.2. Natural Forest Hectares	N.A.	N.A.	N.A.	N.A.
3. Number of Families Benefited	18,837	7,278	2,743	265%
3.1. Number of Families Benefited (Internal)	N.A.	N.A.	N.A.	N.A.
4. Private Sector Firms Formed or Strengthened	55	1	6	17%
5. Producer / Processor Associations Formed or Strengthened	30	19	15	127%
6. MIDAS Total Project Support (\$000)	44,415	1,939	3,571	54%

**Table 12: Component Achievements LoP**

Performance Indicators	LoP Contractual Goals	LoP Goal @163.5 M Level	2008 (AWP Target)	Cumul. 2006-2007	Q2 FY08 (actual)	Cumul. 2006-2008	% Cumul. 08 / AWP Target	% Total Cumul. / LoP Contract Goal	% Total Cumul. / LoP Goal @163.5 M Level
1. Number of Jobs Created	31,000	31,000	18,433	15,681	4,732	20,413	26%	66%	66%
2. New Hectares	149,739	97,768	40,855	28,786	5,207	33,993	13%	35%	23%
2.1 Hectares Supported (Attended)	N.A.	4,814	819	3,995	0	3,995	0%	83%	N.A.
2.2 Natural Forest Hectares	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3. Number of Families Benefited	18,837	18,837	16,883	8,226	7,278	15,504	43%	82%	82%
3.1 Number of Families Benefited (Internal)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
4. Private Sector firms Formed or Strengthened	55	55	10	70	1	71	10%	129%	129%
5. Producer/ Processor Associations formed or strengthened	30	30	83	73	19	92	23%	307%	307%
6. MIDAS Total Project Support (\$000)	44,415	44,415	11,795	10,699	1,939	12,638	16%	28%	28%

In cumulative terms, the component has now achieved the planting of 33,993 New Hectares (23% of the LoP goal), 33% LoP Goal Adjusted, 20,413 New Jobs (FTEs) (66% of LoP goal), and 15,504 Families Benefited (82% of LoP goal). Figure 4 shows quarter and cumulative achievements.

**Figure 4: ABC Cumulative Achievements QR 2 FY '08**

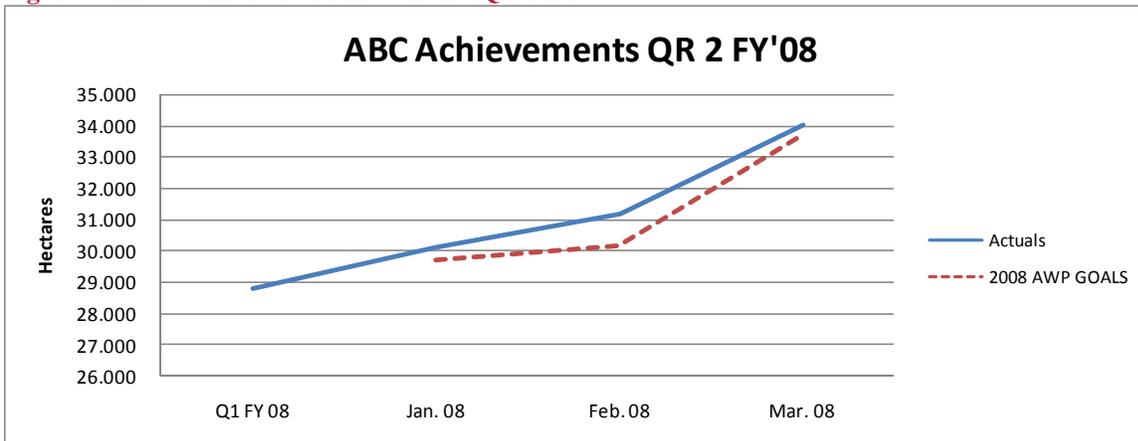
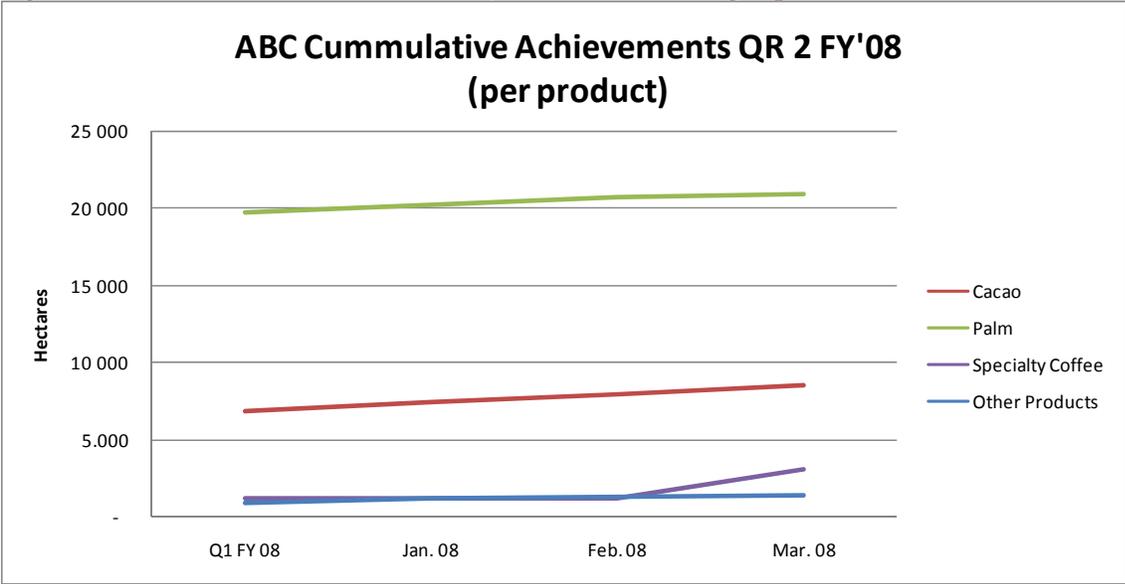


Figure 5: ABC Cumulative Achievements QR 2 FY '08 according to product



## 5.1.2. Other Achievements

### **Special Focus: Catatumbo**

The Catatumbo region in the Department of Norte de Santander has a long history of violence and illicit crop production. But in the last 6 years it has astonishingly transformed itself into a prosperous and relatively peaceful area. The degree of the region's "extreme makeover" can only be described through the words of growers in the region: "3 helicopters used to fly in regularly to pick up the coca, and now we need 13 dump trucks to take the 455 tons of palm we produce to the processing plant in Codazzi". Six years of USAID support in the region has led to dramatic changes, primarily in terms of alternative development and indirect illicit crop substitution. Other contributing factors include: socioeconomic development, grassroots' strengthening, governmental presence, security in the region, grower empowerment and the increasing presence of the private sector.

The degree of isolation is underscored by the fact that coca was transported out of Catatumbo by helicopters and not by land. This was due not only to the lack of infrastructure and appropriate roadways, but also to the presence of 10 permanent armed checkpoints. People in the area had no idea if they were of a legal or illegal nature. Today, the scenario is different. Illicit crops have been removed and substituted with cacao and palm. Currently, 7,000 new hectares of African palm and 2,500 new hectares of cacao have been established and are generating additional income for small growers. Producer associations now negotiate directly with the private sector. In addition, market linkages have strengthened the rural economic sector boosting property value, infrastructure, and the provision of goods and services once restricted only to urban cities in the region. Now, Catatumbo is associated with progress and thriving agribusinesses; a place filled with hopes, dreams and promises for future generations, quite a contrast from its very violent and illicit past.

This is the story of how a region that carries violence and isolation in its roots has flourished into a relevant agricultural economic cluster for Colombia. Catatumbo's dramatic conversion is thanks to foreign aid, strategic alliances with national public and private sector entities, and the belief that people would change to licit activities if given a chance.

ABC committed additional funding during the quarter for a total of 4,885 additional New Hectares, generating 1,952 new permanent FTE jobs, and benefiting 2,552 families. ABC also has 3 projects in the approval phase that will account for 4,000 additional new hectares that will be committed next quarter.

In terms of other indicators, ABC has significantly advanced in programming and organizing follow-up events with grantees and beneficiaries to review and discuss advances in project implementation, lessons learned, and success stories. These activities focus on assessing grant impact beyond contractual indicators and review the current status of projects in implementation as well as projects that are reaching the end of MIDAS support. The events have allowed the component to analyze how effective and efficient ABC grant support actually is, and have created an opportunity for accountability and discussion between grantees and farmers. Based on the results from this activity, the component will start to estimate and

document its qualitative impact, challenges and constraints. The component will perform these events in each of the MIDAS corridors during Q3 FY'08.

The ABC's Organizational Strengthening Unit has continued working in the application of Farm Field Schools (FFS) methodologies and technological transfer for ABC projects. Additionally, 11 ICO Index diagnoses were performed, benefiting 11 organizations from 4 ABC projects. Results from these diagnoses have allowed ABC to revise and adjust training activities in projects, prioritizing the areas where more work is required, according to each organization's particular needs. Currently a cumulative total of 34 producer associations have been assisted, benefiting over 2,582 producers belonging to the associations. The Unit has also assisted ADAM in training their grantees and beneficiaries in the FFS methodology.

Five *Training of Trainers* workshops were held over the quarter, in cacao and blackberry crops. More than 398 people were trained in Santander, Antioquia and Huila, including growers and technical assistance staff from ABC projects.

Furthermore, ABC's regional staff and some of the project's technical staff have been trained in applying the ICO Index so they can apply it directly. Consequently, over the following quarters, more ICO diagnoses may be performed, increasing the reach and efficiency of the diagnoses.

ABC had a prominent participation in implementing the agreement with PCI/ Acción Social. The 2007 agreement has been implemented successfully, and ABC expects to finish its part and close it out by the end of QR 3 FY 08. For the 2008 agreement, ABC negotiated the projects and amounts to be committed for each project. The three ABC projects that passed to the approval stage during the quarter will receive PCI/Acción Social matching funds. MIDAS and PCI/ Acción Social are working to determine if additional support can be provided for projects that have been prioritized but have not yet passed into the approval stage. This will be determined over the next quarter.

### 5.1.3. Success Story

#### **Yes, We Can!**

*Alternative development through Oil Palm and cacao offers a new beginning for a region plagued with violence and coca*

The rich, green, farming region of Catatumbo in the department of Norte de Santander has suffered agonizing years of poverty and violence. Between 1999 and 2004 alone, the region suffered over 3,000 deaths and significant social and economic devastation. But times have changed and through oil palm and cacao farming projects implemented by the national government and international cooperatives, the region is now beginning to flourish. The licit and profitable opportunities offered have encouraged small farmers to say “no” to coca crops and their violent past.



In 2001, small farmers who had been either reluctant to return to the countryside or to abandon coca cultivation, took their chances. One-hundred-thirty-three individual campesinos decided to participate in the first oil palm project financed by the alliance between United States Government through its Agency for International Development-USAID, the national government and palm oil businesses through the USAID program, MIDAS. Jose Caceres, a leader from the region who quit his job as a teacher to work with grassroots farming communities, inspired beneficiaries to believe in themselves. Santana Fuentes is one of those beneficiaries; a former seventy- five year old coca farmer who many made fun of due to his age, now serves as a model for the rest. As José affirms, “He has one of the best livelihoods around here- he owns a car, his family is working, has a good house, and he even has enough left over for a few beers”.

José now serves as the manager of the Oil Palm Producer Association of Campo Dos, Asogpados, and has become the guardian angel of the project. With the charisma and vibrant attitude of its members, the association has become an agent for development in the region. The implementation of the oil palm projects by the USAID program MIDAS has been “...the best thing that could have happened; we thank the United States for coming to El Catatumbo. Today the economy of the zone is sustained by those projects.” claim the project’s beneficiaries.

The project had a snow ball effect as it reached more beneficiaries such as Gustavo Leon, an agribusiness technician who encouraged more farmers from different veredas to engage in two more productive projects implemented by USAID. The oil palm business carried out by the Agricultural and Environmental Technical Service and Asogpados has transformed the region. It has enabled the villagers to return to their land, become entrepreneurs with their productive farms, reunite with their families, educate their children, and build a safe future for themselves and their loved ones.

As of March 2008, 670 families have been benefited from the oil palm productive project that has established 7.026 of the 12,100 hectares projected for this year. “Oil palm opens many doors for us and guarantees further economic growth” claims Anibal Perez, one of ESTAM’s beneficiaries, another growers association. USAID’s efforts implemented jointly with the Presidential Agency for Social Action and International Cooperation- ACCION SOCIAL, the private sector and regional government institutions, has built a solid foundation for growth in the Catatumbo region, by fostering strong social and economic development and strengthening the entrepreneurial culture.

## 5.2. MAIN CHALLENGES

ABC's main challenges over the quarter have been with projects in the pipeline, which are being developed in order to quickly pass them into the approval stage. This process is taking longer than estimated and therefore, as of QR 3 FY 08, ABC's 2008 WP forecast results may shift since the final portfolio projects may begin implementation later than predicted. ABC is revising its AWP goal forecast in order to re-assess and evaluate the component's ability to achieve these goals. A revision of our goals will be presented during the QR 3 FY'08.

ABC's overall challenges over the quarter have been:

- Delays in achievements and grant signing - Three projects were approved over the quarter: A24206 Asociación de Municipios de Ocaña, A28906 Fedecacao Nariño Alto Patía and A70906 BSD. The 2008 WP forecasted that by the end of the quarter these projects would have already been signed and begun reporting achievements. However, given that they are still in the approval stage, indicator achievement and burn rate associated with these projects will be delayed for a couple of months, at least.
- Delays in project approval - The component still has 6 projects in the pipeline that must be approved and passed into assessment. Due to exogenous constraints associated with proponents' project formulation, this process has taken longer than initially estimated, which generates delays in the projected achievements for these projects.
- Guarantee burn rate and timely presentation of reports on behalf of Grantees. Many times reports arrive on time but require adjustments and corrections because the files contain errors. These corrections take time and additional consultations and assistance with grantees, further delaying disbursements.

Specific projects presenting delays and constraints are:

- A06106 Fedecafé has had delays in processing its expenses and consolidating its regional reports into a single report for MIDAS. Additional training from PPD and ABC is required to guarantee appropriate and timely report presentation.
- A30606 Codesarrollo was finally signed but given that implementation began on March 28, 2008, the grantee has not been able to process its first progress and expense reports.
- ExCAPP project 119 C.I. Tequendama has continued to present delays because loans for 2 small growers associations (i.e. 65 beneficiaries) will only be disbursed in April or May.
- A00506 Asocati is having delays due to loan approvals and the inclusion of Familias Guardabosques in the project.

ABC must work closely with grantees in reassessing progress in loan processes, weather issues, vegetable material and supply availability and other exogenous factors that alter the implementation schedules. This work will enable ABC to have early alerts regarding hectare establishment and burn rate. Over QR 2 FY 08, ABC has already begun to determine the need for adjusting project portfolio. In some cases, ABC will evaluate the need to close out some projects which face loan difficulties for planting and achieving their

goals. In other cases, exogenous factors such as loan disbursement and weather will generate a time lag in terms of the forecasted achievements. Additionally, projects in the pipeline that have not yet been approved will also represent lags.

### **5.3. NEXT QUARTER OBJECTIVES**

As stated in the 2008 WP, ABC must continue to work in the approval and implementation of the prioritized projects under the scaled-back funding scenario. This means approving the remaining projects over the following quarter, to complete ABC's implementation portfolio with a total of 54 projects.

Additionally, ABC will focus its efforts towards the following activities over QR 3 FY 08:

- Pass all remaining projects in the pipeline into approval and sign all grants that have been approved over QR 2 FY 08.
- Review at Program Level AWP 08 goals for the remaining calendar quarters (i.e. QR 3 FY 08 – QR 1 FY 09).
- Complete 6 regional project follow-up meetings
- Perform 20 ICO Index diagnoses.
- Begin program level close out procedures for six ABC (exCAPP) projects, including 4 that ended in QR 2 FY 08 and two are programmed to end in QR 3 FY 08.

## 6. MPC

### Sanitary and Phytosanitary Standards (SPS)

Due to the successful efforts of MPC, Colombia now has a consolidated database of the presence of pathogenic microorganisms in high risk foods. The document serves as a baseline for the formulation of food safety risk assessments and consequently, food safety control measures and plans in Colombia.

### 6.1. ACHIEVEMENTS

The achievements of the MIDAS Policy Component (MPC) this quarter are defined according to three different classifications, as described below:

- **Key Indicators:** They represent achievements specifically defined in the 2008 WP; in other words, all laws, decrees/resolutions/circulars, and institutional reforms that correspond to specific commitments made by the MPC in the Work Plan, by subcomponent and project. Main indicators from the Microfinance Program and MPC pilot projects committed in the WP, i.e. Families Benefited and jobs created, are also presented in this section.
- **Complementary Policy Reforms:** These include legal, regulatory, and institutional reforms which were not planned for in the 2008 WP, but which were supported by the MPC because they contribute to the overall goal and specific policy reform initiatives identified in the Work Plan.
- **Other Achievements:** Include government initiatives that do not translate into laws, decrees, institutional reforms, etc. but which are important to the fulfillment of the MPC 2008 objectives.

Based on the above, the MPC achieved the following results this quarter:

**Table 13**

	Key Indicators		Complementary Policy Reforms	Total
	Results Q2	Goal Q2		
Laws Approved	0	0	0	0
Conpes Implemented	0	0	0	0
Decrees Passed	4	1	15	19
Institutional Reforms	1	0	1	2
Companies Certified	0	0	1	1

During QR2 FY08, the MPC exceeded its quarterly goals for approved decrees, resolutions and circulars. This strong performance was obtained in two fronts: First, the reform of collective accounts regulation to allow pension funds to invest in private equity funds was implemented by the Superfinanciera (SFC) issuing two circulars for this purpose, instead of one. Also, The GoC anticipated the reform modifying

registration procedures for labor unions and the reform of the Banco de Proyectos de Inversion, which were expected for later in the year.

Second, a number of other critical reforms were adopted by the GoC in areas closely related to the MPC/GoC reform objectives established in the 2008 Work Plan. The reforms include adopting recommendations to improve funding for small-scale farmers through FINAGRO; deregulation of micro-lending; and the decrees establishing an SPS unit in the Ministry of Environment.

### **6.1.1. Key Indicators**

#### **Labor Market Reform**

##### ***Compliance with Fundamental Labor Rights***

- Resolution 626, issued by the MPS on February 22, 2008: Increases the period of time allowed for the registration of new labor unions and removes several of the existing obstacles for the constitution of new unions. The resolution specifies that labor inspectors can only refuse to register a new labor union when the purpose of such organization is not consistent with free legal union activity. This reform improves previous regulations, which, in the opinion of labor unions, gave inspectors leeway to interpret the objectives of new unions and deny registration.

#### **Microfinance Program**

- The most noteworthy achievement under the MIDAS Microfinance Program (MMP) this quarter is the expansion of Non-Bank Correspondents (CNB). In January and February, financial institutions (FI) opened 256 new CNB, for a total of 3,758 CNB in 421 municipalities throughout the country. The opening of these new CNB increased financial coverage in 22 additional MIDAS municipalities and 5 ADAM municipalities. Of all CNB established to date, 2,076 have been opened in 313 MIDAS municipalities and 267 have been opened in 42 ADAM municipalities. The CNB facilitated 391,000 financial transactions in February 2008, for a total amount of COP \$60,409 million.
- The number of active clients with credit in the pilot institutions linked to the MMP now totals 351,833, nearly fulfilling the goal of 353,000 active clients for March 31, 2008. Of this total, 42,477 represent new clients from this quarter, with corresponding disbursements of COP \$69,660 million (\$39 million). The average loan amounted to COP\$1.640.000 (\$900). Disbursements to new clients exceeded the goal of 34,500 clients established for the quarter (Table XX).
- The new loans benefited 33,982 families. Sixty-six percent of all active are women, most of them heads of household, and at least 105,550 clients are considered vulnerable populations. Furthermore, 17,940 are from rural areas and 9,647 are from Afro-Colombian municipalities. These numbers will continue to grow, given MMP's special emphasis in targeting rural microcredit and microcredit for vulnerable populations for 2008. Microcredits under the community banking methodology, have increased with clients of AGAPE and ADC Merquemeros Juntos totaling 13,317 by end of March 2008.
- The regional coverage of the MMP continues to expand. The FI currently receiving technical assistance expanded their coverage into 14 municipalities: Banco de Bogotá (2), Financiera

Compartir (3), Giros y Finanzas (3), Coopcentral (1), Comultrasán (3) and Utrahuilca (2). Furthermore, these FI that are increasing their size and outreach have generated 345 New Jobs, 277 of which are loan officers, 13 are loan supervisors, and 55 are operational assistants.

- A total of 64 training events were carried out this quarter with the FI participating in the MMP, for a total of 872 officials trained.

**Table 14**

	INDICATOR	2007	JANUARY	FEBRUARY	MARCH	TOTAL	% FUL-FILLMENT	GOAL
		EXECUTION	2008	2008	2008	QR 1 08	GOAL QR 1 08	2008
1	Active Clients (#)	327,261	334,318	343,169	352,230	352,230	99.8%	450,000
2	Vulnerable Population	NA	100,295	102,951	105,669	105,669	132.1%	112,500
3	Afro-Colombians	NA	9,375	9,510	9,647	9,647	21.4%	63,000
4	Women	NA	223,787	225,681	233,479	233,479	189.0%	157,500
5	Rural Population	NA	17,499	17,776	17,940	17,940	35.9%	112,500
6	Community Banking	NA	11,843	12,366	13,317	13,317	133.2%	22,500
	Disbursed Loans (#)	175,157	33,659	35,311	35,464	104,434	110.5%	500,000
7	# New Credits	84,703	12,877	15,024	14,969	42,870	124.3%	230,000
	# Renewed Credits	90,454	20,782	20,287	20,495	61,564	102.6%	270,000
8	# Families Benefited	67,762	10,302	12,019	11,975	34,296	124.3%	184,000
	Amount of Disbursed Credits (COP\$)	364,584,326,494	59,893,927,203	65,027,926,947	60,592,592,545	185,514,446,695	100.3%	1,010,000,000,000
9	Amount of New Credits (COP\$)	238,216,616,489	21,217,690,420	24,874,835,708	23,091,862,199	69,184,388,327	86.5%	530,000,000,000
10	Amount of Renewed Credits (COP\$)	126,367,710,005	38,676,236,783	40,153,091,239	37,500,730,347	116,330,058,369	110.8%	480,000,000,000
11	Active Savings Accounts (#)	86,736	88,647	91,729	94,067	94,067	78.4%	200,000
12	ADAM Municip. w/ Financial Services (%)	74%	74%	74%	74%	74%	100.0%	80%
13	Jobs Created (#)	NA	8	15	20	43	107.5%	400
14	CNBs Opened (cumulative #)	3,502	3,547	3,758	3,758	3,758		
	<i>By MMP Entity</i>							
	Bancolombia	57	55	111	111	111		
	Banco Agrario	50	50	50	50	50		
	Banco de Bogotá	14	14	14	14	14		
	BCSC	9	7	7	7	7		
	HSBC	1	9	17	17	17		
	Banco de Occidente	6	6	6	6	6		
	<i>Subtotal Accumulated by MMP Entities</i>	137	141	205	205	205		
	<i>New CNBs per month</i>		4	64	0	68	680.0%	360
	<i>Other Entities</i>							
	Banco Popular	17	19	19	19	19		
	BBVA	18	18	18	18	18		
	AV Villas	40	40	49	49	49		
	Citibank	3,290	3,329	3,466	3,466	3,466		
	Leasing Bogotá CFC			1	1	1		
	<i>Subtotal Accumulated by Other Entities</i>	3,365	3,406	3,553	3,553	3,553		
	<i>New CNBs per month</i>		41	147	0	188		
15	<b>Bancolombia Mobile Branches</b>	<b>240</b>	<b>242</b>	<b>244</b>	<b>244</b>	<b>244</b>		

- 1 Active Clients: clients with microcredit  
2 Vulnerable Population: Afro-Colombians, Indigenous, Displaced, Female heads of household, Strata 0 and 1  
3 Afro-Colombians: clients with microcredit in municipalities with population ≥ 25% Afro-Colombian  
4 Women: women with microcredit  
5 Rural Population: clients with microcredit in municipalities with 50% or more of its population outside of the municipal center  
6 Community Banking: clients with microcredit under this methodology  
7 Number of New Credits: clients with microcredit for the first time  
8 Number of New Families Benefited: families with microcredit for the first time (80% of indicator 7)  
9 Amount of New Credits (\$): Total amount of \$ disbursed in new credits  
10 Number of Active Savings Accounts: clients with savings accounts opened in banks or cooperatives  
11 CNBs opened by banks currently receiving technical assistance from the MMP  
12 % of ADAM municipalities with financial services: ADAM municipalities with presence of microcredit services  
13 Jobs Created: number of microcredit officials hired by entities receiving technical assistance from the MMP

## Financial Market Reform

### Capital Market Development

- *Circular 05*, issued by the SFC on February 14, 2008: Among other reforms, increases the limits of variable income investments to 40% of the value of a pension fund; includes a maximum investment limit of 5% in private capital funds; and fixes a maximum global limit for local and

external variable income of 40% of the value of the fund, with the objective of making investment possibilities in pension funds more flexible, particularly in collective portfolios.

- *Circular 08*, issued by the SFC on March 26, 2008: Approves the requirement of a minimum of 5-years experience in Colombia or abroad for professional collective portfolio managers, facilitating their operation in Colombia.

## **Fiscal Reform**

### ***Promotion of a Results-Oriented Fiscal System***

- *Decree 875*, approved by the National Planning Department (DNP) on March 27, 2008: Reforms the National Investment Project Bank (BPIN) and strengthens the procedures for approval of public investment initiatives. Specifically, the decree modifies the procedures and deadlines of the project cycle, making it consistent with Medium-Term Expenditure Framework (MTEF) and rationalizing project formulation and appraisal processes. It also enables the DNP to align its institutional project planning and investment budget with 2008 performance targets for the Results-Based Budgeting (RBB) methodology at INVIAS and ICBF.

## **6.1.2. Complementary Policy Reforms**

### **Labor Market Reform**

#### ***Compliance with Fundamental Labor Rights***

- *Decree 427*, issued by the Ministry of Social Protection (MPS) on February 14, 2008: Allows the participation of the permanent representative of the ILO in Colombia and other local and international organization representatives as observers in the Permanent Salary and Labor Policy Commission. These non-member participants, including advisers of labor and employer organizations, government officials, representatives of retired workers, among others, will not be able to vote but will have a voice in the discussions, greatly improving the transparency of decisions made by the commission.
- *Resolution 1016*, issued by the MPS on March 3, 2008: Establishes new procedures to improve the compliance of private security companies with health and social security obligations; conditions the renewal of private security company operational licenses on evidence of compliance with all social security obligations. The Surveillance and Private Security Superintendence has the prerogative to issue these licenses for shorter than the maximum 5-year period in cases where doubts exist regarding the company's compliance with its obligations.
- *One Voluntary Compliance Agreement* was signed with MIDAS assistance in Valle del Cauca between the firm Cartón de Colombia and 18 of its contractors on February 29, 2008, bringing the total number of worker-employer agreements achieved to 15: It seeks to educate contractors on labor rights and improve compliance with labor regulations. Cartón de Colombia is one of the largest producers of packaging material in the country. Educational and training activities with the company's contractors and workers on labor obligations will be carried out between April and September 2008.

## Financial Market Reform

### ***Agricultural Finance Reform***

- *Circulars 01/02*, issued by FINAGRO on January 2, 2008, and Circular 10, issued on February 12, 2008: Limit rediscounted loans for large producers supported by the AIS subsidy, reducing the pressure of the subsidy on the finances of FINAGRO and stimulating the participation of the financial sector in the allocation of agricultural credit.
- *Resolution 01*, issued by the National Commission for Agricultural Credit (CNCA) on January 30, 2008, and Circular 9, issued by FINAGRO on February 4, 2008: Create the Liquidity Index to regulate the use of re-discountable credit on the part of financial intermediaries in accordance with their liquidity, and promoting Banco Agrario's (BAC) investment of its own resources to increase financial intermediation to the rural poor.
- *Circular 14*, issued by FINAGRO on March 7, 2008: Suspends the prior qualification and revision of credit requests from large agricultural producers through the AIS subsidy, expediting the rediscount approval process.

### ***Promoting Access to Financial Services (Banca de las Oportunidades)***

- *Decree 086*, issued by the Ministry of Finance and Public Credit (MHCP) on January 17, 2008: Eliminates the tax on financial movements in the operations of financial entities carried out through CNB, ensuring a reduction in transaction costs associated with CNB and enhancing their use.
- *Decree 919*, issued by the MHCP on March 31, 2008: Formally adjusts the definition of microcredit, increasing the maximum ceiling amount from COP \$25 million to COP \$55 million (120 minimum monthly salaries), facilitating and promoting access to credit for micro and small enterprises.

### ***Capital Market Development***

- *Circular 07*, issued by the SFC on March 17, 2008: Establishes guidelines related to the "Missionary Process" (Proceso Misional) of 39 procedures for authorization and approval on the part of the SFC, which will facilitate and improve the quality of the SFC's services to financial institutions.

## Competitiveness

### ***Technical Norms***

- One additional company/product was certified this quarter in the Good Manufacturing Practices standard for the meat industry, for a total of 105 companies/products certified over the life of the project to date. This total now includes 24 in the HACCP (Hazard Analysis Critical Control Point) standard for the food industry, meat industry, and cheese companies, 9 in the CMMI (Capability Maturity Model Integration) process standard for the software industry, 9 in GMP (Good Manufacturing Practices) standard (basis for HACCP) for the food and meat industries, 57 in BASC (Business Alliance for Secure Commerce) for security in the logistics process, 4 products

in Kosher (product standard based on the old testament), one in WRAP (World Responsible Apparel Production) for the textiles and apparel industry and one in TS16949 (Quality Management System for the Automobile industry based on the ISO 9000 series standards).

## **Sanitary and Phytosanitary Standards (SPS)**

### ***Institutional Strengthening***

- *Decree 563*, issued by the Ministry of Environment, Housing and Territorial Development (MAVDT) on February 27, 2008: Establishes the team of SPS experts in the MAVDT.
- *Decree 688*, issued by the MAVDT on March 5, 2008: Introduces a team of SPS experts in the Institute for Water, Meteorology and Environmental Studies (IDEAM).

### ***Meat Safety***

- *Resolutions 2008000714 and 2008000715*, approved by INVIMA on January 11, 2008: Establishes the Plans for Gradual Compliance to fulfill the requirements of the pork and poultry slaughter resolutions (Resolutions 4282 and 4287, respectively, as reported in previous Quarterly Report). These resolutions establish food safety and technical regulations for pork and poultry slaughter and processing procedures, and are part of the regulatory reforms required for obtaining international recognition of the Colombian meat inspection system.

## **6.1.3. Other Achievements**

### **Agriculture, Land Market & Environmental Reform**

#### ***Land Market Reform***

- A Base Proposal for the Design and Implementation of a *National Program for Land and Property Restitution* was completed and presented to the GoC in March 2008: It will serve as the platform for MIDAS' work in 2008 in support of the National Commission for Reparation and Reconciliation (CNRR) and development of a national land restitution policy. The proposal resulted from the recommendations made by the experts who participated in the International Seminar on Land Restitution for Displaced Population, carried out with MIDAS support in December 2007.

### **Microfinance Program**

- By FI, the most noteworthy achievements of the MMP this quarter are:
  - Bancolombia: The board of directors approved the entity's expansion plan. The plan calls for the launching of microcredit in 10 additional bank branches. The president of the board gave his support to the expansion plan and remarked that the technical assistance provided by the MMP is critical for the success of the plan. The MMP is well positioned in Bancolombia.

- Banco de Bogotá: The bank opened two new microcredit branches in Ibagué and Neiva, adding to the 4 offices already established in Southern Bogotá, Ocaña, Bucaramanga, and Barrancabermeja. This development consolidates the bank's microfinance program in three regions Sur de Bogotá, Región Centro, and Región Oriente, and nine municipalities, an outstanding result since the bank launched its microfinance program only five months ago, in November 2007.
  - Banco Agrario: The bank incorporated its microcredit project as an official department within the bank. Short-term personnel hired under the microcredit project became long-term. The decision generated 246 new permanent jobs.
  - Giros & Finanzas: Due to the success of the microcredit program, the president of the institution approved the opening of 5 additional branches, in Ipiales, Pasto, Envigado, Itagui, and Bello, that will take place next quarter.
- Additional results in terms of CNB include:
    - The banks participating in the MMP (Bancolombia, Banco Agrario, Banco de Bogotá, BCSC, HSBC, and Banco de Occidente) greatly expanded to underserved municipalities where there was previously no financial presence. Although the number of CNB opened by non-participant institutions (Citibank, AV Villas, BBVA, Banco Popular and Leasing Bogotá) greatly surpasses the ones opened by the participant institutions, participant institutions have made far more progress in expanded financial coverage. Out of 52 municipalities that now have financial coverage through CNB, 45 were opened by banks participating in the MMP.

**Table 15**

CNBs	MMP Banks	Other Banks	Total
Total	205	3,553	3,758
Municipalities that did not have financial services provided by banks	45	7	52

- The banks participating in the MMP are also leaders in carrying out transactions. Data on participation by bank indicate, for instance, that 51% of total operations were carried out through the CNB of Bancolombia, followed by 30% through the CNB of Citibank. The vast majority of transactions (72%) are utilities payments.

**Table 16**

	Bancolombia	Citibank	Other Banks	Total
No. Transactions in February	199,110	117,300	74,290	391,000
No. CNBs	111	3,466	181	3,758
No. Transactions/month	1,794	374	410	104
No. Transactions/day	60	1.1	14	3.4

- The comparison between Bancolombia and Citibank is useful because it shows two different expansion strategies. Whereas for Bancolombia, the biggest bank of the country

(725 branches in 165 municipalities), the CNB have become a valuable instrument to increase coverage and reach new clients, for Citibank (50 branches in 11 municipalities) the goal has been to facilitate the transactions of its own clients. The same instrument is being used for two different purposes, financial deepening in the first case, and service quality improvement in the second one. The location of the CNB depends on the goal that is pursued.

- Two banks in the MMP, Banco Agrario and BCSC, are deepening their outreach by opening savings accounts and disbursing loans to people who were excluded from the financial system. In January and February, 145 loan applications were processed and 867 savings accounts were opened through CNB. Banco Agrario was by far the most active in this process, processing all of the savings accounts and 116 loan applications.
- Bancolombia, Banco Agrario, and Banco de Bogotá have opened 205 CNB in 143 municipalities. Of these, 128 have been opened in 111 MIDAS municipalities.

**Table 17**

MIDAS	Municipalities	CNBs
PMM with CNB Banks	111	128
Bancolombia	74	87
Banco Agrario	39	39
Banco de Bogotá	2	2

- More than half of the CNB opened by banks participating in the MMP are in municipalities where more than 50% of the population is rural (60), in municipalities where more than 25% of the population is Afro-Colombian<sup>1</sup> (14) and in municipalities where more than 25% of the population is indigenous.<sup>2</sup>(9).

**Table 18**

MIDAS	Total	%
Municipalities with CNB	111	
Municipalities ≥ 50% Rural Population	60	54%
Municipalities ≥ 25% Afro-Colombian Population	14	13%
Municipalities ≥ 50% Indigenous Population	9	8%

- Advances in terms of strategic alliances include:
  - Micro-insurance: The insurance company Seguros Mapfre lifted the “red zone” restriction for the supply of micro-insurance products. In this sense, certain regions are no longer excluded from Mapfre’s services due to security-related problems, which will in turn

<sup>1</sup> Arboletes, San Juan de Urabá y Vigía del Fuerte (Antioquia); Cartagena, Santa Rosa y Hatillo de Loba (Bolívar); Guapi y Patía (Cauca); Nuquí (Chocó); Tierra Alta y San Antero (Córdoba); Zona Bananera (Magdalena); Cali and Zarzal (Valle del Cauca).

<sup>2</sup> Usiacurí (Atlántico); Caloto (Cauca); San Andrés de Sotavento y Chinú (Córdoba); Sibundoy y Santiago (Putumayo); Mistrató (Risaralda).

permit an expanded supply of micro-insurance throughout the country. Mapfre is also now offering life insurance with fewer restrictions. Additionally, Financiera Compartir-FC included micro-insurance into its portfolio of products and signed an agreement with Liberty Seguros. FC will begin to distribute micro-insurance in April 2008.

- Resources secured for the FI participating in the MMP: Bavaria visited 3 entities participating in the MMP (Financiera Compartir, AGAPE, and Fundacion Mundo Mujer Popayán), to learn about the operation and impact of their microcredit programs on poverty reduction and self-employment generation. Bavaria also visited clients of the 3 entities in Cúcuta, Barranquilla, Cartagena, Popayán and Timbío, and is considering the possibility of incorporating microcredit into the activity plan of the Bavaria Foundation.
- Implementation of leading lending technologies in the FI participating in the MMP. Inalambria, a company dedicated to the sale of Servicios Empresariales de Mensajería Móvil, presented and initiated the testing phase of its product with 4 MMP entities (FMMP, AGAPE, Contactar and Finamérica). This strategic alliance will permit the FI to expedite the communication of credit approvals and improve client service.

## **Financial Market Reform**

### ***Promoting Access to Financial Services (Banca de las Oportunidades - BdO)***

- The government introduced the financial reform bill in Congress. The Bill includes recommendations for deregulating interest rates, universal banking, deregulating rules for pension funds portfolio management, and initiatives to promote electronic banking.
- A call for applications to participate in BdO projects for the allocation of incentives to promote the expanded coverage of CNB was closed this quarter. A project with Banco Agrario was approved to open 128 CNB in 119 MIDAS municipalities and 6 ADAM municipalities currently without access to the financial system in Colombia.
- An evaluation was completed of the proposals received to participate in a BdO project to provide audit services for the pilot programs being implemented to expand the coverage of micro-finance to NGOs, financial cooperatives and commercial financial companies. The call for applications was opened in December 2007 and will be officially closed next quarter with an announcement of the successful bidder.

## **Competitiveness**

### ***Transport and Logistics***

- MIDAS initiated technical assistance to the Ministry of Transport in March 2008 in restructuring renewed Concession Contracts to be signed for the Ports of Barranquilla, Buenaventura, and Santa Marta, to ensure the inclusion of specific performance requirements. Support was provided in the legal design of the contract drafts; the design of a set of port performance indicators for strengthened operational efficiency and service delivery to be included in the renewed port concession contracts; and the development of standards to improve the customs inspection regime. Through this assistance, MIDAS aims for the renegotiated contracts to offer incentives for

enhanced port competitiveness and guarantee greater efficiency in the allocations of investments made over the coming years.

- A study on the current regulatory framework for the transportation sector in Colombia and a proposal for the new institutional design of the Transportation Regulation Commission were presented to the DNP in March 2008.

### ***Telecommunications Sector Reform***

- A study on competition in the Colombian telecommunications sector was presented to the Ministry of Communications on January 15, 2008. The report provides a set of policy recommendations, taking into account international best practices in this area. Subsequent work is being undertaken to identify the regulatory measures that the Telecommunications Regulation Commission (CRT) can implement to foster greater competition in telecommunications services.

### ***Last Mile Initiative / Digital Territories***

- The MIDAS-supported project “Puertas Abiertas a la Inserción Laboral” was effectively concluded on January 11, 2008 in the city of Manizales. MIDAS achieved the certification of 280 youth individuals from low-income populations to work in the private sector following intensive training on the use of ICT completed last quarter.
- Digital, virtual, and mobile classrooms were established, and 700 people were trained, in the Afro-Colombian municipalities of Turbo, Tumaco, Buenaventura and Quibdó, in January 2008.
- MIDAS formalized the donation to AVANTEL of equipment for the implementation of broadband services in the cities of Neiva, Santa Marta and Villavicencio.

### ***SME Development***

- The Administrative Council of the “Fund for the Modernization and Technological Development of Micro, Small and Medium Sized Enterprises” (FOMIPYME), led by the Ministry of Trade, Industry and Tourism (MCIT), approved the implementation of a new, demand-driven design and operation for the fund. The redesign of FOMIPYME, a result of MIDAS support to the MCIT and DNP, will allow for a better and improved access of small and medium enterprises to technical assistance, since FOMIPYME is the main public fund providing support to SMEs.

### ***Competition Law***

- MIDAS supported the MCIT and the High Council of the Presidency (ACpC) in circulating the Competition Bill draft for review and discussion by relevant government entities. MIDAS adjusted the bill in response to the observations and concerns collected. The proposed legislation imposes restrictions on practices that undermine free competition between companies, and establishes an institutional framework that clarifies responsibilities regarding mergers and acquisitions between GoC agencies. Presentation of the Competition Bill to Congress is expected for next quarter.

## ***Doing Business***

- The final results of the World Bank “Doing Business” study conducted at the regional level in Colombia was delivered to the GoC in January 2008, with the presence of the President of the Republic and members of the National Competitiveness Commission. The study, developed with MIDAS support, provides information on critical reforms required for reducing business hurdles and red tape in 12 regions and regional capitals.

## ***Arbitration***

- Three outreach seminars were carried out by MIDAS in February 2008, in the cities of Cartagena, Cali, and Bogotá, to disseminate and discuss the content of the Arbitration Bill presented to Congress in November 2007. MIDAS also accompanied the GoC and bill sponsors in public hearings carried out in Congress this quarter to promote the legislation, which would implement FTA investment chapter obligations and improve Colombia’s ability to protect the rights of foreign investors, thus reducing the probability of disputes between Colombia and its investors.

## ***Regional Competitiveness***

- Through support to Confecamaras and the National Competitiveness Commission MIDAS established a monitoring and evaluation system based on regional competitiveness indicators and 15 competitiveness plans for the Regional Competitiveness Commissions installed over the previous quarters in the departments of Bolivar, Magdalena, Meta, Amazonas, Boyacá, Risaralda, Tolima, Caldas, Cauca, Huila, Nariño, Casanare, Sucre, Córdoba and Guaviare. The system of indicators is a tool that brings together 4 GoC entities (DANE, DNP, MICT, & ACpC) and permits the establishment of a baseline for the department competitiveness plans; performance comparisons between departments; and the promotion of transparency on behalf of the Commissions and local authorities. In the regional competitiveness plans, each of the departments prioritized an average of 10 proposals to enhance the competitiveness and productivity of the region, for a total of 163 initiatives.

## ***Reform of the Administrative Law***

- MIDAS initiated technical assistance to the Supreme Administrative Court (“Consejo de Estado”) for the development of a reform to Colombia’s Administrative Law to incorporate oral adjudication procedures into the administrative jurisdiction.

## ***Sanitary and Phytosanitary Standards (SPS)***

### ***Implementation of Systems for Inspection, Surveillance, and Control (IVC)***

- The general decree on food packaging and food contact materials underwent national public consultation and was released for international public consultation on February 20, 2008.
- An initial version of the training program for INVIMA’s meat inspectors was submitted to the Institute on March 3, 2008.

### ***Low Pest Prevalence Areas***

- A pest monitoring program for the melon fruit fly was established by ICA for melon trial plots in the pilot area of Baja Guajira on March 15, 2008

### ***Implementation of CONPES Documents for Laboratories and Fruits and Vegetables***

- A draft of the CONPES document for strengthening the analytical capacity of the National SPS System was presented to the GoC. This document will be discussed with the GoC and the private sector during the next quarter.

## **Fiscal Reform**

### ***Promotion of a Results-Oriented Fiscal System***

- INVIAS 2008 Results-Based Budgeting (RBB) indicators and targets, developed with MIDAS support as part of the institutional reform process carried out in this pilot institution, were incorporated into the Institute's 2007-2010 Strategic Plan, presented to the Attorney General in March 2008. The RBB tool is being used as the main reference for the 2009-2012 Medium Term Expenditure Framework (MTEF).
- A set of performance indicators was designed for 43 other central government agencies from 10 different sectors. The DNP's Public Investment Units is using the system of performance indicators, developed with MIDAS support, and based on the results and methodology of the two pilot projects being implemented at ICBF and INVIAS.
- INVIAS validated and implemented an operational costs system in March 2008. MIDAS developed the operational manual and application.

#### 6.1.4. Success Story

##### **Modern technology keeps Colombians healthy**

*Colombia creates its first pathogenic microorganism database*

It is almost a ritual; and for Sandra Pardo, one of the best moments in the day. During coffee breaks, she and her friends gossip, laugh and share the snacks each one brought. However, they are unaware of the quality of what they eat. They, like millions in Colombia, are oblivious of the meaning of risk analysis.

Truth be told, it's not their obligation to know. Risk analysis is a WCO (World Commerce Organization) regulated methodology that provides the basis to develop public health norms to protect the lives of millions of consumers around the world. Although this methodology is barely known in Colombia, its application already faces problems. The reason: the data available to perform a scientific assessment of the chemical and biological hazard in food is insufficient.

USAID funded program MIDAS and other government entities, created a database of pathogenic microorganisms to facilitate bacteria detection in food. This systemization was new to the country and involved considerable time and effort from a variety of institutions including the MIDAS Sanitary and Phyto-sanitary Regulations Council, the Ministry of Social Protection and the National Institution for Food and Drug Regulations (INVIMA). All the information available between 2003 and 2006 on processed foods containing pathogenic microorganisms was gathered to build the database.



Colombia is up-to-date regarding food risk assessment analysis in Latin America.

The distinctive characteristic of the database is that it facilitates the research of a variety of combinations of pathogenic bacteria related to food. For instance, it enables the researcher to determine the type of contamination present in a specific crop according to the region it grows in or it can detect a predominate microorganism of a specific region according to the type of crop or particular time of the year.

Moreover, the USAID MIDAS program performed two microbiological risk assessment studies in food. The first one detected *Stafilococcus aureus* in fresh cheese and the second, *listeria monocytogenes* in cooked ham. The team then submitted a technical proposal to Colombian government to create a Risk

Assessment Unit for Food Innocuity to be incorporated in the National Health System.

This kind of progress brings Colombia up to date in Latin America regarding food risk analysis. And it goes one step further: it protects millions from diseases associated to contaminated processed food. Today, people like Sandra and her coworkers no longer need to worry about the quality of food they're eating and can simply enjoy their time together.

## 6.2. MAIN CHALLENGES

### Labor Market Reform

#### *Fundamental Labor Rights*

- Although the GoC presented Bill 190 to Congress in December 2007, its approval has not proceeded as rapidly as expected. The Bill would implement two of the seven recommendations MIDAS made to ensure that Colombian labor law is consistent with ILO standards on fundamental labor rights, particularly related to collective bargaining and negotiation.

### Microfinance Program

- **Hiring Microcredit Assistants:** It is necessary to overcome delays in recruiting microcredit assistants (principally in Banco de Bogotá), adjust the hiring profile (Finamérica), and reduce the rotation of assistants (Banco Agrario, Giros & Finanzas and Finamérica) to continue expanding the coverage of the program. Furthermore, additional support is required to incentive plans to the payment schemes to continue strengthening the productivity of the assistants (Utrahuilca and Finamérica).

### Financial Market Reform

#### *Promoting Access to Financial Services (BdO)*

- The contractive monetary policy of the Central Bank has had a negative impact on MIDAS efforts to strengthen financial access and expand credit to low-income populations through implementation of the BdO. The Central Bank's actions have produced downturns in all portfolios, particularly that of microcredit. MIDAS will work with monetary and financial experts to suggest more effective monetary policies that meet the objectives of curtailing inflation and achieving a stable exchange rate, but that do not constraint access to finance or an efficient allocation of capital in Colombia.
- Critical efforts are required by MIDAS to build upon and consolidate the program's achievements to date in the following areas:
  - Achieve the internal strengthening and decisive support of Bancoldex, and thus advance in the process of knowledge transfer to ensure the long-term sustainability of the program.
  - Carry out a media campaign to highlight and disseminate information on the results achieved, and consolidate key reforms carried out in the area of interest rates, currently threatened by two pieces of legislation under discussion.

#### *Agricultural Finance Reform*

- The MIDAS Policy Component will continue to work with the Ministry of Agriculture, MHCP, and SIF in the implementation of reforms for more efficient policies aimed at promoting access to financial services for rural communities and agricultural producers.

## **Competitiveness**

- Despite being forecasted for this quarter, the CONPES document on Competitiveness has not yet been issued. MIDAS presented its recommendations to the GoC in November 2007. The GoC is reviewing these recommendations, and made by other entities. MIDAS will continue to provide support in the final design and implementation of the CONPES, and expects approval next quarter.

### **6.3. NEXT QUARTER OBJECTIVES**

#### **Agriculture, Land Market & Environmental Reform**

- Draft CONPES document on a national Agricultural Transition Strategy to promote more efficient use of factors of production and facilitate the transition into crops that enjoy a comparative advantage in regions that may experience significant transitional shock in response to trade integration and the FTA.
- Approved National Plan for Agricultural Information in Colombia, based on the results of the survey on Agricultural Information Demand carried out with MIDAS support in March 2008.
- Draft CONPES document with recommendations on incentives to promote the participation of the private sector in the development, construction and management of irrigation projects.
- Draft regulations for the establishment and operation of the System of Property Restitution for the Displaced Population.

#### **Labor Market Reform**

- Initiation of training of inspectors and Central Office (Unidad Especial) personnel on preventive inspection techniques.
- Implementation of Social Responsibility seminars in Bogotá, Medellín, Barranquilla, and Cali to promote the certification of companies under Norm SA8000.
- First draft of a risk analysis model to support preventive labor inspections.
- First draft of a CONPES document on labor market policy.
- Initiation of implementation of the first part of the Corporative Intelligence Model for the prediction of training need in SENA.

#### **Microfinance Program**

- Continue expansion of the coverage of the microfinance program in all FI participating in the program.

- Implementation of new microcredit products, including rural microcredit (principally in Bancolombia and Banco de Bogotá) and microcredit through community banking (in Banco Agrario and Financiera Compartir).
- Design of housing-improvement microcredit and microsavings products, as a result of the new decree on low-value savings accounts issued by the GoC.
- Continue expansion of CNB, particularly in Banco Agrario, the successful bidder of the BdO project to open CNB in 128 municipalities currently without access to the financial system.
- Assess the use of cash in Colombia, to serve as a baseline for the development of recommendations to reduce risk and impediments to the expansion of CNB.
- Proposals for the development of strategic alliances with Bavaria, on behalf of Financiera Compartir, AGAPE, and Fundacion Mundo Mujer Popayán.
- Establishment of strategic alliances with different government entities interested in promoting microinsurance, including Bancoldex, BdO, Familias en Acción and the Rural Opportunities Program of the Ministry of Agriculture.

## **Financial Market Reform**

- Circular issued by the SFC on the new definition of microcredit.
- Decree issued by the MHCP to regulate low-value savings accounts.
- Calls for applications opened on behalf of the BdO to hire technical assistance for the implementation of “Self-Help Group” programs, the implementation of Communal Banking programs, and the development of a pilot project to promote saving schemes for beneficiaries of the “Familias en Acción” program.
- Reform of Format 398 of the SFC on microcredit and CNB.
- Decree issued by the MHCP and an External Circular issued by the SFC on the regulation and supervision of derivatives.
- Decree issued by the MHCP and a Circular issued by the SFC on control and supervision of stock market intermediation.
- External Circular issued by the SFC on the administration of liquidity risk.
- Decree issued by the MHCP and a Circular issued by the SFC on the new structure of the SFC and the Quality Management System.
- Regulations issued by the MADR on the CIF.

## **Competitiveness**

- Set of performance indicators and customs clearance standards to be included in the draft renegotiated concession contracts for the ports of Barranquilla and Santa Marta, presented to and agreed upon with the regional port societies.

- Report with the results of MIDAS technical assistance carried out to improve the customs inspection regime & facilitate the expedited release of merchandise in Colombia's ports and airports, presented to the Ministry of Transport, DIAN, INCO, Civil Aeronautics administration, and the Regional Port Societies.
- Results of a survey carried out with authorities, operators and users of the logistics chain, presented to the GoC by June 30, 2008.
- Draft Bill/Decree proposing the redesign of the regulatory framework of the transport sector in Colombia, delivered to the GoC by April 30, 2008.
- Support for the design of a CONPES document on logistics. April - June 2008.
- Initiation of technical assistance to the CRT in the development of regulations for the identification relevant markets in the telecommunications sector, and within these markets, those operators with significant market power.
- Results of the digital territory pilot projects carried out with MIDAS support in 2007, presented by the Minister of Communications in Sincelejo in April 2008.
- Initiation of technical assistance to the Ministry of Communications for the formulation of a policy regarding the development and expansion of the advances in the area of digital territories.
- Launching of broadband connectivity in Neiva, Santa Marta, and Villavicencio, in May 2008.
- Initiation of support to the GoC in the design and financial structuring of macro social housing projects directed towards Afro-Colombian, indigenous and vulnerable populations, beginning with two pilots in Buenaventura and Cali.
- Initiation of the implementation of the new demand-driven model for FOMIPYME.
- Design of a system to monitor and support the implementation of the policy recommendations set forth in the CONPES 3484 on Micro/SMEs.
- Presentation of the Competition Bill to Congress in May 2008.
- Approval of the Arbitration Bill by Congress, expected by June 2008.
- Initiation of assistance to 5 regional competitiveness pilots, between April and June 2008, to support the implementation of the proposals set forth in the department's competitiveness plans developed this quarter.
- Definition of the Afro-Colombian and indigenous regions to receive assistance from MIDAS and elaboration of the regional development plans for improving the business climate and generation sources of income in these areas. April-June 2008.
- Initiation of support to the Ministry of Interior, DNP and Vice Presidency to socialize the conclusions of the Integral Plan for the Afro-Colombian Population in the most representative Afro-Colombian regions of the country.
- Implementation of a workshop with public sector authorities and the principal companies of Colombia to establish guidelines for a public policy on Corporate Social Responsibility, to be incorporated in a CONPES document on Income Generation for Vulnerable Groups. April – May 2008.

- Approved decree to create an Inter-governmental Commission on Quality to coordinate policy for the quality sub-system, as identified in CONPES 3446.
- Approved decrees eliminating/revising the accreditation functions of entities currently performing the responsibilities officially replaced by the new National Accreditation Body (including ICA, INVIMA, SIC and IDEAM).
- Implementation of international standard ISO17011 in the newly formed National Accreditation Body, thereby permitting the entity to begin accepting applications for accreditation in the country and begin participating in international accreditation organizations to achieve mutual recognition agreements for its clients.
- Transition of scientific and industrial metrology from the Superintendence of Trade (SIC) to the new National Metrology Institute.
- Certification of 6 farms (5 cacao and 1 guadua) in the Rainforest Alliance standards.
- Official standard category for fique under the Colombian environmental Labeling Program, published and adopted as an official Colombian standard.

### **Sanitary and Phytosanitary Standards (SPS)**

- Approved CONPES document on SPS issues for fruits and vegetables.
- Revised version of CONPES document for strengthening the analytical capacity of the National SPS System.
- Draft policy document for the strategic planning of new fish/fisheries control area within ICA.
- GAP certification of the Broccoli pilot project in Boyacá.
- Final version of the regulations on processed meat products released for national public consultation.
- Initiation of new pilot projects on Good Agricultural Practices and Good Hygienic Practices in beef and milk farms.
- Regulations for ICA's certification system on good hygienic practices in beef and milk farms.

### **Fiscal Reform**

- Design of region-to-nation performance information management systems at ICBF and INVIAS.
- Validation and application of RBB procedures as part of 2008 RBB monitoring and 2009 RBB formulation.
- Programming of the 2009 RBB at ICBF and INVIAS, and its inclusion as part of the 2009-2012 MTEF.
- Design of a methodology for the articulation of the RBB and MTEF, making the RBB the methodological basis of the latter.

- Continue strengthening the BPIN and replicate the RBB performance indicators methodology and strategy to other sectors.
- Strengthen DNP technical units in the use of RBB tools and interaction with ICBF and INVIAS in the 2009 RBB programming process.

# 7. DCOP

## 7.1. ACHIEVEMENTS

The DCOP office accomplished the following strategic goals:

LoP indicators in vulnerable groups exceeded 108%: 25% for Afro-descendent groups and 40% for internally displaced populations.

- Led the discussion on the possible use of the Afro-Colombian and Indigenous earmark funds, coordinating the conceptual thinking of all components. As a result, a portfolio of projects was presented to USAID and a coherent strategy for bringing together such interventions into a “competitive cities” concept was presented to the USAID.
- The IT department implemented the Invoice Tracking System (SIMITS) for the SME component. MIDAS and ADAM are now sharing this and other IT tools that each program has developed. Additionally, all the SIM tutorials, and SME Project Management System (PMS) protocols are being tested. Software applications were improved during the quarter.
- The vulnerable groups plan LoP indicators were exceeded for indigenous groups 108% while 25% was achieved for Afro-descendent groups and 40% for internally displaced population.
- The signature of the MIDAS – FEDECAFE specialty coffee project in February during the launching of the new plant of “Fábrica de Café Liofilizado”, was an excellent opportunity to highlight MIDAS and USAID support for Colombia’s specialty coffee sector and the partnership with the Colombian Coffee Growers Federation.
- Successful implementation of projects under the MIDAS – Acción Social 2007 Convenio continued. Negotiations for a MIDAS – Acción Social 2008 agreement were finalized.

## 7.2. MAIN CHALLENGES

The first formal meeting of the “Comité de Veredas Libres de Ilícitos” took place during March to discuss the results of a UNODC report on the presence of illicit crops in a zone of influence of an ABC project. Although the issue has not been resolved yet, it did result in a better understanding on the practical application of the “Zero coca” protocol agreed to by MIDAS and Acción Social last June. No direct MIDAS beneficiaries are involved in the activity or identified in the report and the issue was how to deal with the presence of illicit crops in the same area.

A joint ADAM-MIDAS task force is being convened to discuss possible joint programming of Afro Indigenous earmark funding in a manner that includes consultative processes but that results in impacts as soon as possible.

### **7.3. NEXT QUARTER OBJECTIVES**

Final terms, conditions and projects to be supported by the 2008 MIDAS – Acción Social Agreement, should be signed during the quarter. This will allow sufficient time for project implementation, compared with the 2007 experience. MPC will also be part of this new agreement through its microfinance subcomponent that will work with Familias Guardabosques initiative.

The IT department will define accurate management indicators, consolidate a database for the program, train regional offices' staff on the efficient use of IT resources, organize the Geographic Information System for the program, and implement the budget follow-up applications.

Final budget realignment figures and adjusted personnel organization chart for the program will be presented during Q3 FY 08.

# 8. PPD

## 8.1. ACHIEVEMENTS

The main achievement of this quarter was the coordination, review, editing, and final presentation of the 2008 Work Plan. Additionally a first draft of the PMP was delivered to USAID including all modification in indicators and goals derived from the WP, in March 11.

M&E designed 34 monitoring plans, conducted 4 training events and executed 86 verification and follow-up visits.

### 8.1.1. Monitoring and Evaluation Coordination

A major challenge for this quarter was the coordination of the monitoring and evaluation plan for two large projects (A-00061-06 and S-00916-07) signed with Federación Nacional de Cafeteros. Several meetings were held with the grantee to explain MIDAS information requirements, to revise and adjust the forms used to present reports, and to organize training workshops for their regional offices (Comités Departamentales de Cafeteros).

Regarding the “Zero-Illicit Policy”, M&E organized and conducted a second workshop in Bucaramanga to inform and train grantees from ECOCAO, FEDECACAO and FUNDEPALMA on the policy, the cartographic review, and the steps that follow for verification.

M&E also designed 34 monitoring plans to all components; conducted 4 training events; executed 18 initial verification visits and 68 follow-up visits (277% more than in the previous quarter) and responded to several requests of information made by Acción Social – PCI.

In coordination with the Information Technology area and the SME Component M&E tested and made suggestions for the implementation of SIM module for registration and validation of reported jobs by the grantees of SMEC. We expect to have this application implemented by the next quarter in all MIDAS corridors.

### 8.1.2. Environmental Coordination

During this quarter a significant part of the effort was employed helping proponents obtain environmental approval for their projects. In some cases, this work was especially difficult due to the complexity of specific proposals. For instance, an agribusiness project proposed by Codesarrollo, involved 12 crops and aquaculture activities; for that reason, comprising their environmental review turned out to be quite difficult and time-consuming.

Some basic figures that describe the environmental-related achievements of the quarter are:

- Nine Environmental Reviews (ER), involving 8 projects, were submitted to USAID and 14 Reviews, some previously submitted, received approval.

- Environmental Reviews took an average of 25 days to be approved by the USAID, up from 12 days in the previous quarter.
- Sixty requests for Categorical Exclusions were submitted to USAID and 53 received approval.
- The average time elapsed to receive approval after the request was 1.47 days, up from 1.16 days on average in the previous quarter.
- The average time elapsed to prepare an ER decreased from 126 days in the previous quarter to 112 days in this quarter, due to improved procedures.
- Eight field verification visits were carried out to supervise the implementation of the ER. No major problems were found regarding environmental compliance.
- In thirteen sessions, twenty grantees and/or proponents were trained in the use of the SIGA system and environmental requirements.

The coordination continued to supervise the preparation of the Environmental Assessment for project 125-P; this work is being done by the firm CAEMA and deals with the construction of an Oil Palm Processing Plant in Norte de Santander.

Finally, after several upgrades, the new PERSUAP was submitted on February 12 to USAID for approval. The final version included new products and some changes meant to respond to observations made by the different parties that had the chance to work with the document.

### **8.1.3. Financial Coordination**

During Q2 FY 2008 the coordination worked on a base-period, option 5 and LoP budget realignment. Currently we have a realignment proposal to be submitted to USAID. A complete planning exercise for the \$163.5 million budget has been done by CLIN and line item, as well as for the \$ 182 million total contract budget.

Budget and Burn Rate projection information and activities allow monthly, quarterly and yearly monitoring of expenditures, giving the program the possibility to control results earlier and produce new scenarios or re-project as needed.

With the help of Controllers and IT, this coordination has worked on guaranteeing the uploading and transfer of expenditures information on the Great Plains software, used by Controllers, to SIM. A GP engineer started working in March with the controller's office to help create the inter-phase needed for sharing information on both systems. This activity is fundamental to assure that all information on expenditures is part of SIM, permitting a better track of individual areas and components budget execution, modifications on Budget Certificates. The information is required by senior management to conduct follow up by project, corridor, project coordinators, etc.

## **8.2. MAIN CHALLENGES**

The main challenge facing the environmental coordination would be to follow-up the environmental performance of projects that went into implementation. This task is of crucial importance to ensure that all

the commitments made through the Environmental Reviews are being honored and that projects have the best possible performance from an environmental point of view. A requisite for these activities is the approval of the new PERSUAP by the USAID, since the document is the main guide for safe pesticide use and integrated plague control for MIDAS projects.

### **8.3. NEXT QUARTER OBJECTIVES**

M&E must focus its efforts in improving the collection of information related to additional indicators, such as sources of financing and sales, and geo-referenced points for all our beneficiaries.

To comply with the MIDAS commitment of applying the “Zero-Illicit Policy” in all its productive projects, M&E must intensify its research and availability of cartographic information (i.e. veredas boundaries) and geo-referenced points of beneficiaries of each grantee. In this respect, we are going to conduct training activities for our grantees in the use of GIS tools.

M&E is designing the terms of reference for an impact evaluation using the sustainable livelihoods methodology, and another one on the institutional impacts of USAID investment. The terms of reference for these studies should be ready in May for USAID approval.

The Environmental Coordination must finish the Environmental Assessment for the Oil Processing Plant and obtain USAID’s approval. Also, an agreement and work plan should be reached with “Campo Limpio” to offer MIDAS’ proponents alternatives to handle pesticide related waste. Finally, during this quarter, the coordination should prepare the terms of reference to assess MIDAS environmental performance.

The Financial Coordination should improve monitoring program performance thanks to the inter-phase between GP and SIM, which should be ready by the end of the quarter.

# 9. CONTRACTS AND GRANTS

## 9.1. ACHIEVEMENTS

65 contracts and grants were closed while another 73 were modified.

During the reporting period, the MIDAS Contracts and Grants office focused on the implementation, modification and closure of existing projects. To date MIDAS has committed COP\$ 155,701,887,812

equivalent to US\$86,071,653 (USD\$2,100-\$1). During the reporting period the MIDAS Contracts and Grants Department committed fifty-six new contracts and grants worth COP\$ 9,247,625,341 which was a slight reduction from the previous period. Grants and Contracts actions will continue to increase as modifications and grant closeouts increase.

The most significant change from the previous quarter was a shift from issuing new agreements to modifying and closing existing agreements. Sixty-five contracts and grants were closed during the reporting period while another seventy three were modified. In addition to modifications, the Contracts Specialists for the Forestry and Agri-business components on average process 12 administrative modifications or approvals for projects in implementation per month. These include approval of TBD positions, minor budget modifications and other modifications which don't require USAID approval. The number of grantee site visits performed during the period increased greatly with a heavy focus on the forestry component projects. The Compliance officers in conjunction with the Auditors from the Finance division worked closely with the grantees to prepare for the external audits which will be begin in April.

## 9.2. NEXT QUARTER OBJECTIVES

In Q10 the newly merged MIDAS C&G Office will focus on evaluating and awarding the remaining ABC, CFC, and SME projects. The IQC and Task Order for TSG will be modified to obligate funds for the remainder of 2008 and other subcontracts will be awarded to help the Policy component meet its targets. The C&G office will award two IQC subcontracts to two firms to carry out external audits for agreement which received and expended US\$300,000 or more during 2007. The selection process has already been completed and the auditors will begin to receive the audit Task Orders at the end of April. The unit will also be closing out grants and contracts which have been completed and continuing to train staff and new grantees on grant procedures and processes. In addition, the newly formed Compliance team will be spending much of their time in the field working with grantees to resolve compliance issues and to prepare them for the external audits. The focus of the compliance team will be to provide training and guidance on compliance and the management and of their agreements.

# 10. COMMUNICATIONS AND OUTREACH

Under the direction of new management since February, the C&O department met program and USAID goals, while at the same time delivered a fresh new look across a range of communication products. A new strategic C&O plan was developed and approved, including the creation of a USAID message-based media campaign. USAID national field trips were organized and executed with excellent results. Component level communication activities and materials were creatively designed and delivered efficiently and collaboratively.

C&O achieved 104% of AWP 2008 Goals and Indicators for the quarter.

Through teamwork in internal communications efforts, new methodologies evolved and innovative products emerged. In addition, great strides have been made in the collaboration efforts of ADAM and MIDAS C&O departments. Finally, a new Business Communications Specialist has been hired filling the 5-month vacancy.

## 10.1. ACHIEVEMENTS

**Table 19: Work Plan Indicators**

2008 CY Indicators	CY Q1	Annual Goal
Number of communication strategies developed for farmers associations	1	6
Number of activities that support USAID /Acción Social Branding & Marking Guidelines	9	30
Percentage of people who evaluate workshops positively	100%	85%
Percentage of grantees/beneficiaries attending a meeting/workshop/event compared to percentage invited	100%	60%
Number of advertising instruments utilized	4	10
Number of technical fieldtrips which include workshops	2	20
Number of success stories collected, edited, produced	15	60
Number of joint activities developed with Acción Social	2	15
Number of events/activities coordinated with ADAM team	1	6
Number of technical materials developed to support projects	2	25
Number of promotional materials created to support specific activities	9	10
Number of campaigns developed (i.e. African Oil Palm, cocoa)	1	4
Percentage of population impacted by media campaign	N.A.	25%
Number of internal publications produced	5	20
Number of articles/ news items including Success Stories appearing in media	22	80



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMÉRICA

**Programa MIDAS**

Más Inversión para el Desarrollo Alternativo Sostenible



**Acción Social**

Agencia Presidencial para la Acción Social y la Cooperación Internacional



### 10.1.1. Key Indicators

In the middle of the reporting period, a new director was hired and, in turn, USAID requested a new C&O work plan. Implementation of strategic activities was swift:

- Internal communications:
  - InfoMIDAS bulletin experienced a facelift. Enhancements included:
    - Fresh, lighter, less institutional, editorial style with innovative use of quality images.
    - Frequency was increased from quarterly to bimonthly.
    - In-house development of flash software to make it feel like a real magazine when opened in emails.
    - Translation and distribution of USAID image guideline manual to involve regional offices in photo-supply chain.
  - IntraMIDAS, an intranet for employees was launched as a tool to improve internal client communications.
  - [www.midas.org](http://www.midas.org) ready to be approved as official USAID website.
  - MIDAS en CIFRAS and MIDAS en CONTACTO were reviewed for effectiveness and design.
  - Development with Contracts and Grants of new SIM capability for waiver requests.
  - Development with SIM specialist uploading capability for pictures, briefers, agendas, beneficiary and other pertinent information per project file.
- Relationships with commercial and editorial chiefs of major print, television, and radio outlets were established in order to enhance the national and regional free press effort and secure free broadcasting.
- A production firm, Four Media Group, was procured to produce eight 30-second radio and television spots which spotlight USAID & Acción Social's joint efforts through the program MIDAS and its projects.
- Collaboration with component managers and USAID in the messaging development throughout creative process.
- Oil Palm campaign launched with 2-page spread in the national magazine CAMBIO and creation of poster for strategic corridor distribution.
- CFC's participation in the 4 day Wood Fair included an interview for a national television show produced by Acción Social, production of stand, attractive project specific hand outs, and overall logistics.
- ABC's innovative and effective *Training for Trainers* seminars for Farmer Field Schools (FFS) were recorded over 5 days to be produced into a high quality educational video series for other similar projects.

- The design of the publication of the ABC and CFC Competiveness Study.
- At no cost to USAID, 22 articles/interviews appeared in the press; excellent program representation especially considering the country shuts down the first 15 days of January and Holy week.
- Communication strategy developed for ABC grantee for the projects in Catatumbo.
- Design and editing of Quarterly Report.
- Termination of 2 staff members OES contracts and realignment to direct labor costs.

**PALMA DE ACEITE**      **MOTOR DE DESARROLLO SOCIAL Y ECONÓMICO**

Alexander Cuevas, beneficiario proyecto Asopados municipio de Tibú, Norte de Santander.

Álvaro Infante, beneficiario proyecto Estam municipio de Tibú, Norte de Santander.

Noli Bolaños, beneficiaria proyecto Indupalma municipio de Sabana de Torres, Santander.

**LA PALMA DE ACEITE:**

- Genera ingresos lícitos para campesinos
- Impulsa tierras más productivas
- Es la alternativa que quieren los campesinos
- Recupera el tejido social y contribuye a la paz
- Favorece el medio ambiente

USAID      **Acción Social**

### 10.1.2. VIP Events, Field Trips and Visits

One of the C&O team’s more notable achievements to USAID was the efficient and excellent organization of four USAID auditors’ simultaneous field trips to all of MIDAS’ six corridors. This included 9 departments and 19 municipalities in order to observe and visit 22 MIDAS projects which covered all 4 components proportionately within an 11 day period.

**Table 20: USAID Auditors' Field Trips - Organized FYQ2 2008**

Department	Municipality	Number and Type of Projects Visited			
		ABC	CFC	PYME	MPC
Santander	Sabana de Torres, Bucaramanga, Girón, Rionegro y Piedecuesta.	2		1	
Norte de Santander	Cúcuta	3			
Nariño	Tumaco y Pasto	1	1	1	
Cauca	Popayán			1	
Huila	Isnos, Neiva,			1	
Tolima	Natagaima			1	
Caldas	Manizales				2
Antioquia	Medellín				1
Atlántico	Barranquilla, Soledad, Galapa, Puerto Colombia y Malambo	1	1	3	1
<b>Total</b>		<b>7</b>	<b>2</b>	<b>8</b>	<b>4</b>

During the quarter, VIP events and field trips organized included:

- Signing Ceremony of the Coffee Growers Federation with MIDAS in the opening of an instant coffee producing plant with the participation of the United States Ambassador and the President of Colombia.
- Logistical support to “Doing Business”, an MPC seminar that covered competitiveness in Colombia in coordination with the World Bank and Department of Planning (DNP).
- Signing ceremony for the SME contract between AMUNOAFRO, an organization of afro-Colombian mayors and USAID-MIDAS with mission director Liliana Ayalde.
- Signing ceremony of CFC projects in Bucaramanga, Santander.
- Logistical support for GAO visits in coordination with ADAM.
- Three overnight USAID technical visits to Nariño (Tumaco), Tolima, and Santa Marta, the latter with 18 USAID officials.
- Eight technical, planning, and beneficiary/grantee training trips by C&O team.
  - Training workshops covered Branding and Marking guidelines and USAID/MIDAS Program positioning.

### **10.1.3. ADAM & MIDAS C&O Collaboration**

ADAM and MIDAS C&O teams held a workshop to define where collaboration could occur and determined geographic and sector similarities. A document was submitted to USAID with concrete proposed joint activities. The directors are meeting weekly to share ideas, to support each other's program's communications activities where possible, and to go forward with a major media effort jointly.

## 10.2. NEXT QUARTER OBJECTIVES

It has been a fairly seamless transition in management since the existing team members are extremely proficient and the former manager was collaborative, transparent, and very helpful. Challenges are minimal as the environment is positive within the program and the team is focused on achieving indicators.

Goals for the next quarter include:

- Launch of the USAID/Acción Social campaign.
- Production of the ABC's FFE, training of trainers DVD series.
- Development a communication strategy for CFC.
- The design of a joint communication strategy for the Coffee Growers Federation and MIDAS coffee beneficiaries.
- High level event for the Competitive Study book launch with Colombian Agricultural Ministry.
- Organize and execute periodic informational 7-way teleconferences with regional MIDAS offices in coordination with Acción Social in real time.
- Advocate the regular broadcasting of MIDAS segments on the national Acción Social television program *País Posible*.

# 11. SHARED SERVICES

## 11.1. ACHIEVEMENTS

### 11.1.1. Administration

- Implementation of a new and improved information back-up system for Servers and Desktops.
- Implementation of updated customer service-oriented procedures and protocols to improve response time to requests for technical support from Bogota and Regional office users.
- Design of the ARD Sucursal Colombia Inc. corporate Intranet.
- Development of a software tool for requesting and processing travel requests over the intranet.
- Development of software for improved management of fixed asset inventory.
- Design of an administrative expenses budget control and execution report.
- Design of a new proposed company compensation policy/manual.
- 24 new employees were hired and 32 employee contracts were not renewed (laid off) during the quarter, for a total ARD Colombia employee headcount of 368 as of the end of March.
- During this quarter, 65% of domestic travel was done by MIDAS, 32% by ADAM and 3% by Shared Functions.
- Development of a monthly travel expense report to component managers for tracking travel expenses and employees field trips.
- New negotiations with airlines produced additional benefits and further cost savings.
- Twenty new agreements were reached with middle-range hotels.

**Table 21**

<b>Events and Logistics</b>				
<b>Activity</b>	<b>Shared Functions</b>	<b>ADAM</b>	<b>MIDAS</b>	<b>Total</b>
Domestic Trips	24	237	478	739
Hotel Reservations (Nights)	35	559	626	1220
International Trips	2	7	7	16
Events		12	26	38
New Agreements		90		
% Travel Changes	15%	15%	15%	
<b>Travel Percentage</b>	<b>3%</b>	<b>32%</b>	<b>65%</b>	<b>100%</b>

### 11.1.2. Comptrollers

- The end of the year internal financial audit for 2007 was carried out. Results from the audit are being presented to the comptroller and the business manager, and a plan of action will be developed afterwards. The audit and plan of action will be presented to the internal audit committee for approval.
- Historic financial information was registered and financial statements were issued using MDGP.
- Monthly accounting reports were timely prepared and sent to home office.
- The regional accountant hired for the MIDAS office in Bucaramanga trained the grantees in the submission of timely and accurate financial information.
- A financial management training session was conducted for three grantees to help them submit timely and accurate reports.

### 11.1.3. Security

- Security training was conducted for 22 new ARD Colombia employees/consultants.
- The security team designed an eight-hour security training for all staff to be conducted between April-June. The focus of this year's training is on prevention and management of kidnapping and other potential crises related security incidents.
- Nine *Brigadistas* in the Bogotá office were trained to lead evacuations through the basement.
- The security team approved, coordinated and monitored 548 MIDAS trips and 10 USAID trips.

## 11.2. NEXT QUARTER OBJECTIVES

- Re-launch of administrative manuals (policies and procedures) using participative training strategies and intranet access.
- Develop a web-based software tool to process purchase requests via the intranet.
- Work with MIDAS and Accounting staff to help them adopt the filing methodology and use of the central filing system that guarantees conservation of original files and reports. ADAM and Administration have already adopted this methodology and filing system.
- Train all Regional Offices on the SIMITS system for recording and tracking of physical correspondence.
- Train employees on how to use the new travel request system over the intranet.
- Publish and deliver the updated employee orientation booklet.
- Define the 2008 internal audit plan and the role of internal auditors involvement in audits of ADAM/MIDAS grant recipients.

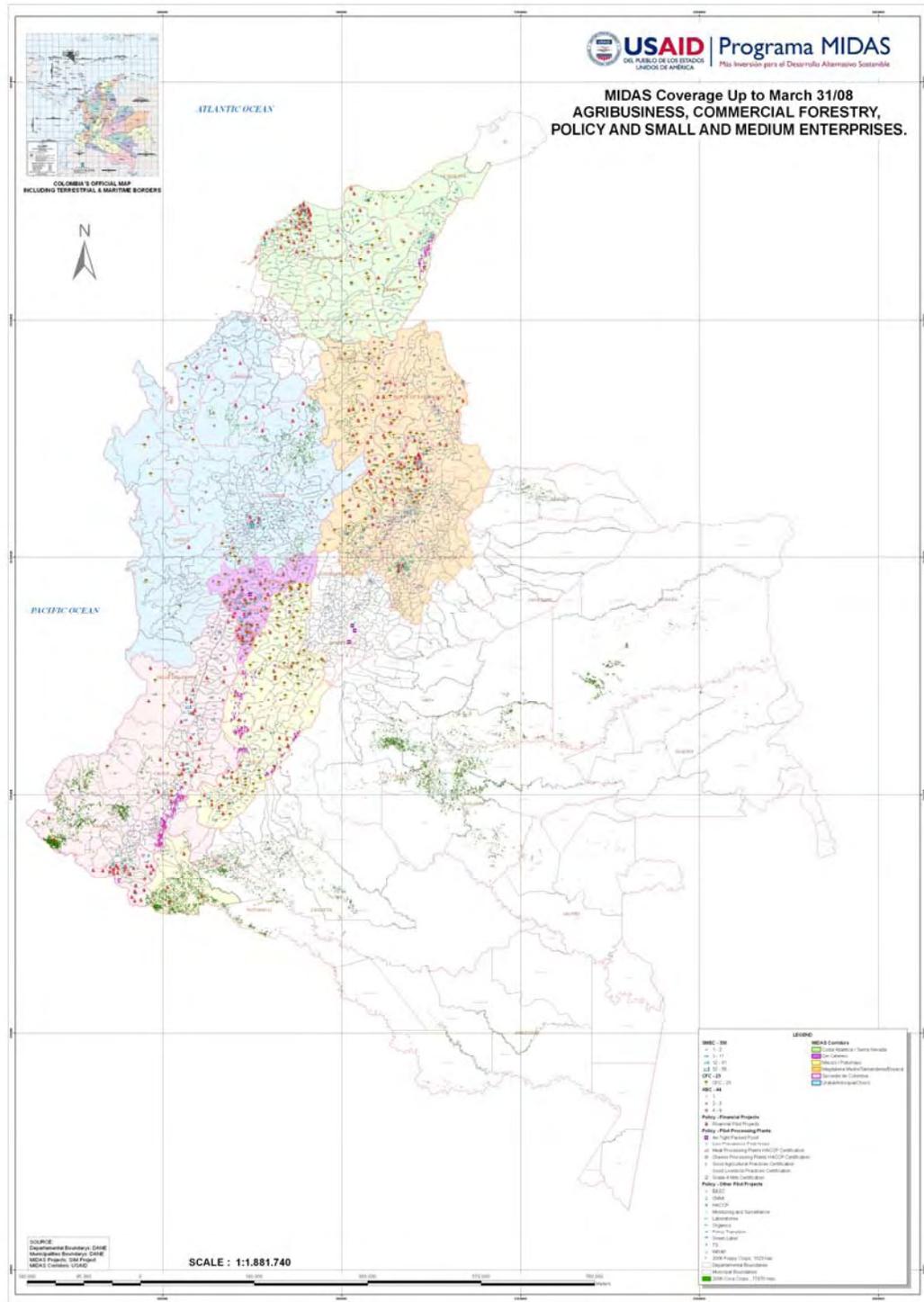
- Coordinate with ADAM and MIDAS Senior Management to define new financial reports needed as decision making tools.
- Complete the integration of the accounting software with technical and payroll software packages to help improve projections regarding burn rate and to develop new managerial reports.
- Restructure the comptroller area as necessary to meet ADAM-MIDAS needs under implementation and to support the new combined area of Contracts and Grants.
- Conduct financial audits to ADAM and MIDAS grantees.
- Strengthen ADAM and MIDAS regional offices training regional personnel in financial protocols.

# ANNEXES

**Annex 1: MIDAS Portfolio**  
See Attached CD.

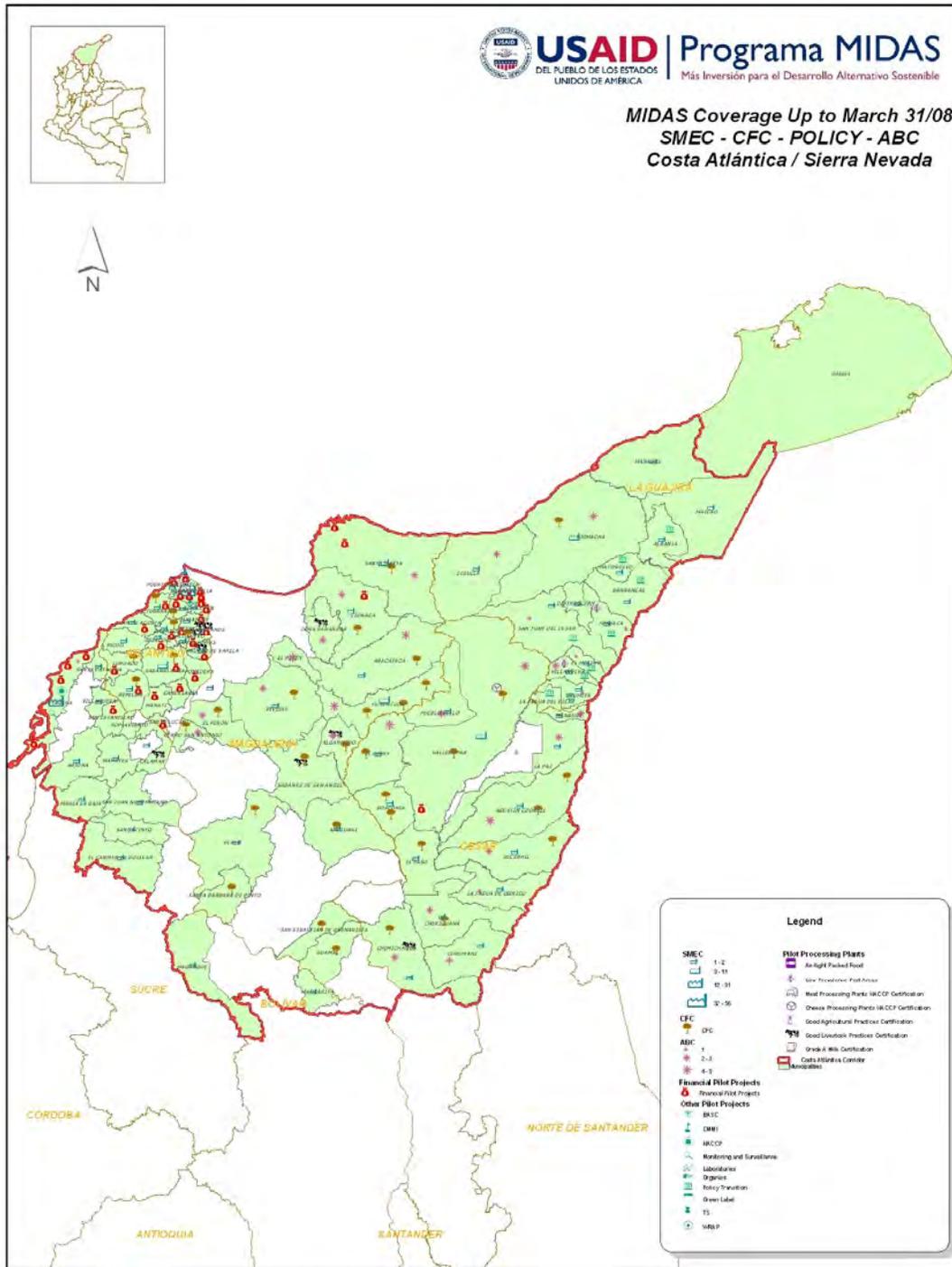
## Annex 2: Maps MIDAS National Coverage

Figure 6



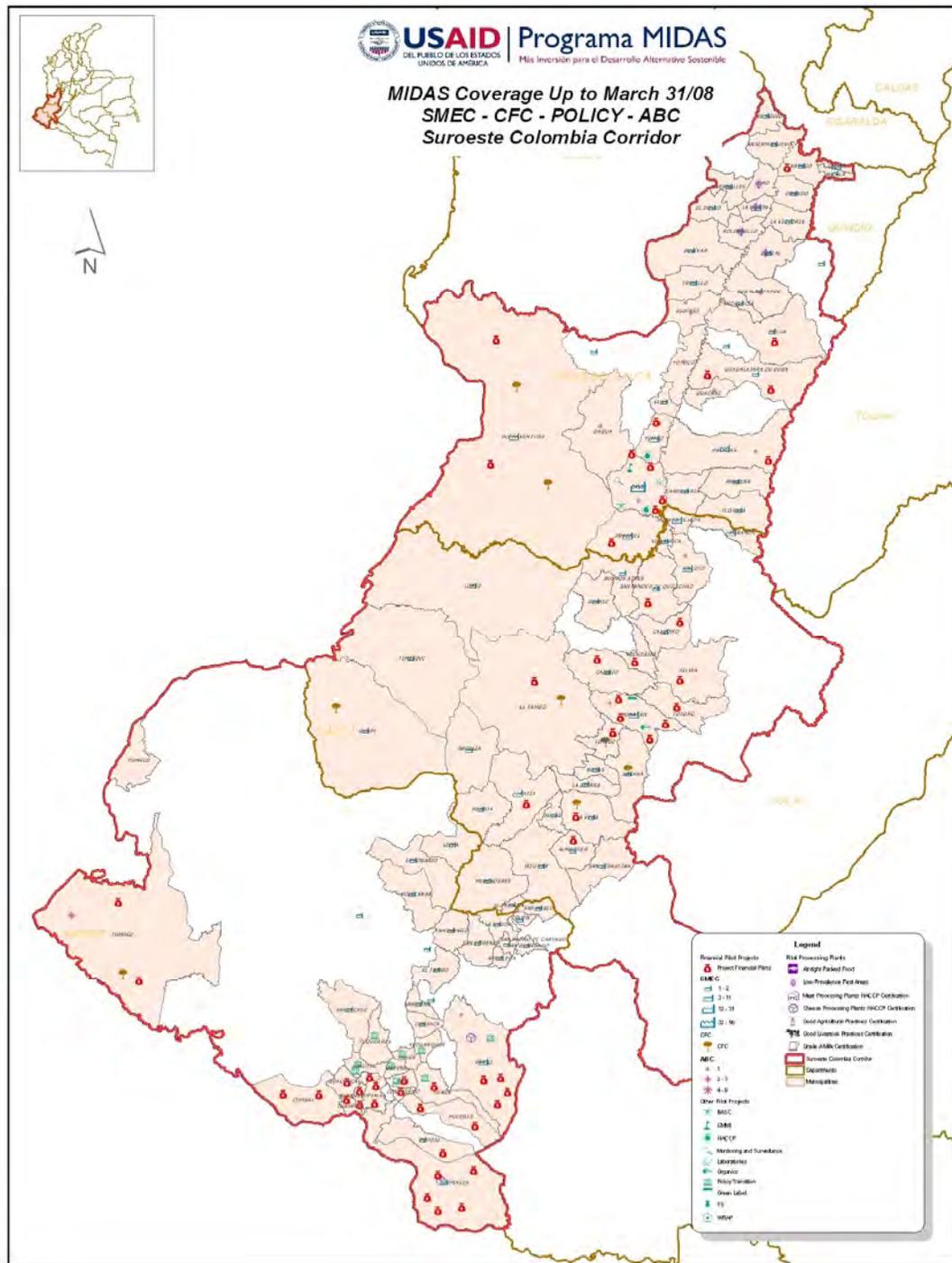
# Atlantic Coast-Sierra Nevada Corridor

Figure 7



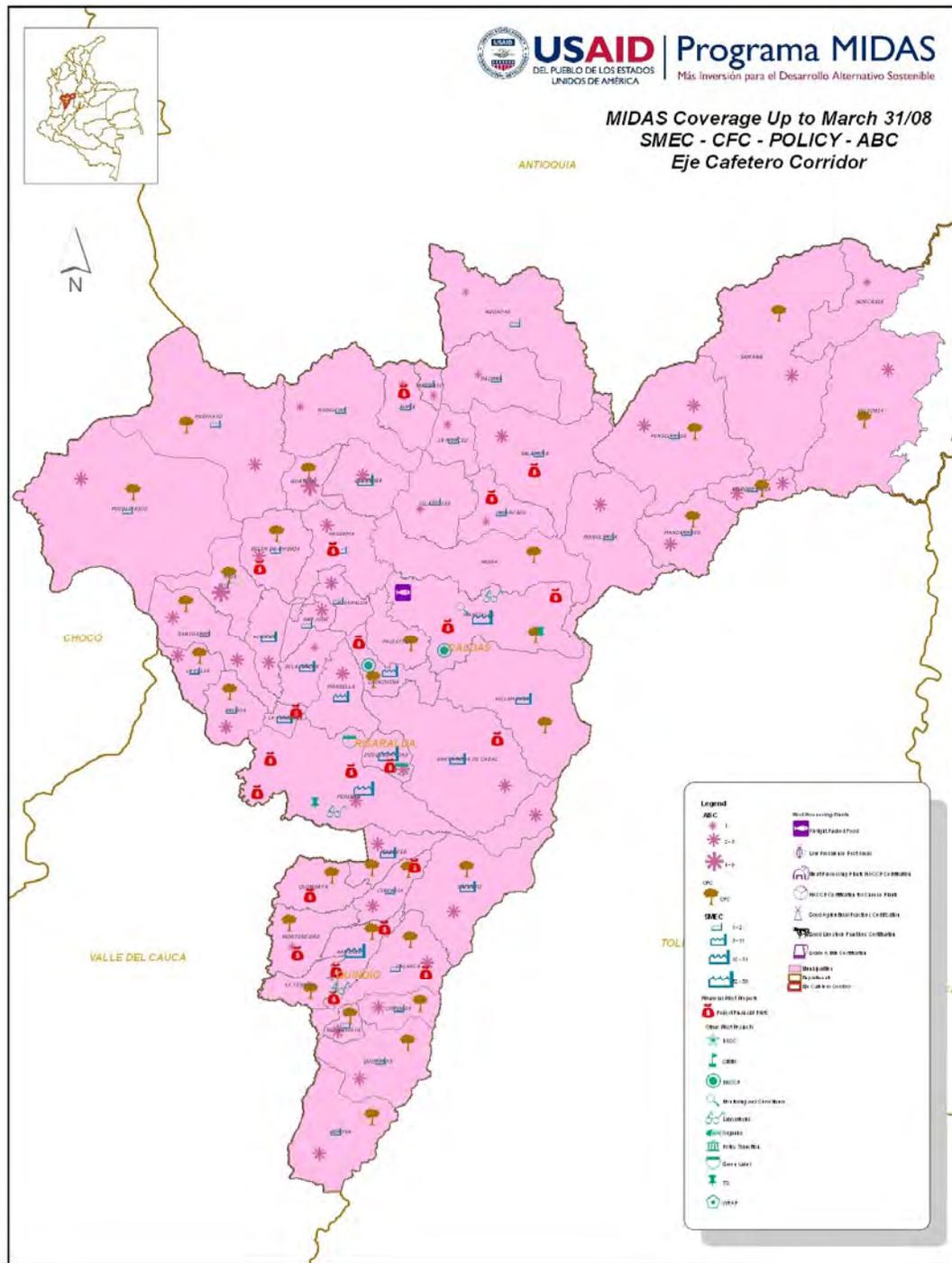
# South West Corridor

Figure 8



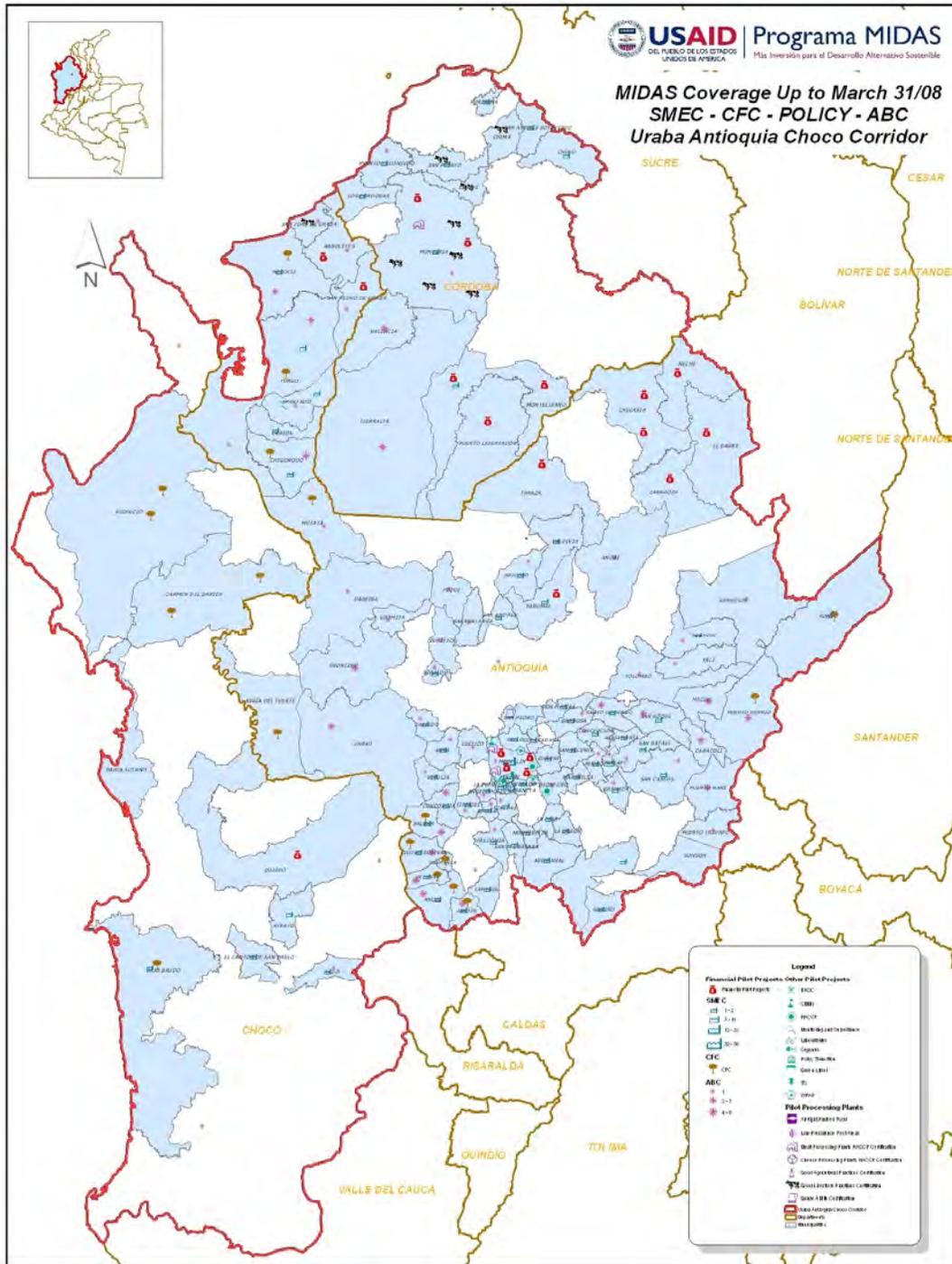
# Eje Cafetero Corridor

Figure 9



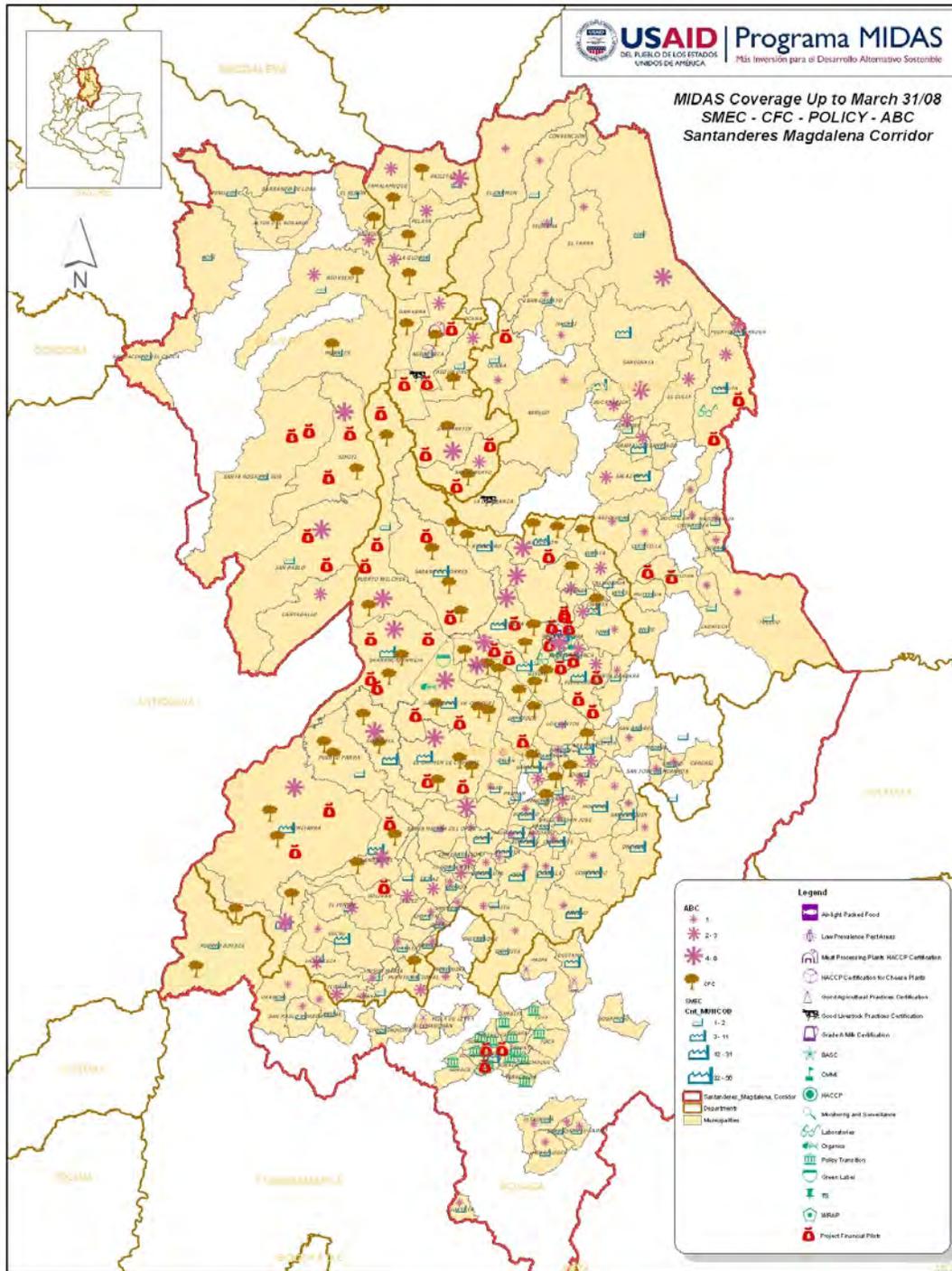
# Antioquia-Urabá-Chocó Corridor

Figure 10



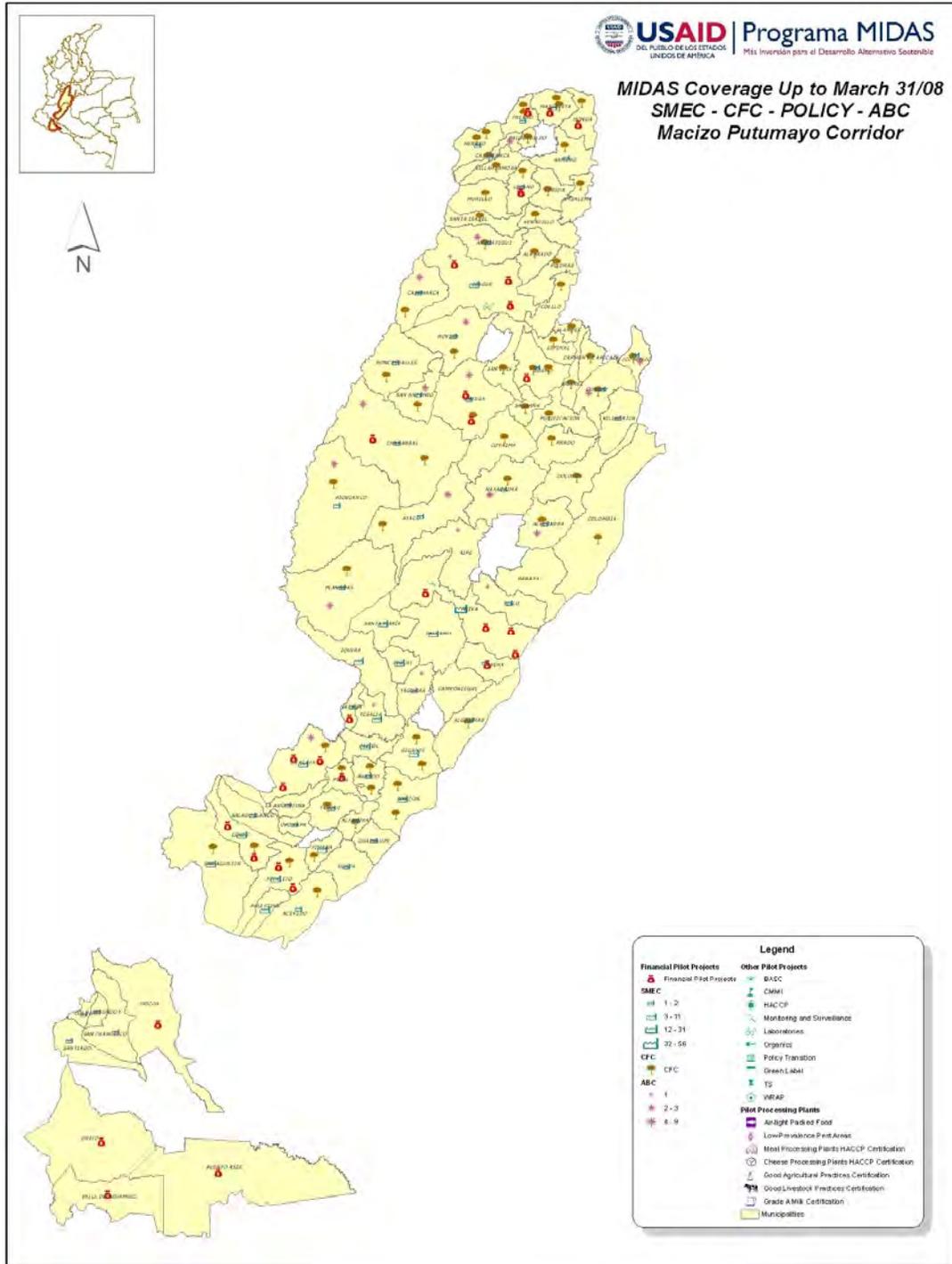
# Magdalena Medio-Santanderes-Boyacá Corridor

Figure 11



# Macizo Putumayo Corridor

Figure 12



Note: Usually Mission address is listed below. This is the generic USAID address.

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