



USAID | RURAL COMPETITIVENESS ACTIVITY

FROM THE AMERICAN PEOPLE

FIFTH ANNUAL REPORT

OCTOBER 2008 – SEPTEMBER 2009



November 20, 2009

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ABBREVIATIONS

AMVI	Road Maintenance Association (<i>Asociación de Mantenimiento Vial</i>)
ARCo	Rural Competitiveness Activity (<i>Actividad Rural Competitiva</i>)
BPC	Business Policy and Opportunity Component
CCVV	Rural Roads Unit (<i>Caminos Vecinales</i>)
COE	Cup of Excellence
COPITROC	Committee of Pineapple Producers in the Tropics of Cochabamba (<i>Comité de Productores de Piña del Trópico de Cochabamba</i>)
CORACA-RI	Smallholder Farming Corporation – Irupana Regional Office (<i>Corporación Agropecuaria Campesina Regional Irupana</i>)
CPTS	Sustainable Technology Promotion Center (<i>Centro de Promoción de Tecnologías Sostenibles</i>)
EA	Environmental Assessment
ESC	Economic Service Center
FDTA/TH	Foundation for the Technical Agricultural Development of the Humid Tropics (<i>Fundación para el Desarrollo de Tecnología Agropecuaria para el Trópico Húmedo</i>)
FECAFEB	Federation of Bolivian Coffee Growers and Exporters (<i>Federación de Caficultores Exportadores de Bolivia</i>)
FIs	Financial Institutions
GIS	Geographic Information System
GOB	Government of Bolivia
Ha	Hectare
IEE	Initial Environmental Examination
M&E	Monitoring and Evaluation (Unit)
PMP	Performance Monitoring Plan
PND	Bolivian National Development Plan (<i>Plan Nacional de Desarrollo de Bolivia</i>)
POF	Purchase Order Financing
SDP	Supplier Development Program
SENASAG	National Agricultural Health and Food Safety Service (<i>Servicio Nacional de Sanidad Agropecuaria e Inocuidad Alimentaria</i>)
SO	Strategic Objective
TC	Tropics of Cochabamba
VCDI	Vice-Ministry of Coca and Integrated Development (<i>Viceministerio de Coca y Desarrollo Integral</i>)
YLP	Yungas of La Paz
UNA	Producer Association Union (<i>Unión de Asociaciones de Productores</i>)
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The Rural Competitiveness Activity is pleased to present its fifth annual report on progress made during the period from October 1, 2008 to September 30, 2009. According to the contract, this is the last annual progress report.

A. Creating Opportunities: Introduction and Objectives

The Rural Competitiveness Activity (ARCo) is a five-year program financed by the United States Agency for International Development (USAID) and implemented by Chemonics International. ARCo is currently supporting diversified economic development in the Yungas of La Paz (YLP) in the framework of Bolivia's National Development Plan carried out through the Vice-Ministry of Coca and Integrated Development (*Viceministerio de la Coca y Desarrollo Integral - VCDI*). The program complements the work done by other USAID projects by focusing its efforts and resources on identifying opportunities for smallholder farmers and stimulating the growth of rural businesses. These businesses help to generate income and employment, thus ensuring their sustainability and improving the living conditions of producers and their communities.

The project is aimed at assisting rural producers to find market opportunities and obtain good prices for high quality products, thus enabling producers to increase the income they earn for themselves and their families. To ensure that tangible results are achieved, the project promotes a business-oriented approach, working with groups of producers to help them to obtain higher yields, thereby generating multiplier effects throughout the value chain.

Business Plans are the main instrument used by the project. Through these plans, ARCo's business advisers support producers to:

- Identify economic opportunities;
- Stimulate commercial relationships to secure sales of the region's products;
- Facilitate concrete transactions between producers and buyers; and
- Leverage rural financial resources.

Based on the priorities identified by the VCDI, ARCo works in the YLP through Economic Service Centers (ESCs), with offices in Coroico, Palos Blancos and La Asunta. During the first phase of the program, the economic corridor of the Tropics of Cochabamba (TC) also received support from the project through two ESCs, one in Chimoré and the other in Ivirgarzama. The few ongoing activities in the TC are currently in the process of being concluded.

The project's success is not measured in terms of inputs (number of training courses provided, packing plants built, budget spent, etc.) but by the tangible and quantifiable impacts it achieves: new sales, jobs and investment generated as a result of project interventions. Another aspect measured is the ratio of subsidies to new sales, which indicates where the money invested has the greatest impact.

B. Key results in the October 2008 – September 2009 period

The key results achieved by the project in fiscal year 2009 include:

- New sales worth US\$28.3 million generated by clients in the YLP and TC, surpassing the established target by 24 per cent.
- A highly effective allocation of project resources, as demonstrated by the ratio of 1 to 10.5 in relation to client sales. This means that for every US\$1 invested by the project in support for clients, US\$10.50 in new sales are generated.
- The generation of 3,644 new jobs by project clients, surpassing the target set for the period by nine per cent.
- 11,221 families with organic farming businesses in the YLP producing coffee, cocoa, amaranth and honey with clearly identified markets.
- Over US\$800,000 in sales of specialty coffee to international buyers as a result of the 2008 Cup of Excellence competition.
- 12 *Centrales Agrarias* and 36 communities in La Asunta provided with direct information and knowledge on the project's implementation processes, which facilitated the identification of 11 product categories and the signing of 65 agreements under the business approach in this region.
- Development of a georeferenced road classification system that enables resources to be allocated efficiently for the maintenance and improvement of roads in parts of the YLP region identified as priority areas in the National Integrated Development Plan.
- The orderly conclusion of activities in the TC, resulting in the successful completion of 50 agreements and three subcontracts in fiscal year 2009, leaving ten ongoing activities to be concluded during the next quarter, in line with the plan agreed at the start of FY 2009.
- Successful implementation of the Apprenticeship Program, with 31 participants having completed their placements so far and five whose programs will finish in January 2010, thus contributing to the development of local capacities by providing participants with the knowledge and practical skills required to take forward the rural business approach.
- Closure of the rural financial services component, with five financial institutions providing services in the areas where the project is working and a loan portfolio of US\$7.5 million spread across 2,255 operations providing finance to value chains, rural microcredit and other services.
- Setting up and use of a rapid mechanism for reviewing and approving new business plans, with the active participation of the Vice-Ministry of Coca and Integrated Development and USAID.
- Allocation of increased administrative responsibility to the Bolivian Federation of Coffee Growers and Exporters (*Federación de Caficultores Exportadores de Bolivia - FECAFEB*) to run the 2009 Cup of Excellence competition.

These achievements are reflected in the following cumulative results to date in fulfilment of the indicators approved in the Performance Monitoring Plan (PMP):

- *New sales worth US\$69.4 million generated by clients and sectors.*
- *11,280 new jobs created (full-time equivalent).*
- *15,573 families receiving direct benefits in the YLP and TC.*
- *13,518 new and rehabilitated hectares of land with productive crops in the YLP and TC.*

C. Structure of this Report

Because the project is now 80 per cent of the way through its implementation period, this report does not present a detailed description of all the activities carried out over the year. Instead, it highlights the most important results achieved to date and focuses on providing thematic descriptions of factors that have contributed to progress in the adoption of the business approach by clients and the overall impact of the program.

This report is divided into four sections and two attachments:

1. Executive Summary
2. Section One – Main Activities and Results
3. Section Two – Business Opportunities: Progress to Date
4. Section Three – Complementary Activities
5. Attachments
 - A. Results by Performance Indicator
 - B. Local Development Variables

SECTION ONE

Main Activities and Results

A. Activities in Fiscal Year 2009

A.1. Orderly conclusion of activities in the Tropics of Cochabamba

During fiscal year 2009, the closure plan presented the previous year was carried out. To date, 50 agreements and 3 subcontracts have been concluded or are in the completion phase, leaving ten ongoing activities due to be completed by the end of December. The conclusion process includes the settlement of accounts and the presentation of final financial and technical reports.

As part of the closure process, specific technical assistance was provided by the ARCo project to support the capacity of public institutions, local sectoral organizations and producer groups in an integrated manner and ensure that they can provide services to their clients and members after ARCo's support comes to an end. With this aim in mind, ARCo technical staff facilitated the consolidation of clusters instead of strengthening producer organizations individually, focusing on facilitating and promoting specific sectoral interventions that help to find solutions to common problems in certain sectors supported by the project.

The work done with the pineapple sector is one example of this public-private coordination and institutionalization of activities with the participation of those directly involved. In response to a problem with a shipment of pineapple that was detected at the border, the producers, packers, exporters and importers took the initiative of inviting authorities from the National Agricultural Health and Food Safety Service (*Servicio Nacional de Sanidad Agropecuaria e Inocuidad Alimentaria* - SENASAG) to work together with them, with the result that significant progress was made in controlling the use of banned pesticides. Thanks to this action, the markets in Argentina and Chile, which have very strict phytosanitary regulations, were kept open. The initiative led to the setting up of the Committee of Pineapple Producers in the Tropics of Cochabamba (*Comité de Productores de Piña del Trópico de Cochabamba* - COPITROC), whose objective is to find solutions to common problems and maintain the quality of the export product. With the support of the ARCo project, the Committee has already organized seminars on integrated pest management for pineapple crops, training workshops, and meetings with suppliers of agricultural inputs to encourage them to exercise more control over the chemical products that are sent to the TC.

In the banana sector, the project has provided technical assistance to producer organizations so that they can continue to improve post-harvest practices (especially in packing) and pest management, maintain quality control standards, and keep their members' environmental certification up to date. This shows that the producers themselves and their associations are now responsible for maintaining the quality of their product to ensure that it can hold onto its markets, especially the export market.

By working in this way through sectoral clusters, joint efforts to improve the quality of pineapple and banana are more likely to be sustainable after the end of the project (and/or will only require a limited amount of support from it).

The closure process has indicated that there are approximately 5,000 families supported by the project in the TC who are the owners of viable businesses. This implies that the business approach promoted by ARCo has worked well and that the business sustainability strategy is helping to achieve the expected results.

A.2. Emphasis on the region of the Yungas of La Paz

Based on the strategy of supporting organic farming, ARCo resources were concentrated on developing businesses in the Alto Beni region and the *zona tradicional*, and starting activities in Caranavi and La Asunta. The implementation plan is based on a survey of producer organizations, complemented by a road map that helps to prioritize the investment of resources in road maintenance and improvement work in the areas of the region with higher production potential.

As a result of the renewal of the funding program that was suspended in the previous reporting period, the project re-started the implementation of autonomous management agreements with producer groups and subcontracts with producer organizations (such as FECAFEB, *Corporación Agropecuaria Campesina Regional Irupana* – CORACA and the El CEIBO group of cooperatives) through technical assistance and supplier development programs.

A.3. Support for the region of La Asunta

During fiscal year 2009, producers in La Asunta responded quickly and positively to the VCDI and USAID initiative of starting activities to support integrated development in their region. Thus, in a relatively short space of time, producers in La Asunta have identified a significant number of business opportunities in several product categories. These are being supported by the ARCo project through an Economic Service Center with an office in La Asunta, which is providing advisory services directly to producers and their organizations.

Based on the survey of producer organizations carried out by ARCo, and in consultation with the region's *Centrales Agrarias* and communities, the ARCo technical team presented the business approach and, together with these stakeholders, identified business opportunities with potential domestic and export markets. The products identified include coffee, citrus fruit, plantain, stevia, achiote, honey, and other less common crops which will be grown or produced by approximately 1,300 families.

To take forward the support for La Asunta, ARCo streamlined its mechanisms for the development and approval of business plans. For example, it continued to support the forming of *Asociaciones Accidentales* (de facto limited partnerships) to set up rural businesses and used autonomous management agreements for the implementation of activities, based on the achievement of benchmarks or intermediate results. This has enabled beneficiaries to take ownership of their businesses and play an active role in decision-making. To facilitate learning

Revised PMP – Approved in April 2009

**TABLE 1.1. Rural Competitiveness Activity Results by Quarter and Cumulative to September 2009 ⁽¹⁾
Tropics of Cochabamba and Yungas of La Paz**

No	PERFORMANCE INDICATOR	Achievements									Cumulative Benchmarks to FY 2009	% Progress	Cumulative Goal to FY 2010 (*)	% Progress
		FY 2006	FY 2007	FY 2008	FY 2009				FY 2009	Cumulative to September 2009				
					QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept						
1	Value of Incremental Sales (US\$ millions)	7.9	10.4	22.9	9.6	6.2	5.8	6.7	28.3	69.4	61.4	113%	66.1	105%
	Client Sales (US\$ millions)	2.8	7.1	21.3	8.4	6.2	5.8	6.4	26.8	58.1	47.2	123%	51.6	113%
	Sector Sales (US\$ millions)	5.1	3.2	1.2	0.0	ND	ND	ND	0.0	9.5	11.1	86%	11.5	83%
	Future Sales (US\$ millions)			0.3	1.2	-	0.1	0.3	1.5	1.8	3.0	60%	3.0	0%
2	Employment Equivalent (number of jobs)	1,643	2,234	3,759	1,132	945	797	769	3,644	11,280	10,883	104%	11,727	96%
	Employment Equivalent Generated by Clients (number of jobs)	585	1,462	3,492	1,132	945	797	769	3,644	9,182	8,075	114%	8,845	104%
	Employment Equivalent Generated by Sectors (number of jobs)	1,058	772	267	0	ND	ND	ND	0	2,097	2,808	75%	2,882	73%
3	New Hectares (number of hectares)	N/A	5,508	6,334	579	640	213	244	1,676	13,518	14,158	95%	14,308	94%
4	Beneficiary Families (number of families)	4,203	5,419	9,404	N/A	N/A	N/A	N/A	11,221	15,573	13,013	120%	13,013	120%

(1) Preliminary data

(*) From October to December 2009 only

N/A= Not Applicable

ND= No data available

TABLE 1.2: Performance Indicator: Value of Incremental Sales by Client and Sector (in US\$ millions)

	Achievements							Cumulative to September 2009	Cumulative Benchmarks to FY 2009 (*)	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009						
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept			
TC Clients	1.7	4.6	17.8	6.6	5.4	4.4	4.6	45.1	37.1	122%
TC Banana Sector	4.9	3.1	1.1	0.0	0.0	0.0	0.0	9.1	10.6	86%
TC Pineapple Sector	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.5	0.6	82%
YLP Clients	1.1	2.5	3.5	1.8	0.7	1.4	1.9	12.9	10.2	127%
YLP Future Sales			0.3	1.2	-	0.1	0.3	1.8	3.0	60%
Total	7.9	10.4	22.9	9.6	6.2	5.8	6.7	69.4	61.4	113%

* Cumulative benchmarks to September 2009 corresponding to PMP approved in April 2009.

TABLE 1.3: Performance Indicator: Value of Incremental Sales by Region (in US\$ millions)

Region	Achievements							Cumulative to September 2009	Cumulative Benchmarks to FY 2009 (*)	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009						
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept			
TC	6.8	7.9	19.1	6.6	5.4	4.4	4.6	54.7	48.2	113%
YLP	1.1	2.5	3.8	2.9	0.7	1.5	2.1	14.7	13.2	112%
Total	7.9	10.4	22.9	9.6	6.2	5.8	6.7	69.4	61.4	113%

* Cumulative benchmarks to September 2009 corresponding to PMP approved in April 2009.

New Sales

As the figures in Table 1.1 show, sales results in fiscal year 2009 amounted to US\$28.3 million, surpassing the target set in the PMP approved in April 2009 by 24 per cent.

The figure of US\$28.3 million includes cumulative future sales estimated to be worth US\$1.8 million.

Since 2007, recorded sales have increased significantly in the YLP due to the inclusion of new clients and the expansion of the export-quality supply of important products such as banana (mainly destined for the school breakfast program, as well as increased exports to Peru) and coffee (the quantity of *café oro* exported in FY 2009 was higher, even though prices remained the same as the previous year). The value of achote seed exports also increased this year, due to a rise in the price per hundredweight exported in comparison to prices in fiscal year 2008.

In the TC region, it was predicted that the number of clients reporting sales would fall following the departure of the project. There has only been a 10% reduction, however, which means that we are able to continue reporting sales by former clients and thus show the project's real impact.

New Employment Generated

The employment generated by the clients and sectors supported by ARCo is calculated based on an employment factor multiplied by the quantity of a product or service sold. According to this calculation, the project helped to create 3,623 new jobs in fiscal year 2009, surpassing the target set in the PMP by approximately nine per cent. This increase is understandable for the same reasons described above for the sales indicator, as estimated employment is related to the volume of sales.

Number of Beneficiary Families

This indicator refers to the number of families benefiting directly, including those receiving technical assistance from ARCo and other subcontractors and/or families selling their products through clients supported by ARCo.

There is no direct relationship between the number of hectares and the number of families. The increase in the number of clients supported by ARCo represents an increase in the number of families, but does not necessarily imply an increase in the number of hectares.

The total of 11,221 beneficiary families reported in fiscal year 2009 is 54 per cent higher than the target set for the period in the PMP approved in April. The increase is mainly due to the large number of agreements and business plans implemented in the region of the Yungas of La Paz.

New Hectares Supported or Rehabilitated

This indicator refers to the number of hectares dedicated to agricultural and/or forestry products that have been developed or expanded with the support of the Integrated Development Program through ARCo. Crop expansion involves turning subsistence crops or fallow areas into commercial crops. The expansion of land used for agriculture takes environmental factors and protection standards into account.

During fiscal year 2009, the rehabilitation or expansion of 1,676 hectares was achieved. This is less than the target set for the period by approximately 24 per cent. The difference is mainly due to the fact that in Irupana, the coffee sector is receiving support through its organization – CORACA RI – to obtain organic certification for 940 hectares, but these cannot yet be reported because of the delay by the certification company in issuing the relevant report.

Additional information on the indicators, including a description of the methodology used to calculate results, together with regional development data and local development variables, is presented in the attachments at the end of this report.

SECTION TWO

Business Opportunities: Progress to Date

By the end of this reporting period, the Rural Competitiveness Activity project had completed more than four years of work. During this time, the project has made a great deal of progress in implementing the business approach. It has also made strategic and structural alterations that have enabled the project to achieve results despite the challenging and changing circumstances in which it has been carried out.

The results achieved in fiscal year 2009 show that the business model implemented by ARCo works effectively. Thanks to the project's approach and the work it does together with small producers to identify and develop business plans, it has achieved an unprecedentedly high level of social legitimacy. Likewise, the business approach has proved to be a flexible and practical mechanism for adapting to diverse circumstances, regions and product categories, with good results.

A. Operating Environment

Certain factors in the political context have turned out to be beneficial for the project's work. Firstly, the closing down of operations in the Tropics of Cochabamba led to the implementation of a technical support strategy. This is showing that the businesses and sectors in the region have the capacity to continue working and require only a limited amount of technical assistance on specific issues, such as integrated pest management and cleaner production technologies.

The decision made jointly by the VCDI and USAID to give priority to the YLP, with an emphasis on the region of La Asunta, has led to the streamlining of procedures and the adaptation of systems to that region's particular production and organizational characteristics. The arrangement of working in La Asunta through local organizations (producer associations, farmers' unions and other types of organization) has revealed the region's great potential for a wide range of economic opportunities never identified by previous projects. Thanks to this opening, 65 producer organizations in La Asunta are now busy implementing their businesses to diversify the economy and develop products such as coffee, achiote, plantain, citrus fruit, honey, stevia and chicken, among others.

It was predicted that the number of clients reporting sales in the TC region would fall following the departure of the project. There has only been a 10% reduction, however, which means that we are able to continue reporting sales by former clients and thus show the project's real impact.

B. Business Approach

The business approach promoted by ARCo operates within the local economy, supporting small producers in rural areas to find market opportunities and obtain good prices for high quality products, thus increasing the income they earn for themselves and their families.

Business plans are the approach's main instrument. Through these plans, the project's technical staff and business advisers in the ESCs support producers to identify economic opportunities,

stimulate commercial relationships, facilitate concrete transactions between producers and buyers, and help to leverage financial resources.

Much has been learned over the four years of implementing the approach. For example, it is essential to have both producers and buyers participating actively if business plans are to work. The buyer's participation influences the organization of the supply and the coordination of management and collection processes for the product involved in the transaction. The buyer assists the producer by providing information about market requirements, thus enabling the product to be improved, and also provides support in the form of technology to help the producer maintain quality standards.

Those involved in developing business plans are also starting to appreciate the advantages of seeking to achieve environmental competitiveness in their work. The market demands products that are guaranteed free of chemical residues and pesticides, grown under environmental standards and/or certified organic. When they meet these standards, producers realize that sustainable, responsible environmental management (cleaner production methods) not only helps them to reduce their costs but also enables them to sell better quality, more competitive products, usually at a higher price than what they could obtain in the conventional market.

Another finding is the importance of developing alliances between producers and buyers. Buyers can be good sources of market information, as well as providing capital and technical assistance. Through an effective alliance with buyers, producers have more opportunities to increase their income and create new jobs in their communities.

To facilitate participation by small producers in formal businesses, the project has used and adapted the *Asociaciones Accidentales* arrangement, which allows to producers to form a limited partnership quickly and simply. The opening of a bank account is the first step along the road to formal business registration.

The sustainability of the results achieved and the work done by ARCo is backed by access to finance mechanisms such as *Purchase Order Financing* (POF), as well as the legitimacy and empowerment gained by producers and their organizations as a result of their participation in every stage of development of their business. Through autonomous management agreements, the provision of funds is based on the achievement of benchmarks and results, which does not require the presentation of accounts or reports on budget spending. The autonomous management arrangement channels financial support directly to the small producer, who is then responsible for prioritizing expenditure in order to make the best possible contribution to the success of his or her business.

Other complementary factors that increase the likelihood of sustainability are the use of local consultants, the exchange of experiences between producers from different regions, and the training of local human resources.

In short, the business approach does not follow a set recipe. Instead, it uses a number of support mechanisms and focuses on the joint search for solutions to bottlenecks along the entire length of the value chain.

C. Monitoring and Evaluation: the Seal of Credibility, Objectivity and Trustworthiness

The monitoring and evaluation (M&E) system analyzes and verifies the achievement of the performance indicators, and confirms that the targets set beforehand for all the businesses supported by ARCo have been met. The system established by the project provides credible, objective and trustworthy information, because:

- The clients running their businesses are the main source of information, and
- The figures provided are verifiable because they are drawn from the organization's own sales records.

The Monitoring and Evaluation Unit is responsible for consolidating the information obtained, analyzing it for consistency and producing a report. This is done on a monthly basis and the figures are recorded directly by the field monitor. The system only requires a minimum amount of data interpretation and processing, and respects the primary source.



Gathering data in the field

The data collected in the field are backed by the signature of the organization or client's representative. The figures are recorded chronologically to ensure their quality and reliability, and are verified during regular visits and interviews with clients. These figures are compared with secondary information such as customs data on exports and price information from various sources. As a result of this process, the reported information can be corrected or modified based on cause-effect and consistency criteria.

The M&E Unit is responsible for drawing up the Performance Monitoring Plan, which sets out the indicators and targets, in coordination with ARCo's technical business units. The M&E Unit acts independently in taking decisions about results and in the information gathering process, thus ensuring total transparency in the way that the results are obtained.

The system has successfully passed USAID/Bolivia's most stringent tests and has the backing of the audit carried out by the USAID Regional Inspectorate. This audit rated the entire monitoring system as excellent and gave it the seal of credibility, objectivity and trustworthiness.

D. Development of Rural Financial Markets in the TC and YLP

The ARCo project rose to the challenge of expanding small rural producers' access to sustainable financial services, in a setting that was highly dependent on subsidies and in markets that financial institutions saw as severely distorted and high risk.

Right from the start of its activities, ARCo has focused its efforts on convincing the Bolivian private financial sector, particularly the micro-finance providers, to extend their offer of services to the YLP and TC economic corridors. In order to develop, consolidate and expand the financing of supply chains, ARCo designed an innovative system of financial incentives which

combined the use of partial subsidies – destined to cover initial operating costs – with performance incentives to reward the achievement of portfolio targets.

Using a demand-driven approach characteristic of the ARCo project’s interventions, it was found that rural producers in the TC and YLP not only lacked access to credit under conditions that suited their requirements, but were also demanding other services such as savings accounts, fixed term deposits, money transfers, and ways to handle payments and remittances.

Based on its identification and quantification of the demand for financial services, ARCo designed an intervention strategy to suit these particular economic corridors and their market demands. This was called the ARCo Technical Assistance and Training Program on Financing for Rural Production Chains (“the Program”) and it was implemented in partnership with the Private Financial Fund FIE S.A.(FIE).

FIE is a formally registered private financial institution whose leadership and success in the micro-finance sector in Bolivia is widely recognized, but it lacked prior experience in rural financial services.

Two years after the start of the Program, FIE had opened five branch offices in Chimoré and Ivirgarzama in the TC and Coroico, Caranavi and Palos Blancos in the YLP, which also covered the surrounding areas in both corridors.



Rural producers with access to credit

By the time the Program finished at the end of June 2009, FIE had developed a loan portfolio totalling US\$18.5 million, spread over 6,587 operations, using its own resources and at its sole risk. Of the total portfolio, US\$11 million was lent in the YLP and distributed among 4,332 clients, while credits in the TC totalled US\$7.5 million divided between 2,255 operations. These are classified as: (i) value chain financing, (ii) rural micro-credit, (iii) rural housing and (iv) consumer credit.

This intervention by ARCo also enabled rural micro-savings to be mobilized. By the end of the Program, FIE had opened a total of 9,047 savings accounts and received US\$3.5 million in deposits, as well as 432 fixed term deposits totalling US\$1.2 million. This means that the deposits received by the FIE branch offices in the TC and YLP reached a total of US\$4.7 million.

In its two years of working in the TC and YLP, the ARCo - FIE Program served a total of 16,066 clients, 9,479 of whom were savers and 6,587 borrowers.

Recognizing the importance of this intervention, in February 2009 the USAID Microenterprise Development Office in Washington DC awarded USAID/Bolivia, ARCo, Chemonics International Inc. and Crimson Capital the *Excellence in Achievement Award - Innovations in Value Chain Financing*.

A second contribution made by ARCo in the area of rural finance was the development and introduction of a product to attract funds for new associations of small informal producers through savings accounts, called *Asociaciones Accidentales*.

Although the scope of this product was initially limited to operating as a means for ARCo to deposit the funds it disbursed to small producers' associations, the legal effects created by this first step in the process of formally registering a business meant that these associations are now able to sign fully legal contracts. As a result, rural organizations can now go on to complete the process of formal business registration.

As well as solving an operational problem for ARCo, which also affects other international cooperation projects in Bolivia, the *Asociaciones Accidentales* arrangement can be publicized and used throughout the country. It could also be adapted for use in other countries where problems with formal business registration and legal systems are similar to those in Bolivia, making this intervention another relevant achievement by ARCo.

By September 30, 2009, this ARCo initiative had led to the organization of 124 *Asociaciones Accidentales*, and these had received a total of US\$1,266,357 in project funds.

E. Results by Region and Sector

E.1. Yungas of La Paz

There is a large and proven market for organic produce in Europe, the United States, Brazil and - to a lesser extent - Argentina and Chile. The ARCo strategy for the Yungas aims to promote the region as a supplier of organic products to satisfy this market demand, focusing on cocoa, banana, coffee and achiote. In contrast to other regions where conventional farming has been established, most agricultural production in the Yungas is already organic, but it does not have the certification required to be able to enter the market for organic produce. As well as the main products mentioned above, (many of which do have organic certification), the project is working to identify other products with international and domestic market potential, such as amaranth, stevia, mango, citrus fruit and papaya.

In fiscal year 2009, sales by clients in the YLP totalled US\$12.9 million in 16 product categories.

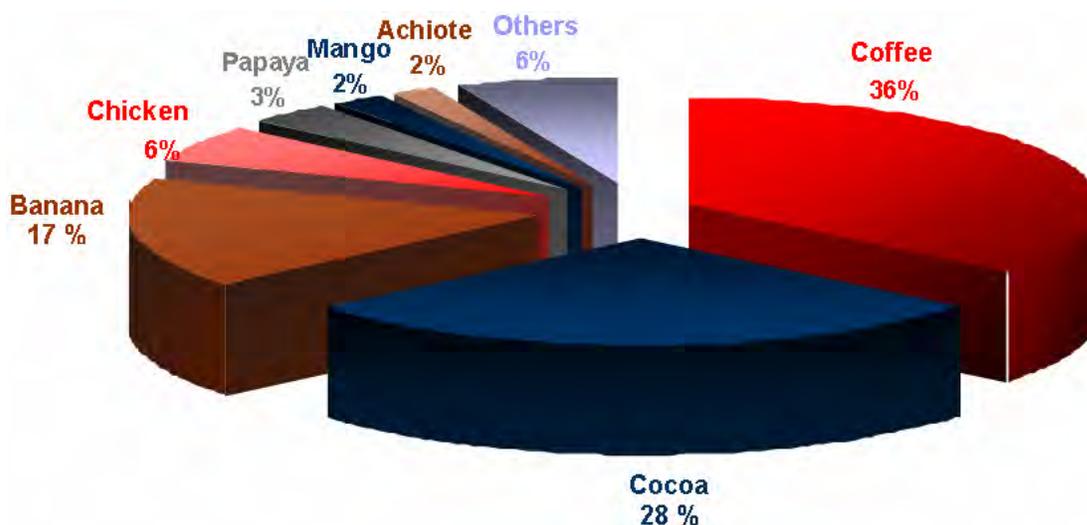
The following are some of the most important products supported by ARCo in the YLP:

- **Organic banana:** 18 producer organizations have reported cumulative sales worth US\$2.2 million, benefiting a total of 521 families.
- **Cocoa:** 15 organizations representing 2,290 families, with cumulative sales worth US\$3.6 million.
- **Coffee:** 41 organizations representing 6,141 families, with a total of US\$4.6 million in cumulative sales.
- **Papaya (TC and YLP):** 19 organizations, 366 families and cumulative incremental sales worth US\$3.2 million.

Table 1.2: Client Sales in the Yungas of La Paz (by product)

Product	New sales to September 2009
Achiote	\$240,970
Amaranth	\$187,515
Banana	\$2,179,856
Beans	\$15,827
Beef	\$138,082
Chicken	\$739,559
Citrus Fruit	\$51,466
Cocoa	\$3,602,349
Coffee	\$4,627,778
Clothing	\$46,125
Honey	\$125,632
Mango	\$283,384
Milk	\$4,631
Papaya	\$423,122
Tea	\$145,758
Tourism	\$95,575
Grand Total	\$12,907,627

GRAPH A.1: Distribution of Client Incremental Sales in the Yungas of La Paz, by product category, to September 2009



E.1.2 Supplier Development Programs (SDP)

One of the objectives of the project’s business approach is to promote the realization of business opportunities for small producers and include them effectively in the value chain so that they carry through their commercial transactions efficiently and consequently increase their level of income and generate employment and productive investment.

ARCo carried out a joint assessment with those involved in the cocoa value chain in Alto Beni and reviewed the positive trends in the domestic and international market for cocoa. As a result, ARCo proposed a strategy for intervention in the cocoa sector called the “Supplier Development Program” (SDP).

The SDP involves interventions on two levels. It clearly identifies that the main target of these interventions is the small-scale cocoa producer, who is also the focus of the support provided by ARCo.

In conceptual terms, the SDP seeks to link cocoa producers with local buyers, who are already linked to the final buyer (the chocolate industry or importer). By making these links in the value chain, one important result is that the signals sent by the market (the buyers) with regard to quantity, opportunity and quality are transmitted to those responsible for supplying the product: the cocoa producers. This provides them with the certainty that what they are producing can effectively be sold, thus achieving satisfactory returns for the producer.

The main elements identified as necessary to effectively link between cocoa producers into the value chain through the SDP are technical assistance, tools, cocoa processing infrastructure (fermentation crates, solar dryers), and organic certification.

This is why the SDP was designed to be implemented on two levels. The first level involves the producer organizations (cooperatives and associations). Through these organizations, support is provided directly to producers by partly funding the purchase of tools, cocoa processing infrastructure (fermentation crates, solar dryers), and the contracting of organic certification.

In each case, an assessment is made to determine which elements are really necessary, based on the organization's particular situation and its links with the value chain.¹

At the second level of intervention, the provision of a technical assistance service is developed. This is managed by the local buyer, but it must be designed for and aimed at the SDP's main beneficiary: the cocoa producer.

The reason why this second level of intervention takes place through the local buyer (who simply acts as an intermediary) is that this participant in the value chain is the one who has already established a relationship with the final buyer (the chocolate industry or importers in foreign markets). Consequently, the local buyer is receiving market signals and is in a position to transmit these to the producers who are supplying the product. In addition, this has proved to be an efficient way to promote enhanced interaction between the sellers and the buyer, which leads to the creation and strengthening of something that is indispensable in business development: trust. If high levels of trust are developed between producers and the local buyer, the foundations are laid for a lasting, long-term relationship. It also increases the possibilities for producers to become suppliers and makes it more likely that their productive activity will be sustainable. This relationship creates a virtuous circle in which win-win transactions take place; in other words, both sides benefit. This result is the opposite of what happens in sporadic commercial relationships, where one of the parties (usually the buyer) wins and the other (usually the producer) loses.

In essence, the scope and content of technical assistance is aimed at solving those problems identified as a priority by producers and by the buyer, as well as through market signals.

¹ The assessment looks at the market with which the group of producers will be linked, and whether this market demands a product that is certified organic. If it does, organic certification will then be included. If the market is domestic and does not demand certification, it is not necessary and will therefore not be included. Likewise, the assessment looks at whether the organization or its buyer has already obtained organic certification. If so, the process does not need to be repeated.

Coffee producers participated enthusiastically in the 2008 COE competition, and 269 samples were entered in the first round. 88 of these were pre-selected to be cupped by the national judges. The cupping and selection process resulted in the choice of 60 samples to be cupped by the international judges. The international judges were 18 specialists from companies in the United States, Canada, Germany, Sweden, the UK, Lithuania, Japan, South Africa and Honduras, who were joined by two national judges and three observers. They selected 29 samples, which were awarded prizes at a public ceremony held in Caranavi.

Direct and indirect sales totalling US\$819,647.91 were achieved in 2008, and the average price offered in the international auction was US\$7.43 per pound, compared with the conventional market price of US\$1.46 per pound. The competition benefited 100 families who participated in it directly, while more than 1,650 families benefited through their organizations by receiving a higher price and being able to access more markets.



Zenovia Charca de Huayhua, winner of the 2008 COE competition



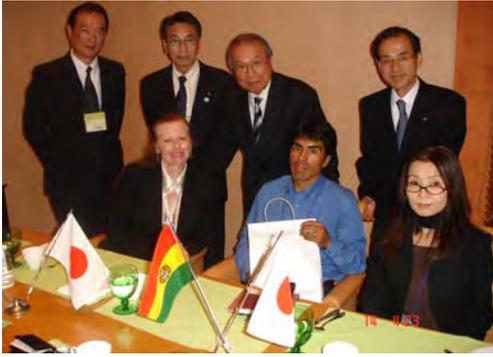
Mauricio Diez de Medina and Braulio Luque, winners of the first and second prize in COE 2009

The Cup of Excellence competition was held for the fifth time in 2009. It was launched in April, and 227 samples were entered. 117 of these were selected to go on to the next stage (29 more than the previous year). The national judges chose 59 samples to be cupped by the international judges: 20 experts from 11 countries (Denmark, El Salvador, Estonia, the United States, France, the UK, Japan, Norway, Russia, Sweden and Switzerland), who were joined by three observers. As a result of the cupping by the international judges, 30 samples were awarded prizes, and seven of these were given the prize for presidential-quality coffee. The Alliance for Coffee

Excellence affirmed that this number was a world record. The winner obtained a score of 93.36 out of 100.

The winning coffees will be sold at an internet auction on November 19. Samples are already being sent to potential buyers in preparation for the auction.

Bolivia attends the Trade Fair organized by the Specialty Coffee Association of Japan



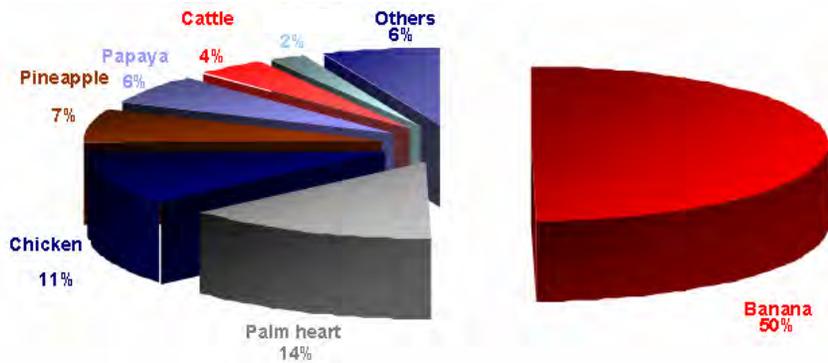
René Viadez from FECAFEB in a meeting with representatives of Japanese coffee companies

One of the major events in the world of specialty coffees is the trade fair organized by the [Specialty Coffee Association of Japan](#) (SCAJ), which is attended by buyers, roasters, distributors, cuppers and producers from all over the world. New products are presented and courses, symposia and discussions are held about the characteristics of specialty coffees and their markets. There are cupping competitions and an exhibition with more than 800 stalls showing products and services related to green coffee beans.

FECAFEB President Walter Díaz Monrroy and René Viadez, Quality Control Manager, travelled to Japan to represent Bolivia at the fair. They had a tight schedule of activities, including meetings with more than twenty companies that buy coffee. They also visited the Maruyama Coffee Roastery, the market leader in sales of high quality coffee in Japan, and various coffee shops which only sell specialty coffees. As a result of their conversations with different companies, they found that although Bolivian coffee is not well known in the Japanese market, its high quality means that it could easily enter, and a marketing strategy needs to be designed.

Another important result was that several companies asked for samples of Bolivian coffee with a view to establishing lasting commercial relationships based on quality. They also requested samples of the winning coffees from the Cup of Excellence 2009, in order to place bids during the internet auction. Another potential market that Bolivia could expand into is South Korea, and approaches have been made to several companies. They all say that in order to make inroads into Asia, the Japanese market must be conquered first, as Japan is the commercial trend-setter.

GRAPH A.2: Distribution of Client Incremental Sales in the Tropics of La Cochabamba, by product category, to September 2009



SECTION THREE

Complementary Activities in Support of the Business Approach

A. Market Trends

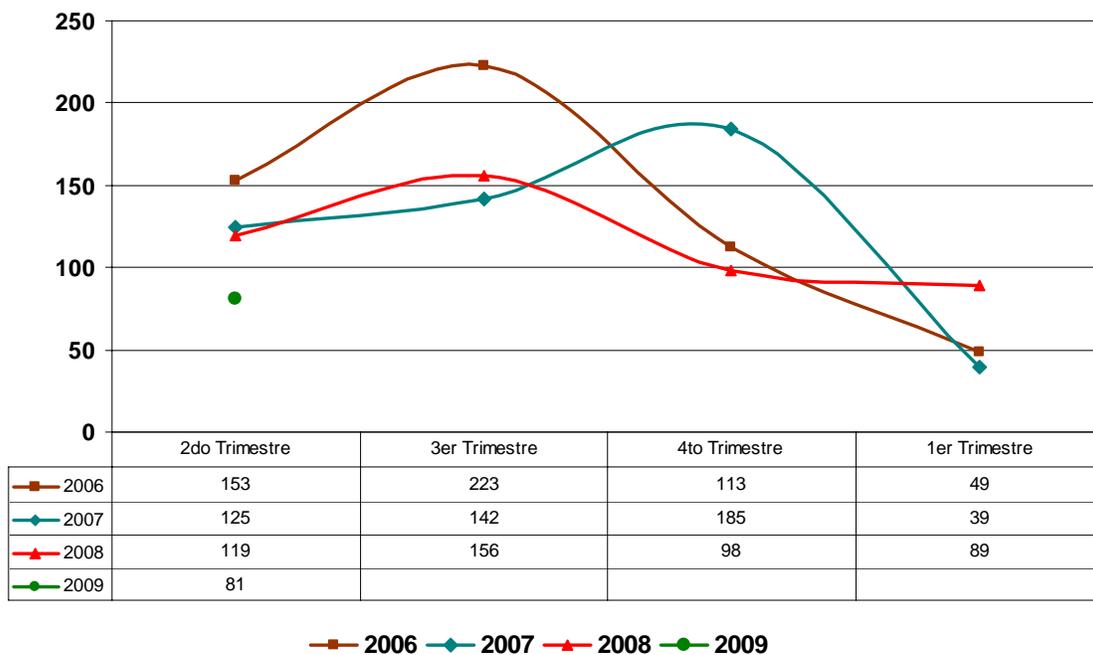
One of the complementary activities carried out during this reporting period was the analysis of market trends in certain product categories supported by the project. This analysis is still ongoing and will continue to be discussed in subsequent reports.

In order to compare trends in agricultural exports year on year, the schedule of agricultural activities for the crop or its business cycle must be taken into account.

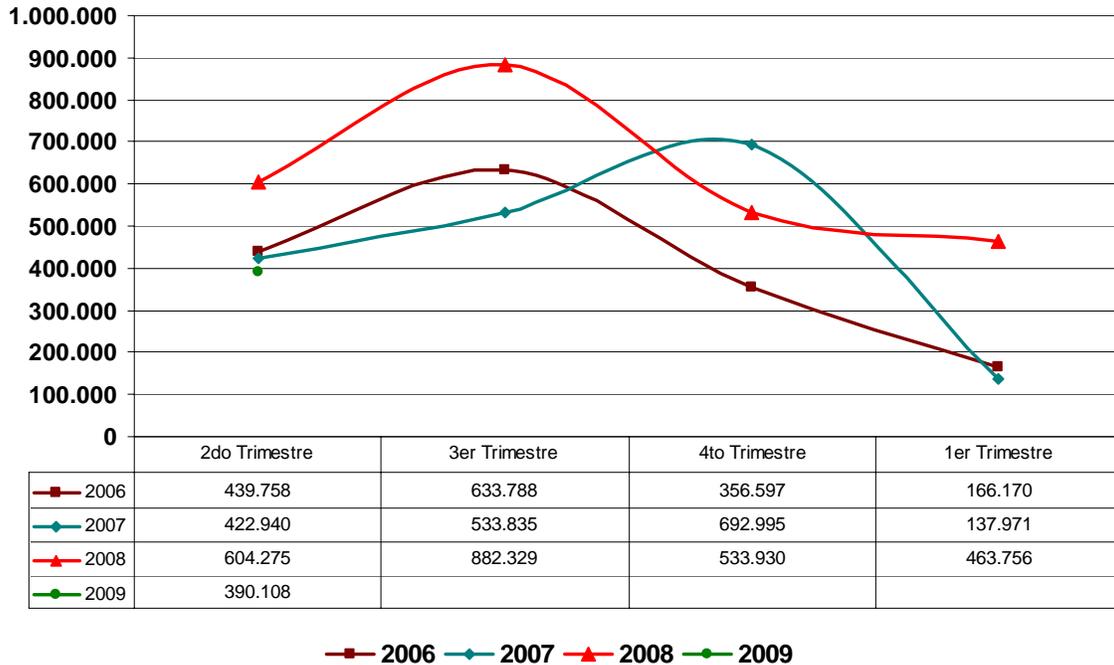
Cocoa

The following graphs show how cocoa exports vary according to the agricultural cycle followed by the business (by quarter):

**Cocoa Exports, Yungas of La Paz
(In Tons)**



Cocoa Exports, Yungas of La Paz (In US\$)



In terms of value, exports of cocoa and its by-products have improved every year since 2006, from the start to the end of the year. This was helped by the favorable climate in the international market price, especially for by-products with higher value added.



Cocoa dryer helps to produce a better quality bean

The volume exported, on the other hand, has diminished considerably every year since 2006. The important thing, however, is to look at the composition of cocoa exports. Because the farm-gate price paid to producers for cocoa beans has more than doubled since ARCo's intervention, it is no longer a good idea to export cocoa beans. Instead, it is better to export cocoa by-products with higher value added, which fetch a much higher price on the international market than raw cocoa beans.

This does not mean that fewer cocoa beans are being purchased from producers. Because of the ratio of cocoa beans needed to produce the by-products, the quantity being bought from producers continues to increase: one kilo of cocoa beans does not produce one kilo of cocoa butter, for example.

This market trend can be analyzed as follows:

From 2003 to 2007, the reference price in the New York futures market was between 1,500 and 2,000 \$/MT. In 2008, the reference price reached 3,500 \$/MT. It is hoped that the price will remain as high in 2009 or at least that it does not fall back to 2007 levels.

A second factor in the increase in value is that the Bolivian cocoa that is exported has certain particular qualities. The cocoa beans that are exported are a distinctive product. The main exporter, El Ceibo, with 65% of the export market, works with organic, fair trade and specialty cocoa, enabling it to obtain an incremental price averaging 4,500 \$/MT. The other major exporter, Repsa, with 25% of the market, likewise operates in niche markets that demand a high quality product, and obtains similar prices.

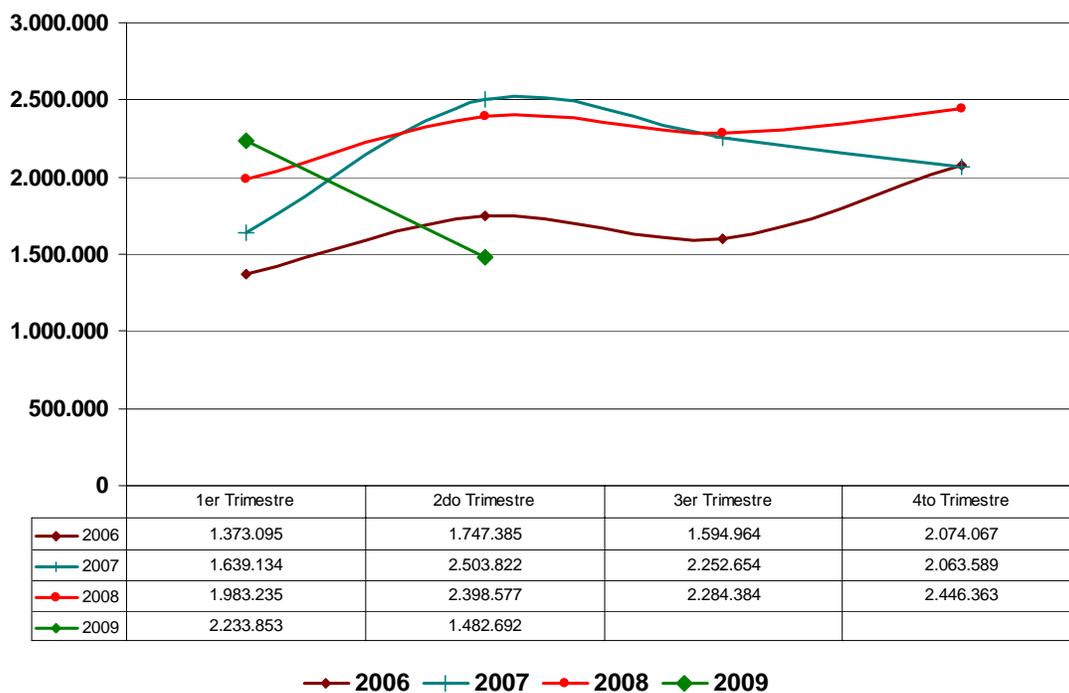
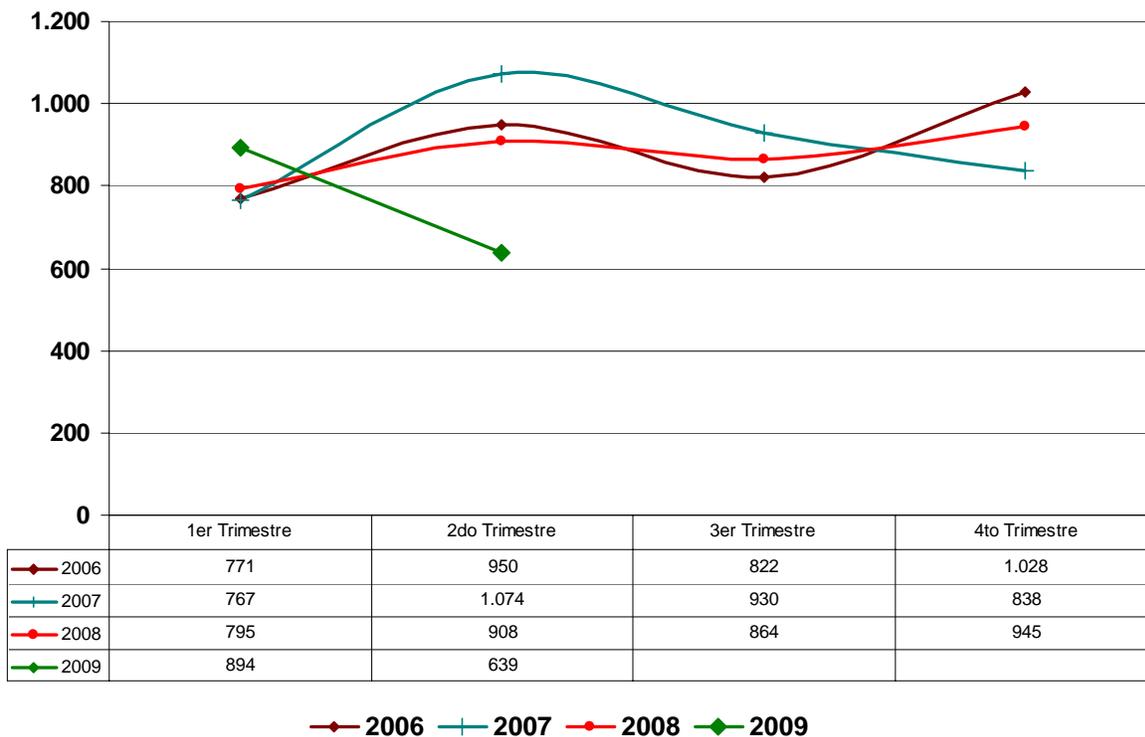
A third factor that explains the tendency for the value of cocoa exports to rise is that the type of product exported has changed significantly in the cocoa sector as a whole. The quantity of cocoa beans exported has noticeably reduced, but exports of chocolate, cocoa butter and cocoa liqueur have increased significantly. This means that the value of exports rises as well, because exports of a product with value added have increased.

With regard to the quantity exported, expressed in tons, the recommendation is to analyze trends and correlations by type of product exported. It should be taken into account that cocoa beans are the raw material for cocoa liqueur, cocoa butter and cocoa powder. It should also be remembered that chocolate is made from these products.

In comparison to coffee, one important difference is that the ratio of exports to production cannot be easily inferred, because the amount consumed by the domestic chocolate industry is significant and may be as high as 50%.

Palm Heart

VOLUME AND VALUE OF PALM HEART EXPORTS (in tons and US\$)



Exports increased in value and volume in 2006 and 2007. Prices also rose, especially in 2007. This had a positive effect, encouraging producers to plant more of the crop while the price they were paid was on the rise.

In 2008, the volume exported fell but the international market price improved. The crisis in the palm heart sector began in 2008 due to a reduction in world demand for palm heart in November and December that year. This was a result of the economic crisis, which particularly affected markets in the United States, Canada, France, Spain, Chile and Argentina. The export companies bore the brunt of the crisis, but their priority was to try to maintain their quotas with their clients or look for new markets. The result of this situation in the TC was that the “De La Selva” processing plant closed down in 2009, while the other four processing companies made significant investments in the hope that the market would recover in 2009.



In the first quarter of 2009, the value and volume of exports was higher than in previous years, and the rumor spread that the market for palm heart was starting to recover. Judging by the figures reported for the second quarter of 2009, however, the crisis was still hitting the main buyers in the United States, France, Spain, and particularly Argentina, very hard.

Banana

In the case of banana, the agricultural and business cycle starts in the second quarter of the year and ends in the first quarter of the following year.

If we look at exports in 2007, 2008 and 2009 (second quarter) in this way, we see that export volumes are higher at the start and the end of each year.

Exports at the start of 2009 were slightly lower than in 2008, but this was due to the early arrival of the cold winds from the south, which cause production to fall but also lead to a rise in the price. Buyers are always ready to increase their orders, but the climate has a strong influence on determining higher export volumes.

It is hoped that an early heat wave will help to increase production by the end of the fourth quarter and in the first quarter of next year.



An apprentice washing tools at a coffee processing plant for cleaner production

B. Environmental Competitiveness

Export markets are increasingly demanding products that are guaranteed free of pesticide residues, grown under social and environmental standards or certified. Certification is a very important mechanism to meet the standards for products free of pesticide residues to enter export markets.

With the support of ARCo, compliance with environmental standards is no longer seen as a bureaucratic hindrance but rather as an opportunity for producers to improve the quality of their products, reduce their costs and access markets.

The development vision promoted by ARCo is to generate sales and employment for local people in the Yungas of La Paz by supporting their businesses. ARCo aims to ensure that the businesses it supports not only result in sales but also lead to environmental and social benefits. Producers are motivated to practice sustainable production systems if market incentives compensate for the investment and additional costs involved. Environmental competitiveness is therefore based on improving producers' access to markets for organic and sustainably-produced food, and providing them with the knowledge they need to apply cleaner technologies and best production practices, in order to increase the competitiveness of their businesses. This includes the efficient use of productive resources by saving energy, cutting costs and preventing environmental impacts.

Benefits: Producers have learned to include environmental competitiveness factors in their business plans. This has helped them to:

- Meet the certification standards of export markets, which are usually very strict;
- Enter high-value markets and, as a result, obtain better prices as a reward for meeting standards and requirements;
- Improve the quality of their products, and
- Increase their likelihood of entering special niche markets which offer significantly higher prices.

ARCo provides technical assistance and helps producers to find solutions that counteract inefficiencies, as well as meeting the standards required to reach the market.

C. Internship Program

The purpose of the apprenticeship program is to provide students from disadvantaged families with the opportunity to gain practical experience and help more students, preferably from rural areas, to complete their degrees. The program serves to: a) communicate ARCo's values and objectives to different social groups, through its participants; b) provide new opportunities to achieve a positive institutional presence in society; c) develop social inclusion mechanisms and

offer human resources development opportunities in the Yungas and the Tropics of Cochabamba, and d) promote gender equity among ARCo clients.

The young people who participate in the program gain practical experience under the guidance and supervision of the project's technical staff, who act as their mentors. The length of the apprenticeship placements varies from 30 to 120 days.

Nine new apprentices joined the program in fiscal year 2009. Six are students from rural institutes and technical schools, and three are from the *Universidad Católica Boliviana* in La Paz. The skills they will gain in their apprenticeship placements include: the use of cleaner coffee production practices; cocoa harvesting, fermentation and drying processes; practical professional experience in journalism; analysis, validation and verification of co-investment and subcontracts data; business advisory services, focusing on productive credit; stevia, banana and pineapple production; and monitoring and evaluation. Many of the students from rural areas gain sufficient knowledge to be able to work as business advisers in their communities after finishing their apprenticeships. Thus, for example, the three students

from the Palos Blancos region who participated in the apprenticeship program in 2009 have now entered the labor market. They have stayed in their region and are now providing consultancy services to local producer organizations.



Janeth Mamani, apprentice from the *Unidad Académica Campesina Carmen Pampa*

To date, the program has provided 31 students with the opportunity to gain technical skills and experience. Five are still participating in the program and are due to complete their placements by January 2010.

D. Road Infrastructure and Geographic Information System (GIS)

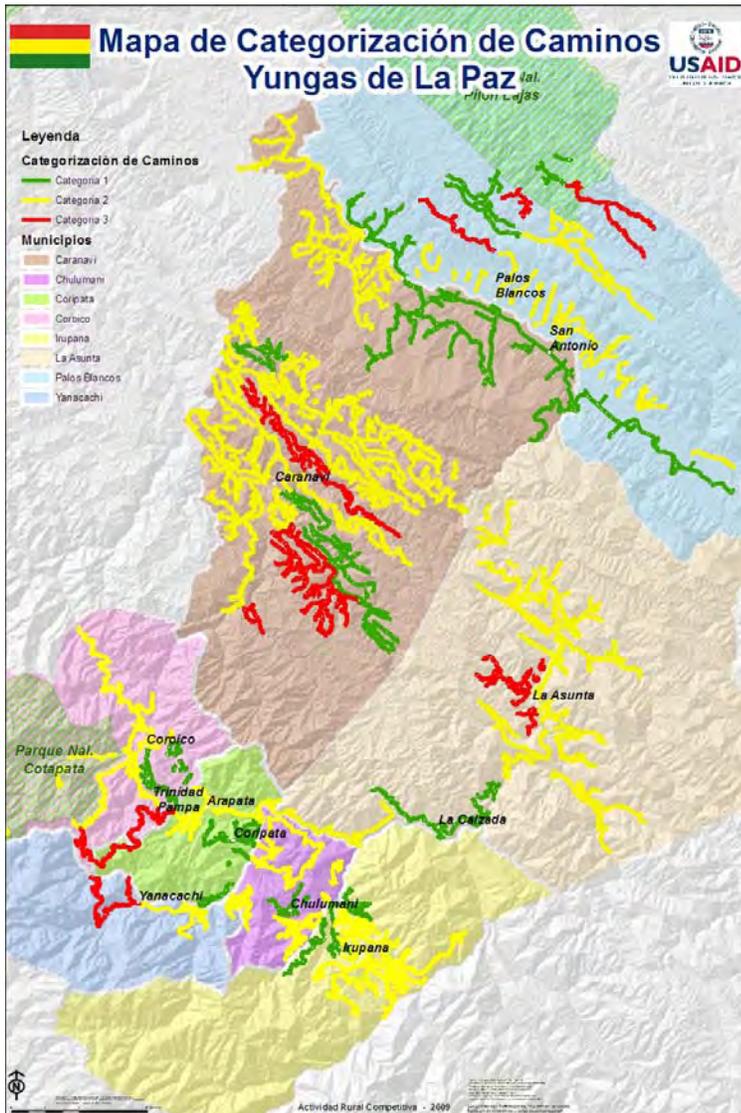
The improvement and maintenance of local roads is essential to economic and social development in rural areas. With better roads, it is easier for producers to reach markets and collection centers, thus improving their businesses and increasing their sales and income. With better road connections, families in rural communities can improve their quality of life through increased access to health and education services and other basic needs.

Since 2005, the ARCo project has prioritized road maintenance and improvement as an important component of the business approach that seeks to support economic and social development for communities and families in the economic corridors of the TC and YLP.

Over the last few years, USAID has worked with three institutions receiving funding from the Integrated Development Program in Bolivia for technical assistance, local road maintenance, the construction of small-scale bridges and environmental protection. These institutions are: the Rural Roads Unit (*Caminos Vecinales*), part of the Vice-Ministry of Coca and Integrated Development, which has ample experience of working in the Tropics of Cochabamba and the Yungas of La Paz; and the Road Maintenance Associations known as AMVI and AMVI II, which have mainly been working in the Tropics of Cochabamba.

D.1. The Geographic Information System (GIS)

In line with the business model promoted by ARCo, which links different stakeholders in value chains in the economic corridors where the project works, a strategy has been developed for the participatory prioritization of local road maintenance and improvement, based on the GIS.



The GIS methodology is based on the analysis of a set of roads with the same characteristics, looking at geographical location, topographical conditions, access routes and whether these stretches of road are connected to trunk roads.

Five basic variables are taken into account for the prioritization of the stretches of road:

- Value of the commercial products that are transported along each stretch of road, expressed in US dollars. This is known as the gross production value and it is calculated on the basis of the estimated quantity of crops, using satellite information and data gathered in the field, including the area of land planted with crops, productivity per hectare, the technology applied to a specific crop, price per ton, number of crates or units exported, etc, as well as data on livestock farming in the area surrounding each stretch

of road, defined as 150 meters from the center of the road on both sides.

- The number of people living in the area surrounding each stretch of road, using the National Institute of Statistics projected figures for 2007 based on the Population and Housing Census. Demographic information is an indicator of the social influence of each stretch of road.
- Organizations present along each stretch of road, using the information from the survey of organizations carried out by ARCo in 2007. The survey analyzed social organizations set up with the aim of carrying out different types of economic activity, and classified them in groups A, B and C. In Group A are producers who have previously received international cooperation support of some kind; Group B includes producer groups or

individuals who have the potential to grow but have not received any type of support, while Group C is made up of groups or individuals whose scales of production and levels of productivity are still low. The project's priority is to work with organizations or clients in Group B.

- Producers receiving support from the integrated development program through the Rural Competitiveness Activity, identifying those with productive potential who are considered project clients and who have the capacity to take forward a business and realize sales through commercial transactions with identified buyers.
- Length of each stretch of road in kilometers, as a variable that distinguishes between stretches of road of different lengths. This variable acts as a weighting factor to standardize the other variables.

This information was processed using geo-spatial analysis and the results were placed in a matrix. Each stretch of road was then prioritized by means of row-column weightings and index numbers. As a result of this process, each stretch of road was allocated its own level of priority within the universe of all stretches of road.

The process identifies seven categories of road, according to the level of priority assigned to each: 1) very high priority; 2) high priority; 3) medium to high priority; 4) medium priority; 5) low priority; 6) very low priority, and 7) no priority.

The model was agreed with representatives of the organizations responsible for road infrastructure and they are now using the categorization map as a basis for decision-making. It provides a reference framework to ensure that resources are invested in areas with higher productivity potential, a larger population, etc, thus contributing to the development of economic opportunities in rural areas and the sustainability of rural businesses.

The GIS has also meant that the funds allocated by USAID/Bolivia and by Bolivia itself, through the counterpart contributions provided by municipal governments and communities, are invested in a more rational and objective way in the maintenance and improvement of an extensive rural road network.

The prioritization strategy serves to focus resources on areas where people need to transport their products to economic corridors, and also meets social needs in areas with a higher population density. The strategy does not include roads in protected areas, national parks or indigenous territories, in order to avoid intervening in areas with environmental restrictions.

By March 2008, 117 kilometers of local roads in the TC had been prioritized by means of this methodology. Based on this result, an agreement was reached in the YLP region with municipal governments, producer organizations and groups, and other projects working in the region whereby they undertook to participate in the road prioritization process, which is now in the final stages.

The GIS has thus been used as an instrument that helps to prioritize activities and take decisions. It has proved to be an effective component of the participatory, low-cost road maintenance model.

D.2. Road Infrastructure – Support to the Rural Roads Unit (*Caminos Vecinales - CCVV*)

Tropics of Cochabamba:



In the framework of the agreement signed between the Government of Bolivia and USAID for the orderly exit from the Tropics of Cochabamba and the completion of works of infrastructure that were left pending due to the suspension of activities, the following results have been achieved:

Seven bridges have been completed in the TC. Work on these bridges had been suspended due to USAID's exit from the region. They were included in the CCVV annual work plan as follows:

Better roads for doing business

- Three bridges built under the contracting arrangement between CCVV and AMVI.
- Four bridges built under direct administration.

Yapacaní:

1. During this reporting period, maintenance and improvement work was carried out on 99.1 km of roads under the agreement signed between the Government of Bolivia and the Yapacaní Federation of Agricultural Producers' Unions (*Federación Sindical de Productores Agropecuarios de Yapacani*) for the maintenance of 600 kilometers of roads.
2. Maintenance and improvement work was carried out on 79.49 kilometers of roads and two small bridges were completed, in line with the CCVV work plan for 2009.
3. The improvement of 73 kilometers of roads was completed under the contracting arrangement between CCVV and AMVI during this same period.

Yungas of La Paz:

1. The asphaltting of the Suapi landing strip in Santa Ana de Huachi was completed, following lengthy administrative and technical negotiations with the contractor for the work (La Paz Departmental Roads Service).
2. Some of the projects that were authorized in 2008 by contracting them out to the OSCAR Project were implemented this year. The agreement authorizes CCVV to contract the OSCAR Project directly for the improvement of the following three stretches of road and complementary works:
 - Conclusion of the Charcas III – Chayanta II road improvement project

- Conclusion of the Claveles -Lucero-Vencedores road improvement project
 - Conclusion of 3 bridges in Claveles, Lucero and Sorata I.
3. The following work was implemented under direct administration this year: maintenance of 389.57 km of roads; improvement of 84.44 km of roads; and construction of 3 bridges. Maintenance work was carried out on 23.99 km of roads and 9 bridges were built during the same period under the contracting arrangement.
 4. On October 9, 2008, CCVV road machinery was unfortunately seized by the members of local communities in the Suapi area of the Municipality of Caranavi, who took the following items of equipment:
 - 5 dump trucks
 - 1 grader
 - 1 bulldozer
 - 1 excavator
 - 1 pick-up truck

The CCVV project has made several attempts to negotiate the return of its equipment, so far without success.

ATTACHMENT A

RESULTS BY PERFORMANCE INDICATOR

A.1 Total Sales Attributable to ARCo

Since the approval of the new PMP in April 2009, the factors monitored by ARCo for the incremental sales indicator are client sales, sector sales and future sales.

ARCo monitors the results achieved by clients through the Economic Service Centers, as well as the results of sectoral support such as banana and pineapple exports from the Tropics of Cochabamba. Since fiscal year 2008, the present value of future sales as a result of the support for new and rehabilitated hectares of permanent crops such as coffee and cocoa in the Yungas of La Paz is also calculated.

Tables A.1 and A.2 present a summary of this indicator for client sales, sector sales and future sales in the TC and YLP by fiscal year and quarter, compared to the cumulative benchmark for fiscal year 2009.

Quarterly sales results may have varied from the figures presented in the previous report. These changes are due to the final verification conducted by the monitoring and evaluation team.

**TABLE A.1: Performance Indicator: Value of Incremental Sales by Client and Sector
(in US\$ millions)**

	Achievements								Cumulative Benchmarks FY 2009	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009				Cumulative to September 2009		
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept			
TC Clients	1.7	4.6	17.8	6.6	5.4	4.4	4.6	45.1	37.1	122%
TC Banana Sector	4.9	3.1	1.1	0.0	0.0	0.0	0.0	9.1	10.6	86%
TC Pineapple Sector	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.5	0.6	82%
YLP Clients	1.1	2.5	3.5	1.8	0.7	1.4	1.9	12.9	10.2	127%
YLP Future Sales			0.3	1.2	-	0.1	0.3	1.8	3.0	60%
Total	7.9	10.4	22.9	9.6	6.2	5.8	6.7	69.4	61.4	113%

(*) Cumulative benchmarks to September 2009 corresponding to the current PMP (approved in April 2009).

ND: No data available

**TABLE A.2: Performance Indicator: Value of Incremental Sales by Region
(in US\$ millions)**

Region	Achievements							Cumulative to September 2009	Cumulative Benchmarks FY 2009	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009						
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept			
TC	6.8	7.9	19.1	6.6	5.4	4.4	4.6	54.7	48.2	113%
YLP	1.1	2.5	3.8	2.9	0.7	1.5	2.1	14.7	13.2	112%
Total	7.9	10.4	22.9	9.6	6.2	5.8	6.7	69.4	61.4	113%

(*) Cumulative benchmarks to September 2009 corresponding to the current PMP (approved in April 2009)

A.1.1 Sector Sales (Banana and Pineapple)

At this level ARCo credits itself for 100% of the value (FOB) of pineapple and banana exports from the Tropics of Cochabamba due to its multiple interventions that are continually carried out in this area and that help maintain and increase exports.

Exports or foreign sales attributable to ARCo until December 2008, excluding exports by ARCo clients, were worth US\$9.5 million. From January 2009 onwards, no information has been made available by CAMEX, and for this reason it is impossible to make the relevant calculation.

This calculation refers to incremental sales (total sales minus baseline sales) through exports. The sector base line for these products is 2004.

Table A.3 presents the incremental sales and cumulative sales from banana and pineapple exports from the Tropics of Cochabamba to December 2008, excluding client exports in order to avoid duplicating calculations.

**TABLE A.3: Summary of Incremental Sales from Banana and Pineapple Exports
(FOB Value, in US\$)**

Product	Achievements							FY 2009	Cumulative to September 2009
	FY 2006	FY 2007	FY 2008	FY 2009					
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Banana	4,863,303	3,125,438	1,086,076	ND	ND	ND	ND	0	9,074,817
Pineapple	218,655	109,160	140,249	ND	ND	ND	ND	0	468,064
Total	5,081,959	3,234,598	1,226,325	0	0	0	0	0	9,542,881

(*) Cumulative benchmarks to September 2009 corresponding to the current PMP (approved in April 2009)

ND: No data available

SOURCE: CAMEX

Table A.4 presents exports by clients from the Tropics of Cochabamba. This distinction is made in order to avoid duplicating calculations for sales in both the banana and pineapple sectors, since the total sales reported by clients are taken into account to arrive at the figure for total sales attributable to ARCo, excluding exports made by ARCo clients from the sectoral figures.

TABLE A.5: Summary of the Number of Clients with Sales Results, by ESC and quarter

ESC	FY 2006	FY 2007	FY 2008	FY 2009			
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept
ARCo TC	1	1	0	0	0	0	0
Ivirgarzama	42	61	91	90	90	90	86
Chimoré	20	46	57	55	54	53	53
ARCo YLP	1	0	1	1	0	0	0
Coroico	5	17	26	28	28	30	59
Palos Blancos	14	20	43	44	50	52	60
Grand Total	83	145	218	218	222	225	258

SOURCE: Co-Investment Unit and Monitoring and Evaluation Unit

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

Incremental and cumulative sales by **ARCo clients** reached more than US\$58 million by the end of September 2009, surpassing the cumulative benchmark for FY 2009. A summary by ESC and by quarter since ARCo activities began is presented in Tables A.6 and A.7.

TABLE A.6: Incremental Sales by ARCo Clients by ESC, region and quarter (in US\$ millions)

ESC	FY 2006	FY 2007	FY 2008	FY 2009				Total FY 2009	Cumulative Sales to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Ivirgarzama	1.1	2.3	8.9	3.0	2.6	2.3	2.1	10.0	22.3
Chimoré	0.6	2.3	8.9	3.6	2.8	2.1	2.5	11.0	22.8
Subcontracts in TC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TC Sub-Total	1.7	4.6	17.8	6.6	5.4	4.4	4.6	21.0	45.1
Coroico	0.1	0.5	1.0	0.4	0.2	0.2	0.3	1.2	2.8
Palos Blancos	0.4	2.0	1.7	0.5	0.5	1.2	1.5	3.8	7.9
Subcontracts in YLP	0.6	0.0	0.7	0.8	0.0	0.0	0.0	0.8	2.2
YLP Sub-Total	1.1	2.5	3.5	1.8	0.7	1.4	1.9	5.8	12.9
Total TC and YLP	2.8	7.1	21.3	8.4	6.2	5.8	6.4	26.8	58.1

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

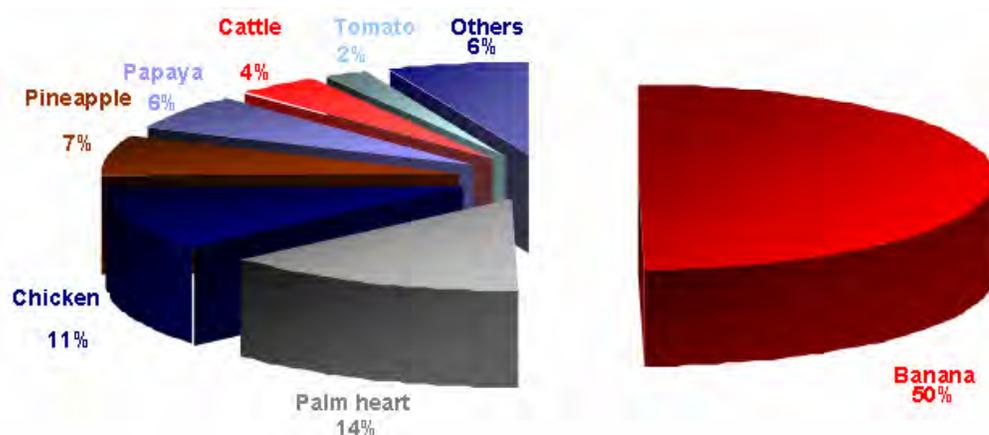
**TABLE A.7: Summary of Sales by ARCo Clients, by Region and Quarter
(in US\$ millions)**

Region	Achievements							Cumulative to September 2009	Cumulative Benchmarks FY 2009	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009						
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July- Sept			
TC	1.7	4.6	17.8	6.6	5.4	4.4	4.6	45.1	37.1	122%
YLP	1.1	2.5	3.5	1.8	0.7	1.4	1.9	12.9	10.2	127%
Total	2.8	7.1	21.3	8.4	6.2	5.8	6.4	58.1	47.2	123%

(*) Cumulative benchmarks to September 2009 corresponding to the current PMP (approved in April 2009)

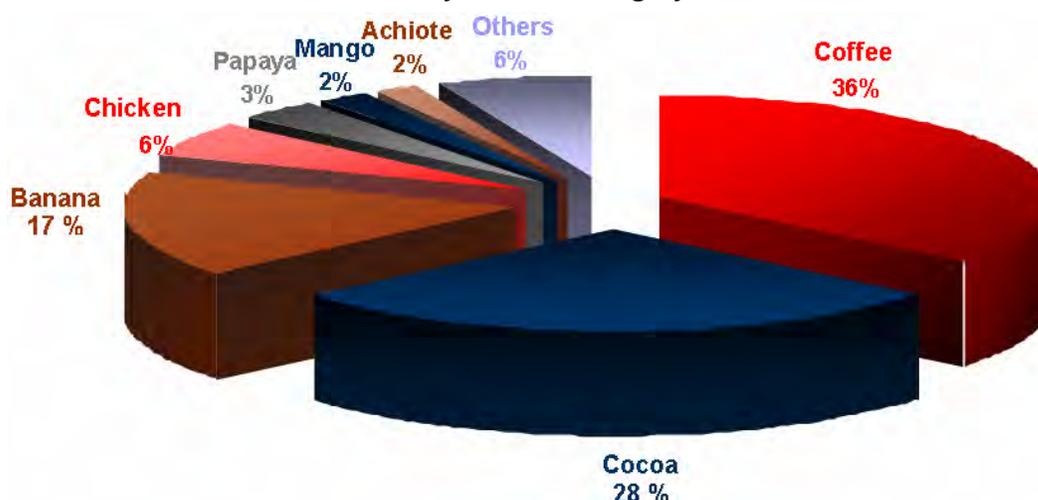
The main product categories in which work is currently being done in the Tropics of Cochabamba are banana, palm heart, chicken, pineapple, papaya, cattle and tomato. Other outstanding products include citrus fruit, plantain, fish, milk, cocoa, achiote, coffee, passion fruit, camu camu, turmeric, ginger and honey. The distribution of cumulative incremental sales to June 2009 is shown in Graph A.1.

**GRAPH A.1: Distribution of Client Incremental Sales from the Tropics of Cochabamba
by Product Category**



The distribution by product category of incremental and cumulative sales made by clients in the YLP to September 2009 is presented in Graph A.2. The distribution is mostly concentrated among the product categories of coffee, cocoa, banana, chicken, papaya, mango, achiote, and others including tea, amaranth, honey, tourism and clothing.

GRAPH A.2: Distribution of Client Incremental Sales from the Yungas of La Paz by Product Category



Tables A.8 and A.9 summarize incremental sales made by clients from the Tropics of Cochabamba and the Yungas of La Paz, respectively, by the product category in which work is being done in each region.

TABLE A.8: Incremental Sales by ARCo Clients from the TC by Product and Fiscal Year (in US dollars)

Product Category	FY 2006	FY 2007	FY 2008	FY 2009	Cumulative Incremental Sales to September 2009
Achiote	29,512	44,341	0	0	73,853
Rice	0	5,784	51,704	14,631	72,119
Handicrafts			4,328	5,298	9,626
Chicken			1,853,728	3,140,698	4,994,427
Banana	510,231	2,462,336	9,481,088	10,046,142	22,499,797
Cocoa	2,679	52,703	157,523	128,952	341,857
Coffee	13,306	18,908	28,320	2,571	63,105
Camu camu	6,563	51,475	3,832	1,527	63,397
Citrus Fruit	8,888	96,266	346,695	468,861	920,710
Clothing			8,466	0	8,466
Turmeric	9,200	56,663	90,359	116,409	272,631
Flowers	360	2,286	3,373	9,496	15,515
Forestry Products		0	49,249	14,103	63,352
Cattle	104,373	176,071	552,116	857,676	1,690,236
Agricultural Inputs	8,118	17,570		0	25,688
Ginger	4,742	18,123	17,438	11,682	51,985
Milk		6,811	192,178	113,484	312,473
Passion Fruit	1,141	21,163	14,607	22,586	59,497

Product Category	FY 2006	FY 2007	FY 2008	FY 2009	Cumulative Incremental Sales to September 2009
Honey	1,398	13,053	22,381	22,346	59,177
Other Services			4,163	16,313	20,475
Palm Heart	329,696	271,234	1,868,354	3,752,557	6,221,841
Papaya	9,335	184,741	1,171,605	1,419,802	2,785,482
Fish	7,951	61,976	83,839	142,880	296,647
Pineapple	596,754	740,924	1,398,728	444,621	3,181,028
Plantain		85,727	137,251	206,664	429,641
Agricultural Services	2,288	16,417	5,663	14,233	38,601
Tomato	69,668	225,514	282,741	0	577,923
Total	1,716,203	4,630,086	17,829,728	20,973,532	45,149,549

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

**TABLE A.9: Incremental Sales by ARCo Clients from the YLP
by Product and Fiscal Year
(in US dollars)**

Product Category	FY 2006	FY 2007	FY 2008	FY 2009	Cumulative Incremental Sales to September 2009
Achiote	46,986	43,226	114,043	36,715	240,970
Amaranth		17,143	76,417	93,955	187,515
Chicken		4,075	141,015	594,469	739,559
Banana	245,728	303,570	663,667	966,892	2,179,856
Cocoa	99,998	1,419,717	460,225	1,622,409	3,602,349
Coffee	664,170	660,645	1,593,746	1,709,217	4,627,778
Beef				138,082	138,082
Citrus Fruit	3,066	3,278	6,172	38,950	51,466
Clothing		4,386	22,481	19,258	46,125
Beans		44	4,213	11,570	15,827
Millk				4,631	4,631
Mango		0	151,505	131,879	283,384
Honey			45,000	80,631	125,632
Papaya		2,545	90,262	330,315	423,122
Tea	46,766	34,494	64,498	0	145,758
Tourism		12,954	52,474	30,147	95,575
Total	1,106,714	2,506,075	3,485,719	5,809,119	12,907,627

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

generated by pineapple exports, the exports of ARCo clients ABAPI, UNABANA, BOLIBANANA, EBITA, PROBITROC, NATURA, PROBANNER and APAVIR in the banana sector, and ABAPI and CIPAT in the pineapple sector, are subtracted from the total export volume.

The incremental export volumes for banana are multiplied by the factor 4.49 per MT in order to obtain the number of workdays generated. Similarly, the coefficient of 3.08 per MT is applied to estimate the workdays attributable to pineapple exports. These estimated workdays are then converted into equivalent jobs. For the TC, the factor of 155 workdays is equal to one permanent job. In the YLP, a permanent job is made up of 173 workdays. As mentioned earlier, no information is available from CAMEX to make the relevant calculation for sectoral employment in 2009.

Table A.13 shows the incremental export volumes for both sectors, excluding exports by the ARCo clients mentioned above.

TABLE A.13: Summary of Incremental Export Volumes for Banana and Pineapple from the TC (in tons)

Product	FY 2006	FY 2007	FY 2008	FY 2009				FY 2009	Cumulative Results to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Banana	103,535	72,465	77,225	18,685	ND	ND	ND	18,685	271,910
Pineapple	5,298	4,441	3,896	1,103	ND	ND	ND	1,103	14,738
Total	108,833	76,907	81,121	19,788	0	0	0	19,788	286,648

SOURCE: CAMEX

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

ND: No data available

Table A.14 summarizes the volume of banana and pineapple exports by ARCo clients.

TABLE A.14: Volume of Banana and Pineapple Exports by ARCo Clients from the TC, by Quarter (in tons)

Product	FY 2006	FY 2007	FY 2008	FY 2009				FY 2009	Cumulative Results to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Banana	3,131	6,604	29,760	8,431	ND	ND	ND	8,431	47,925
Pineapple	1,567	1,424	979	196	ND	ND	ND	196	4,166
Total	4,697	8,028	30,738	8,627	0	0	0	8,627	52,091

SOURCE: CAMEX

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

ND: No data available

TABLE A.15: Employment Generated by Banana and Pineapple Exports from the TC, by Quarter (in equivalent jobs)

Sector	Achievements								Cumulative to September 2009	Cumulative Benchmarks FY 2009	% Progress
	FY 2006	FY 2007	FY 2008	FY 2009				FY 2009			
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept				
Banana Sector	997	718	224	0	ND	ND	ND	0	1.939	2.215	88%
Pineapple Sector	61	54	43	0	ND	ND	ND	0	158	177	90%
Total	1.058	772	267	0	0	0	0	0	2.097	2.392	88%

(*) Cumulative benchmarks to September 2009 corresponding to the original PMP.
 ND: No data available

A.2.2 Employment Generated by ARCo Clients

The incremental quantity produced and sold, multiplied by the employment factor for each category, is used to calculate this indicator. A summary of equivalent jobs by quarter and by ESC is presented in Table A.16.

TABLE A.16: Incremental Employment for ARCo Clients by Region, ESC and Quarter (in equivalent jobs)

ESC	FY 2006	FY 2007	FY 2008	FY 2009				Total FY 2009	Cumulative Incremental Employment to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Ivirgarzama	190	506	1,058	309	362	237	210	1,119	2,873
Chimoré	167	594	1,676	548	451	379	353	1,730	4,166
Subcontracts in TC	0	1	-	-	-	-	-	-	1
TC Sub-Total	357	1,100	2,733	857	813	616	563	2,849	7,039
Coroico	18	83	265	117	48	59	71	296	662
Palos Blancos	161	278	450	106	85	122	134	447	1,336
Subcontracts in YLP	49	-	44	52	-	-	-	52	146
YLP Sub-Total	228	361	759	275	132	181	206	795	2,143
Total TC and YLP	585	1,462	3,492	1,132	945	797	769	3,644	9,182

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

A.3 Hectares Receiving Support from ARCo

Description:

The number of hectares dedicated to licit agricultural and/or forestry products that have been cultivated or expanded with ARCo's support (including forest management and the planting of forest products).

This shows the success of foreign assistance from the U.S. Government in convincing farmers to cease their economic dependency on illicit crops as their main source of income and to begin cultivating licit ones.

All the hectares of crops in which technological improvements have been introduced are counted under this indicator. These include: increase in plant density per hectare due to the provision of seeds, plants or seedlings; rehabilitation pruning, grafting, new areas planted with ARCo support, and other types of intervention such as investment to improve the soil.

Frequency: Annually

Results:

The area of land planted with new licit crops from the start of the ARCo project to September 2009 reached more than 13,500 hectares. Of the crops planted, the most outstanding are banana, palm heart, and fodder crops in the Tropics of Cochabamba and cocoa, banana, papaya and coffee in the Yungas of La Paz. However, ARCo has devoted its greatest efforts to interventions that improve productivity by hectare, rather than ones involving new planting.

These interventions include increasing planting densities for palm heart, the rehabilitation of abandoned cultivation areas for tea, and improved cultivation practices such as pruning and grafting for coffee and cocoa. In addition, in the Yungas de La Paz, the Supplier Development Program has recently been implemented for both coffee and cocoa. The hectares involved in this will be reported in future quarters following field verification.

The results to September 2009 are presented in the following tables:

TABLE A.17: Number of Hectares of New and Improved Licit Crops from ARCO's intervention to September 2009

Region	FY 2007	FY 2008	FY 2009				Total FY 2009	Cumulative Hectares to September 2009
			QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
Ivirgazama	3,902.5	1,406.9	26.8	298.0	4.0	0.0	328.9	5,638.2
Chimoré	1,319.1	2,622.3	48.0	233.7	9.0	90.0	380.7	4,322.2
TC Sub-Total	5,221.6	4,029.2	74.8	531.8	13.0	90.0	709.6	9,960.3
Coroico	217.3	165.3	164.8	65.5	33.7	0.0	264.1	646.6
Palos Blancos	69.7	2,139.1	338.9	43.0	166.0	154.0	701.9	2,910.7
YLP Sub-Total	286.9	2,304.4	503.7	108.5	199.7	154.0	966.0	3,557.3
Total TC and YLP	5,508.5	6,333.6	578.5	640.3	212.7	244.0	1,675.5	13,517.6

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

**TABLE A.18: Number of Hectares of New and Improved Licit Crops
from ARCo's intervention, by fiscal year
Trópico de Cochabamba**

Product Category	Improved Hectares			Total Improved Hectares	New Hectares			Total New Hectares	Grand Total
	FY 2007	FY 2008	FY 2009		FY 2007	FY 2008	FY 2009		
Achiote	83.0	0.0		83.0	0.0	0.0		0.0	83.0
Rice	0.0	0.0	0.0	0.0	0.0	67.0	0.0	67.0	67.0
Banana	2,132.0	1,633.5	2.0	3,767.5	0.0	0.0	2.0	2.0	3,769.5
Cocoa	0.0	225.5	0.0	225.5	0.0	0.0	0.0	0.0	225.5
Coffee	61.0	0.0	0.0	61.0	0.0	0.0	0.0	0.0	61.0
Camu Camu	77.0	0.0	0.0	77.0	0.0	0.0	0.0	0.0	77.0
Turmeric	29.0	0.0	0.0	29.0	0.0	0.0	0.0	0.0	29.0
Flowers		25.0	0.0	25.0		0.0	0.0	0.0	25.0
Cattle	1,046.0	69.0	0.0	1,115.0	0.0	23.0	0.0	23.0	1,138.0
Passion Fruit	18.0	0.0	0.0	18.0	33.8	63.7	0.0	97.5	115.5
Oranges	141.0	44.0	0.0	185.0	0.0	0.0	0.0	0.0	185.0
Palm Heart	0.0	581.2	0.0	581.2	798.0	1,063.1	586.1	2,447.1	3,028.4
Papaya	29.5	36.5	0.0	66.0	99.5	85.5	17.0	202.0	268.0
Fish	0.0	0.0	0.0	0.0	13.6	20.7	3.5	37.8	37.8
Pineapple	493.5	5.0	69.0	567.5	123.7	66.4	25.0	215.1	782.6
Plantain	43.0	20.1	0.0	63.1	0.0	0.0	5.0	5.0	68.1
Grand Total	4,153.0	2,639.8	71.0	6,863.8	1,068.6	1,389.4	638.6	3,096.5	9,960.3

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

**TABLE A.19: Number of Hectares of New and Improved Licit Crops
from ARCo's intervention, by fiscal year
Yungas of La Paz**

Product Category	Improved Hectares			Total Improved Hectares	New Hectares			Total New Hectares	Grand Total
	FY 2007	FY 2008	FY 2009		FY 2007	FY 2008	FY 2009		
Amaranth	0.0	0.0	0.0	0.0	0.0	52.8	113.0	165.7	165.7
Banana	0.0	30.0	0.0	30.0	4.0	294.8	31.0	329.8	359.8
Cocoa	54.8	989.7	0.0	1,044.4	1.5	651.3	265.9	918.7	1,963.2
Coffee	58.0	27.1	420.2	505.3	20.0	42.1	49.4	111.5	616.8
Beans	0.0	0.0	0.0	0.0	9.5	22.0	24.5	56.0	56.0
Papaya	3.5	15.8	0.0	19.3	5.9	157.6	62.0	225.5	244.8
Tea	100.9	0.0		100.9	28.9	21.4		50.2	151.1
Grand Total	217.2	1,062.6	420.2	1,699.9	69.8	1,241.9	545.7	1,857.4	3,557.3

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

A.4 Number of Beneficiary Families

Description:

The number of direct beneficiary families includes the families that receive technical assistance from ARCo through the ESCs or another ARCo subcontractor and/or that sell their products through an ARCo client.

Given that ARCo's objective is to promote businesses, it is in ARCo's interest to help the largest possible number of families to go into commercial agriculture (business) by leaving traditional subsistence farming.

Frequency: Annually

Results:

The number of families benefiting from ARCo clients is obtained from client statements through six-monthly monitoring forms.

The number of families is not calculated cumulatively year on year in order to avoid duplication, since it is not known if the number of beneficiary families in one fiscal period includes the same number of beneficiary families from the previous period.

The number of families benefiting from ARCo reached a total of 5,419 at the end of the 2007 fiscal year. It should be noted that this number of families is not duplicated by ARCo within a given year. 9,104 families benefited in the 2008 fiscal year, this being a new calculation from the beginning of this period.

In fiscal year 2009, from October 2008 to September 2009, the total number reported was 11,221 families, with a reduction of 27% in the Tropics of Cochabamba and an increase of 144% in the Yungas of La Paz since the previous fiscal year. A summary is presented in Table A.20.

TABLE A.20: Summary of the Number of Families Benefiting from ARCo Clients by ESC

ESC	Non-Duplicated Families FY 2006	Non-Duplicated Families FY 2007	Non-Duplicated Families FY 2008	Non-Duplicated Families FY 2009	Cumulative Number of Families to September 2009
Ivirgarzama	1,984	2,350	3,151	2,583	4,406
Chimoré	535	1,330	3,716	2,438	3,808
Subcontracts in TC	ND	ND	ND	ND	ND
TC Sub-Total	2,519	3,680	6,867	5,021	8,214
Coroico	473	747	1,626	2,569	2,971
Palos Blancos	798	790	911	3,040	3,446
Subcontracts in YLP	413	202	0	591	942
YLP Sub-Total	1,684	1,739	2,537	6,200	7,359
Total YLP and TC	4,203	5,419	9,404	11,221	15,573

SOURCE: ESCs

PREPARED BY: ARCo Monitoring and Evaluation Unit, October 2009

ND = no data available

The cumulative number of families to September 2009 is the sum of the highest numbers reported by each ARCo client from FY 2006 to FY 2009, thus avoiding duplication in counting the cumulative number of families.

TABLE B.3: ARCo – FIE Program
Summary of Portfolio Transactions by Credit Use
(to June 30, 2009)

Credit Use	Cumulative Portfolio Disbursements to June 30, 2009	
	Number of Transactions	Amount (in US\$)
1) Value Chains	1,192	4,132,380
a) Working Capital	669	2,223,283
POF Loans	289	2,622,335
b) Investment Capital	523	1,909,097
2) Micro-credit	2,707	8,248,125
a) Working Capital	1,460	3,999,857
b) Investment Capital	1,247	4,248,269
3) Housing	895	3,551,211
4) Unrestricted Use	1,837	2,731,893
Total	6,587	18,552,665

For the purposes of the ARCo - FIE program, credit use is classified according to the following definitions:

Value Chains: corresponding to credit for financing working capital and/or investment capital loans within a value chain, such as palm heart, banana, pineapple, camu camu, flowers, cocoa, coffee, tea and so forth.

Microcredit: corresponding to credit for financing working capital and/or investment capital loans outside of production chains, such as the sale of goods or consumer articles.

Housing: corresponding to credit for financing construction and the acquisition and/or extension of housing real estate.

Unrestricted Use: corresponding to credit for financing personal expenses such as food, travel, health care, the purchase of consumer goods and so forth.

TABLE B.4: ARCo – FIE Program
Summary of Deposits Received by FIE Branch Office
(Cumulative Amounts to June 30, 2009)

Branch Office	Savings Accounts		Fixed-Term Deposits	
	Number of Accounts	Amount (in US\$)	Number of Accounts	Amount (in US\$)
Coroico	1,482	426,519	96	228,601
Caranavi	2,377	1,045,478	171	418,700
Palos Blancos	1,222	280,074	63	193,364
Chimore	2,275	1,100,807	44	136,513
Ivirgarzama	1,691	684,007	58	224,509
Total	9,047	3,536,885	432	1,201,687

B.3 Ratio of Subsidies to Sales

The ratio of subsidies to sales shows the cumulative total annual amount of subsidies financed by USAID and provided to ARCo clients as a percentage of cumulative total annual sales in US\$. A subsidy is defined as the total amount in cash transferred to ARCo clients, plus the value of any infrastructure, technical assistance (including training), equipment, tools and other assets.

The amount of the subsidy does not include subsidies for stabilization and emergencies or support for public infrastructure.

The ratio of subsidies to sales (or return factor) to September 2009 is 1:10. This means that for every dollar directly invested in businesses (through co-investments, direct technical assistance, subcontracts or business management support), approximately ten dollars was earned in incremental sales by ARCo clients, as shown in Tables B.5 to B.7.

**TABLE B.5: Return Factor: Ratio of Subsidies to Sales
Tropics of Cochabamba and Yungas of La Paz**

Region	Cumulative Results FY 2006	Cumulative Results FY 2007	Cumulative Results FY 2008	Cumulative Results FY 2009
Tropics of Cochabamba	1 : 5.6	1 : 5	1 : 18.1	1 : 17.1
Yungas of La Paz	1 : 1.7	1 : 3.9	1 : 3.5	1 : 4.4
Total	1 : 2.9	1 : 4.5	1 : 10.8	1 : 10.5

SOURCE: ESCs and ARCo Subcontracts and Co-Investment Unit

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TABLE B.6: Summary of Incremental and Cumulative Sales made by ARCo Clients, by Region, Fiscal Year and Quarter (in US\$ millions)

Region	FY 2006	FY 2007	FY 2008	FY 2009				FY 2009	Cumulative Results to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
TC	1.7	4.6	17.8	6.6	5.4	4.4	4.6	21.0	45.1
YLP	1.1	2.5	3.5	1.8	0.7	1.4	1.9	5.8	12.9
Total	2.8	7.1	21.3	8.4	6.2	5.8	6.4	26.8	58.1

SOURCE: ESCs

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**TABLE B.7: Summary of Subsidies Given to ARCo Clients
through Subcontracts/Co-investments:
Cumulative Values by Region, Fiscal Year and Quarter
(in US\$ millions)**

Region	FY 2006	FY 2007	FY 2008	FY 2009				FY 2009	Cumulative Results to September 2009
				QI Oct-Dec	QII Jan-Mar	QIII Apr-June	QIV July-Sept		
TC	0.3	0.9	1.0	0.3	0.0	0.0	0.0	0.4	2.6
YLP	0.7	0.6	1.0	0.3	0.0	0.1	0.2	0.6	2.9
Total	1.0	1.6	2.0	0.6	0.1	0.1	0.2	1.0	5.5

SOURCE: ESCs

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