

ECUADOR LOCAL BUSINESS DEVELOPMENT PROGRAM (PRODEL)

Cooperative Agreement #518-A-00-08-00002-00

Fiscal Year 2009 1st Quarter Progress Report



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DISCLAIMER

In the case of discrepancies between weekly updates and the PRODEL Quarterly Progress Report, the PRODEL Quarterly Progress Report will take precedence as the official report of the Associate Award.

ACRONYM LIST

AACRI	Río Intag Small Coffee Producers Association
AAPPSME	Agro-artisan Association of Producers of Dry Medicinal Plants of Ecuador
AED	Academy for Educational Development
APROCA	Atacames Cacao Producers Association
APROCASH	Shushufindi Cacao Producers Association
ASOGUABO	Association of Small Banana Producers of Guabo
BNF	Ecuadorian National Development Bank
CABP	Certification of Agricultural Best Practices
CFN	National Financial Corporation
COFINA	National Fine Chocolates
CORPEI	Corporation for the Promotion of Exports and Investments
ECOLAC	The Technical University of Loja Dairy Factory
EPF	Enterprise Partnership Fund
ESCOFFEE	Special Coffee of Ecuador
FAPECAFES	Regional Federation of Associations of Small Ecological Coffee Growers of the South
FIELD Support	Financial Integration, Economic Leveraging, Broad Based Dissemination and Support
IFC	International Finance Corporation
INAGROFA	Freund Industrial Agricultural Arroyo
IOM	International Organization for Migration
IRS	Internal Revenue Service
LWA	Leader with Associates
M&E	Monitoring and Evaluation
ME&R	Monitoring, Evaluation and Reporting System
MYPE	Medium and Small Enterprises
PIDEM	Municipal Integrated Development Program
PROCAFEQ	Coffee Producers of Quilanga
PRODEL	Local Business Development Program
SALINERO	Cacao Producer Company
SIGGLO	Local Governments Information and Managing System
USAID	United States Agency for International Development
VAT	Value-Added Tax

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Program Overview

Background

Under the FIELD-Support LWA, USAID/Ecuador issued a 22-month Cooperative Agreement for the Local Business Development program, or Programa de Desarrollo de Empresas Locales (PRODEL) as it is known locally in Ecuador. PRODEL is managed by the prime recipient, the Academy for Educational Development (AED), and administered in the field by lead implementing partner ACDI/VOCA. CARE joins ACDI/VOCA to assist with the on the ground implementation efforts in Ecuador. The effective date of the Associate Agreement is November 30, 2007 with an estimated completion date of September 30, 2009 with a total estimated award amount of \$6,296,285.

PRODEL is a key component of the Government of Ecuador's Plan Ecuador program whose overall goal is to foster peace, development, citizen security, territorial integrity and a greater quality of life for all inhabitants of the northern border region of the country. This goal is supported by USAID/Ecuador and other donors.

Program Description

PRODEL's objective is to increase income and employment for families along the northern and southern border areas by supporting the expansion of private enterprises that will rapidly generate income and employment, and by strengthening local private producer groups and associations. To do this, PRODEL provides demand-driven assistance packages (technical assistance, targeted training and small grants) to stimulate and facilitate increased investments in strategically-selected agribusiness and non-agricultural anchor firms and their networks of suppliers and ancillary firms with a commitment to the growth of their businesses and the potential to generate significant increases in income and employment. PRODEL's interventions ensure growth and employment generation through local business development that will continue beyond the life of the PRODEL program by focusing on developing relationships, increasing skills, alleviating constraints, promoting a business friendly enabling environment and linking firms into markets.

In support of the above objectives, PRODEL has created the Enterprise Partnership Fund (EPF) to provide technical and co-financing assistance tailored to the specific needs of each anchor firm, using local service providers to the extent possible to ensure program sustainability. The assistance packages include a combination of market development, financing, accounting, management assistance and skills training depending on the specific challenges facing each anchor firm. PRODEL collaborates with existing financial institutions and directly brokers financing arrangements between banks, finance companies and microfinance institutions on the one hand and participating anchor firms and members of their value chain on the other.

During the course of PRODEL, at least 20 anchor firms will receive business development assistance within approximately ten municipalities. PRODEL will assist the business community to identify and analyze policy-related constraints and to constructively contribute to municipal-level planning and decision-making (through collaboration with other USAID projects) to improve the local business climate.

Areas of Implementation

PRODEL is implemented through six key areas:

- **Municipal Strengthening:** The PRODEL team recognizes that successful, equitable economic growth requires the development of competitive enterprises supported by effective local governments that instill trust in local institutions, both formal (laws, rules) and informal norms and conventions. The PRODEL team seeks to coordinate with programs such as MYPE Competitiva based in Peru along with the International Finance Corporation (IFC) of the World Bank Group to analyze ways to improve municipal responsiveness to businesses. Further, PRODEL supports and promotes advocacy on behalf of the private sector for improved business environments through periodic workshops conducted by program technical staff.
- **Working with Anchor Firms:** PRODEL provides demand-driven assistance packages (technical assistance, financing and targeted training) to stimulate and facilitate increased investments in strategically-selected agribusiness and non-agricultural anchor firms. Through the Enterprise Partnership Fund (EPF), PRODEL strengthens anchor firms by helping them address their business needs and constraints. Technical assistance is provided to the anchor firms in the areas of marketing, business management, leadership, finance, accounting, administration, business plan development and implementation, production and quality improvement, packaging and sales promotion, and international standards and certifications procedures. Through discussions with USAID, related donor-funded projects, chambers of commerce and business associations, industries within which potential anchor firms are known to operate are identified, and a selection matrix has been developed to include a transparent scoring system.
- **Upgrading the Vertical and Horizontal Linkages:** PRODEL intervenes at key nodes and links within an anchor firm's business system that make up the firm's network of economic relations, to address constraints to that firm's ability to grow. PRODEL focuses on farming as a business, appropriate technology transfer, best practices and better business standards, strengthening market linkages, embedded services, association development and promoting strategic public-private partnerships.
- **Pulling in Local Service Providers:** The delivery of services is carried out using PRODEL local business development specialists and through contracting with local service providers.
- **Strengthening Local Business Environment:** PRODEL works with local municipalities and the private sector to improve the local business environment.
- **Integrating Cross-Cutting Themes:** PRODEL targets women for inclusion in the program, makes environmental considerations an integral part of the design and

execution of program interventions and trains participating anchor firms and companies managing end markets to promote socially responsible practices.

Monitoring and Evaluation

The Monitoring, Evaluation and Reporting (ME&R) System focuses on the six key indicators shown in Table 1 below. At the request of USAID, the indicator designed to measure increase in sales will be used as a proxy to calculate the increase in participating household incomes for the program. In addition to the indicators below, the ME&R system also monitors changes in the municipalities and anchor firms that partner with the PRODEL program. The partner municipalities are monitored using the Local Government Information and Management (SIGGLO) system, which measures the efficiency of the local governmental administrative and financial processes in the PRODEL region of influence.

The purpose of monitoring the municipalities is to learn of their participation and involvement in the general PRODEL strategy to create a favorable environment within the municipality for business development. The anchor firms are monitored using standard financial indicators, including measures of liquidity, debt, profitability, management, assets and reinvestment. The purpose of monitoring the anchor firms is to determine the financial situation of the business with the understanding that they will guarantee the future sustainability of the value chain. In the upcoming quarter, PRODEL will continue to refine its ME&R plan, including working with additional anchor firms to determine baselines, agree on specific targets, link those targets and strategies to reach them and prepare performance indicators according to the nature of each business.

Table 1: Key Progress Indicators and Targets

INDICATOR	LIFE OF PROJECT TARGET	BASE LINE	CUMULATIVE PROGRESS TO DEC 2008
Number of families linked to anchor firms receiving PRODEL assistance	8,000	2,295	4,144
Hectares of licit crops cultivated by producer families supplying PRODEL anchor firms	+ 4,000	2,296	4,202
Number of new full-time equivalent jobs for producers linked with PRODEL anchor firms	+ 4,000	1,032	3,023
Increase in anchor firm sales (\$)*	\$6,264,485	\$ 4,176,323	\$5,620,888**
Increase in anchor firm sales (%)*	+50%	n/a	116% of FY 08 goal achieved
Number of small and medium enterprises (anchor firms) assisted by the PRODEL program	20	0	12
Number of municipalities assisted and that contributed to improve the business environment	10	0	4

* Information provided is for the first 10 Anchor Firms

** FY08 Progress is reported from January to September 2008

Executive Summary

This report covers activities undertaken and results achieved during the first quarter of Fiscal Year 2009 (October 1–December 31, 2008). The indicators for PRODEL goals and objectives are being reported on a cumulative annual basis. PRODEL’s main achievements during this quarter include the following:

- A total of 8,595 producers linked to the 21 selected anchor firms have been identified to date to participate in the PRODEL program. Of these producers a total of 1,835 received training through the farmer field schools in the 1st quarter of FY 2009. In addition, a total of 4,144 producers participated in technical assistance activities implemented through the PRODEL program during this quarter.
- During the 1st quarter of FY 2009 the PRODEL team completed the selection and approval process for ten additional anchor firms for a total of 20 firms to participate in the program as of December 31, 2008. In addition, one firm was given the “no objection” during this past quarter and is scheduled to be considered in an anchor firm technical committee approval meeting for early next quarter to reach a total of 21 anchor firms participating in the program.
- The PRODEL technical team worked with nine anchor firms and their producers to develop business plans through workshops held at their place of business. The nine anchor firms and their producers participated in this business planning process as of December 31, 2008. The two remaining business plan workshops will be held during the second quarter of FY 2009.
- The PRODEL ME&R system specialist gathered the baseline data for the ME&R system for the first 20 anchor firms during business planning workshops with producers and anchor firms and established quarterly and cumulative targets for the program.
- Enterprise Partnership Fund disbursements continued for the first 10 PRODEL anchor firms during the 1st quarter of FY 2009. The current grants in progress total \$2,476,010 USD with an additional \$3,397,094 in anchor firm leveraged funding for the program for a total of \$5,873,104 in PRODEL and leveraged funds.
- The CARE PRODEL team conducted assessments for the 12 participating PRODEL municipalities to determine the baseline and develop a plan to improve the business environment for companies operating within these jurisdictions. Emphasis was placed on the measurement of three elements

pertaining to business registration: time, cost, and number of steps to register a business.

- Representatives from PRODEL coffee anchor firms and producers, Café Veléz, Café Galletti, Escoffee, and FAPECAFES participated in the second annual Ecuadorian Taza Dorada coffee taste testing competition, which qualifies specialty Arabica Coffees for the domestic Ecuadorian and international marketplace. The competition featured international judges from the United States, Guatemala, Colombia, and Peru. The Procafe coffee producers association linked to the FAPACEFE PRODEL anchor firm took first place honors in the event.
- Representatives from PRODEL anchor firms, SKS, Ecuatoriana de Chocolates, APROCA, and ESCOFFEE and their producers attended the 1st Annual Ecuador “ChocoFest -- In the Land of Cacao” held in Guayaquil. The anchor firms and producers participated with booths featuring their products and SKS and Ecuatoriana de Chocolates made presentations on their work in social responsibility in business. The event was held from November 20-23, 2008.
- In the continuing search for financial resources available to PRODEL anchor firms and their producers, the PRODEL financial specialist worked with the Ecuadorian National Development Bank (BNF) to schedule at least 20 presentations focused on access to credit for approximately 1,400 producers to be carried out in the second quarter of FY 2009. Arrangements were also made with the Ecuadorian National Micro-Finance System to conduct a workshop early next quarter with PRODEL producers and associations to structure credit mechanisms to access working capital financing for crop harvesting labor.
- The US Ambassador to Ecuador hosted a chocolate tasting contest in the US Embassy in Quito featuring several PRODEL anchor firms. Participating firms were judged on the quality of their products based on taste, color, and aroma.
- The US Ambassador to Ecuador distributed Christmas baskets to friends and colleagues in the US and Ecuador featuring coffee and chocolate products manufactured by PRODEL anchor firms.

1. Municipality Strengthening

Municipal support provided through PRODEL aims to strengthen the local business environment in selected municipalities.

Selected PRODEL municipalities include:

1. Mira – Northern Border, Highlands Region
2. Cotacachi - Northern Border, Highlands Region
3. Pimampiro - Northern Border, Highlands Region
4. Lago Agrio - Northern Border, Amazon Region
5. Putumayo - Northern Border, Amazon Region
6. Joya de los Sachas - Northern Border, Amazon Region
7. Eloy Alfaro - Northern Border, Coastal Region
8. Río Verde - Northern Border, Coastal Region
9. Atacames - Northern Border, Coastal Region
10. Loja - Southern Border, Highlands Region
11. Chaguarpampa - Southern Border, Highlands Region
12. Puyango - Southern Border, Highlands Region

Each municipality is conceived of as a cantonal territory and not as a governmental entity. Workshops and meetings are coordinated among municipalities and the organized private sector to achieve this program goal.

The following table lists the municipalities that have been identified for participation in the PRODEL program as of the 1st quarter of FY 2009.

Table 2: Distribution of Municipalities with Direct and Indirect Impact

	ANCHOR FIRMS	MUNICIPALITIES	
		DIRECT IMPACT	INDIRECT IMPACT ¹
COFFEE			
1	GALLETTI	Mira	Quilanga
2	VELEZ	Chaguarpampa	Olmedo, Palta, and Cariamanga
3	AACRI	Cotacachi	--

¹ Municipalities receiving indirect benefits from PRODEL are projected to receive economic development benefits as a result of the implementation of PRODEL, whereby new jobs are being created and producer incomes are increasing within these jurisdictions.

4	SOL DE ORIENTE	Lago Agrio and Putumayo	Cuyabeno, Shushufindi, Cascales, Joya de los Sachas and Gonzalo Pizarro
5	ESCOFFEE	Puyango	Chaguarpamba, Orellana and Loreto
6	FAPECAFE	Puyango	Espíndola, Quilanga, Zamora, and Palanda
CACAO			
7	APROCA	Río Verde	Atacames and Muisne
8	ECUATORIANA DE CHOCOLATES	Eloy Alfaro	Yantzaza and El Pangui
9	SKS	Atacames	Quininde
10	AROMA AMAZÓNICO	Lago Agrio y Joya de los Sachas	Cuyabeno, Shushufindi, Cascales and Gonzalo Pizarro
11	COFINA	Joya de los Sachas municipality	
12	AAPROCASH		Shushufindi
13	Salinero	Eloy Alfaro	Esmeraldas
DAIRY			
14	MONDEL	Mira	Tulsans and Bolivar
15	ECOLAC	Loja	Zamora
HERBS			
16	AAPPSME	Loja	--
GRAINS			
17	INAGROFA	Pimampiro	Ibarra
18	Cereales Andinos		Otavalo
FRUITS			
19	ASOGUABO		Piñas, Las Lajas, Balsas, El Guabo
20	Jugo Fácil	Atacames, Río Verde	Esmeraldas

1.1 Achievements during the Quarter



During the 1st quarter of FY 2009, Angelica Matsuda, Deputy Director of the USAID MYPE Competitive Program in Peru visited Ecuador to provide support to the PRODEL municipality component. Ms. Matsuda presented her experiences in municipal development in Peru in a briefing to mayors of border cantons, municipal officials, USAID

representatives, and ACDI/VOCA and CARE PRODEL team members in Quito. Ms. Matsuda's presentation helped guide PRODEL team members with suggestions for a model of support for the 12 municipalities directly participating in the program. In addition, Ms. Matsuda visited two municipalities - Pimampiro and Mira - to explore and evaluate the possibility of applying the MYPE Competitiva administrative simplification support model with PRODEL municipalities here in Ecuador.

Ms. Matsuda summarized the results of her visit in a report sent to PRODEL and USAID. In it, she indicated that it was not recommendable to implement the administrative simplification methodology in the municipalities she visited due to upcoming elections in Ecuador at the municipal level. However, she did provide various recommendations for administrative simplification to the two municipal offices visited based on the experiences with the methodology implemented in Peru.

During this quarter, PRODEL program sub-contractor CARE hired consultants to perform assessments of the business climate in each of the 12 participating municipalities. This made it possible to establish a baseline with benchmarks, measures, mechanisms, participants and actions that will take place in each canton in order to improve the business climate. This assessment evaluated the following:

- The political will of the local authorities to work toward establishing an improved business climate.
- The identification of key stakeholders to carry out the process.
- The process of business authorization and implementation within the municipal office and the municipality as a whole including other entities involved, for example the IRS and the fire department.

- Steps to develop a model to improve the business climate in the selected municipalities.

A joint PRODEL and PIDEM (IOM project) workshop was held at which PRODEL local business advisers presented productive infrastructure improvement projects for possible funding through PIDEM or other donors in Ecuador. A tentative list of potential projects was established during the workshop and later presented to the USAID Director and Deputy Director at a follow up meeting.

1.2 Activities Planned for Next Quarter

- Develop management models for improving the business climate in the 12 municipalities, including their respective goals for improvement.
- Implement the business registration module in the four municipalities that currently use the SIGGLO system.

2. Development of Anchor Firms

The PRODEL team completed the anchor firm selection process during the first quarter of FY 2009. Upon conclusion of the selection process, the PRODEL team immediately began to work with firms and their producers in the areas of business development, producer and company relationships, and strengthening the production chain. To this end, the PRODEL team conducted training events, capacity-building and business planning workshops.

2.1 Achievements during the Quarter

A. Development of Business Plans for Selected Anchor Firms

A total of nine business analysis and planning workshops were conducted with participating PRODEL anchor firms. Using tools developed by the team, these workshops addressed competitiveness, company development strategies to improve product quality, business and production processes, and relationships with producers. At the workshops, the team worked with both anchor firm staff and producers to develop an investment plan for the Enterprise Partnership Fund (EPF). Similar to the EPF grants structure for the first 10 firms, the activities and items selected for funding for the remaining firms are designed to strengthen the business in a holistic way, enhancing productivity and improving competitiveness along the entire value chain. As a follow up to the workshops, the firms received two documents: a company assessment and a business plan that includes a summarized version of the plan.

Table 3: Business Planning Workshops Completed by First Quarter FY09

VALUE CHAIN	ANCHOR FIRM	
	FIRST STAGE JULY 2008	SECOND STAGE DECEMBER 2008
Coffee	Sol de Oriente Café Velez Café Galletti Café Rio Intag	Escoffee Fapecafes
Cocoa	Aroma Amazónico SKS Aproca Ecuatoriana de Chocolates	Cofina APROCASH Gruppo Salinas
Herbs	AAPPSME	
Dairy	Mondel	Ecolac
Fruits		Asoguabo
Grains and cereals		Inagrofa Cereales Andinos

The following table contains the updated list of participating PRODEL anchor firms:

Table 4: Selected Anchor Firms

	COMPANY	LOCATION	PRODUCT
Northern coast			
1	APROCA-APROCAR	Río Verde municipality	Cacao
2	Ecuatoriana de Chocolates	Eloy Alfaro municipality	Cacao
3	Jugo Fácil	Atacames, Esmeraldas, Rio Verde	Coconut , Tree Tomato, Pineapple, Blackberry, Passion Fruit
4	Salinero	Esmeraldas, Rio Verde	Cacao
Northern highlands			
5	AACRI	Cotacachi municipality	High-altitude coffee
6	MONDEL	Tulcán municipality	Dairy products
7	Café Galletti	Mira/Quilanga municipalities	Toasted and milled coffee
8	Inagrofa	Pimampiro and Ibarra municipalities	Quinoa
9	Cereales Andinos	Otavalo municipality	Quinoa
Northern Amazon			
10	Aroma Amazónico	Lago Agrio/Joya de los Sachas municipalities	Cacao
11	Piladora Sol de Oriente	Lago Agrio /Putumayo municipalities	Robusta coffee
12	COFINA	Joya de los Sachas municipality	Cacao
13	AAPROCASH	Shushufindi municipality	Cacao
South			

	COMPANY	LOCATION	PRODUCT
14	Café Velez	Chaguarpamba municipality	Toasted and milled coffee
15	SKS	Atacames municipality	Cacao
16	AAPPSME-CETCA	Loja municipality	Aromatic Herbs-Horchatas
17	Ecolac	Loja, Zamora municipalities	Dairy products
18	Escoffee	Orellana and Puyango municipalities	Toasted and milled coffee
19	Fapecafé	Espíndola, Puyango, Quilanga, Zamora, and Palanda municipalities	Coffee
20	Asoguabo	El Guabo municipality	Banana
Nationwide			
21	Ec.bananas	Quito (Laboratory)	Micro-propagation Lab

B. Developing Anchor Firm Competencies

1) Value Chain Workshop

In an effort to promote a value chain approach to participating PRODEL anchor firms, a workshop was organized from October 29-31, 2008 and co-sponsored by the Ministry of Industry and Competitiveness (MIC), USAID, and PRODEL. During the workshop, anchor firm and MIC representatives learned value chain concepts including its structure, the stakeholders, and the relationship of the actors within a value chain. The workshop also provided tools for company analysis and business plan development.



The event was attended by a total of 27 professionals including representatives from 10 PRODEL anchor firms, the IOM PIDEM project, and 15 participants from the MIC. After the workshop, representatives from the MIC indicated its interest to explore the possibility to replicate this event in other parts of Ecuador during the remaining time of the PRODEL program. PRODEL team members agree and see this as an opportunity to involve the Ecuadorian public sector in overcoming obstacles and impediments to value chains.



2) **Business Simulation Workshop**

The PRODEL team organized a Business Simulation Workshop designed to build capacity among participating anchor firm executives and leaders. The event included representatives from 19 PRODEL anchor firms and took place from December 10-11, 2008. Business consultants from *Pirámide Digital* conducted the workshop with a

unique methodology that featured a business simulation model using a table game with cards and markers. Anchor firm representatives were asked to simulate ten years of company performance in two days of activities. The exercise helped participants to develop skills in decision making, management, and the ability to recognize areas for company growth and improvement potential. The workshop was well received by participants due to its fun, illustrative, and innovative style.

C. **Financial Services**

Activities carried out in the area of financial services during this past quarter focused on increasing or establishing sustainable lines of credit for PRODEL anchor firms and their producers. Support during the quarter focused on the following activities:

- A review of PRODEL anchor firm financial trends and indicators resulted in a number of recommendations for companies to strengthen their capital structure and avoid future financial problems. The recommendations have been discussed with the participating anchor firms and include for example, improvements to sales and cost registration processes, and analysis of the cost benefit structure to ensure more long term financial viability and sustainability for the anchor firms.
- In order to facilitate access to credit, PRODEL team members organized a workshop in coordination with the Ecuadorian National Financial Corporation (CFN) that took place on October 14, 2008 and was attended by the following companies: Café Galletti, Mondel, Ecuatoriana de Chocolates, Café Velez and SKS. As a result of this workshop, two anchor firms were pre-qualified for loans with CFN, one of which submitted its documentation for loan evaluation. In an effort to coincide with harvest season, additional firms are expected to apply during the next quarter. Also a result of this meeting, CFN agreed to accept the

PRODEL business plan in lieu of the proposal required for the formal CFN loan application process.

- Coordination with the CFN has led to greater potential for PRODEL producers to access credit through operating entities that function as CFN credit agents on a local basis around the country. Contact was established with the Municipalities of Pimampiro and Mira, as well as the cacao company CEFODI, which have been proposed to serve as CFN operating entities to function as credit agents that facilitate the credit granting process in the field. As a result, these two municipalities and CEFODI are currently being qualified as operating entities for the CFN.
- The PRODEL team met and established a relationship with the Ecuadorian National Development Bank (BNF), a public entity that provides financial resources for agricultural production. Together, BNF and PRODEL scheduled 20 informational sessions for approximately 1,400 PRODEL anchor firm producers focused on accessing credit through BNF. These presentations are scheduled to begin in the early part of the second quarter of FY 2009.
- A total of 23 Café Rio Intag small producers received credit through the National Development Bank (BNF) to renew their coffee farms.
- PRODEL met with the National Microfinance System Program to discuss access for producers and producer associations to micro-credit. A workshop is currently being planned for early next quarter to structure a credit mechanism that will allow PRODEL participating associations to access working capital for harvest time through this program.
- Together with officials from the Monterrey Technological Institute, a course in Strategic Business Management has been arranged to begin in January of 2009. The five month accredited course has been designed to build business development capacities among participants that include representatives from each of the 20 participating anchor firms for the program.
- A cycle of conferences have been organized by the PRODEL team to coincide with the above Strategic Business Management course which will include the following subjects:
 - Economic outlook for 2009 and marketing mechanisms during times of crisis
 - Taxation and legal compliance
 - Ecuadorian laws for corporations, cooperatives and associations
 - Ecuadorian labor laws
 - Introduction to International Financial Reporting Standards and International Accounting Standards Foreign trade

- The PRODEL financial services team helped to arrange the participation for seven anchor firms in a trade show entitled “Ecuador: Quality of Origin”, organized by the Ministry of Foreign Relations, CORPEI, and La Favorita supermarket group. This event provided an opportunity for PRODEL anchor firms to promote their products to trade attaches that will represent Ecuador in strategic foreign markets around the world.

2.2 Challenges Encountered and Alternatives Employed

- In several of the anchor firms there is a lack of formal accounting procedures that has made it difficult to obtain the information needed to monitor the indicators for the firm. PRODEL team members have identified the accounting area for these anchor firms as an item to be funded through the EPF.
- Turnover in the anchor firms has required extra time and effort on behalf of the PRODEL staff to explain the program to new staff and board members. This has been accomplished in coordination with the local business development advisers and local field technical training personnel.

2.3 Activities Planned for Next Quarter

Development of Anchor Firms

- Complete the 11 business plan documents for the remaining 11 anchor firms and participating producers.
- Implement the Enterprise Development Fund to include: corporate image development, infrastructure construction, and technical assistance.
- Work with anchor firms and their corresponding producers to produce sales and marketing agreements with prospective buyers and suppliers.

Financial Services

- BNF and PRODEL will organize and carry out 20 presentations on access to microcredit for producers, reaching an estimated 1,400 producers. These presentations will be held throughout the various geographic areas where PRODEL is working during the months of January through May, 2009 and will cover producers in each of the six value chains covered by the program. As a follow up to this first round of sessions, a second phase of presentations will be planned in an effort to reach an estimated additional 1,000 PRODEL producers.
- In Coordination with the Ministry of Social Development, PRODEL will promote the Planting Partner Program, which is designed to refund

Ecuadorian producers part of their expenses incurred in buying inputs for planting crops. The program will allow for the recovery of up \$240 and help producers become part of a government supplier database.

- PRODEL will coordinate with the National Microfinance System Program to organize a workshop for producer associations to promote financing alternatives and product commercialization efforts.
- With support from the CFN, an informational and training workshop will be held for anchor firm staff to build capacity in the use of the CFN financial simulation model, one of the requirements to access CFN loans.

3. Strengthen Horizontal and Vertical Linkages

3.1 Achievements during the Quarter

A number of activities took place during this reporting period to strengthen vertical linkages between the anchor firms and their producers as follows:

- A total of 3,538 hectares of crops belonging to PRODEL participating small producers have been improved during this quarter using the following best practices: pruning, fertilization, trimming, and pest and disease control.
 - A total of 670 hectares of new crops have been planted, mainly consisting of quinoa, alfalfa, Robusta and Arabica Coffee.
 - A total of six group nurseries have been built with a production capacity of 300,000 Arabica Coffee plants (approximately 100 hectares) in the Mira Canton of Carchi Province.
 - The Café Rio Intag Company has established nurseries at the farm level with a total production capacity of 154,000 Arabica Coffee plants.
 - The Aproca cacao enterprise built four nurseries with a production capacity of 250,000 cacao plants grafted with material selected from super trees.
 - Efforts to upgrade fields, plant new hectares and build nurseries have led to the creation of 3,023 new full-time jobs.
- A. Other vertical linkage examples include the grains value chain where the PRODEL anchor firm, Cereales Andinos and indigenous quinoa producers from Pijal in the Province of Imbabura formalized a commercial agreement during the 1st quarter of FY 2009. The anchor firm agreed to pay producer prices of a specific quality, while the producers committed to delivering their product to the company according to established parameters.

Similarly, Inagrofa worked with traditionally wheat, barley and bean producers in the Pimampiro Municipality of Carchi Province to harvest quinoa. According to locally gathered data, farming quinoa at an average yield of 40 quintals per hectare should double producer incomes. However,



quinoa production depends on weather conditions and therefore presents some risks during harvest time. As a result, with the support of PRODEL through farmer trainings in improved planting and harvesting quality techniques, Inagrofa is providing technical assistance to its producers to help with post-harvest procedures to ensure a quality product.

PRODEL has also worked with Cereales Andinas and Inagrofa to strengthen their horizontal linkages with notable success. These two companies possess different business focuses, the former offers finished products, while the latter focuses on processing quinoa. Cereales Andinas uses sub-products from Inagrofa to prepare some of its finished products, and the two recently joined forces to promote the nutritional properties of quinoa in an effort to generate a local culture of quinoa consumption through advertising campaigns. In addition, due to its nutritional properties, Cereales Andinos is seeking a strategic partner in the dairy industry to offer consumers a product made with quinoa and yogurt. That partner could very well be one of the PRODEL dairy sector anchor firms.

- B. PRODEL anchor firm Jugo Facil has traditionally purchased its raw material from intermediaries that could not guarantee its quality resulting in significant quantities of rejected fruit. Jugo Facil did not have experience working directly with producers. As a result, the PRODEL program helped Jugo Facil through PRODEL technical field personnel to directly link to producers in communities like La Tola in Esmeraldas Province where a total of 24 farmers are participating to date. PRODEL assisted farmers to analyze the quality and volumes of their products and sign sales agreements with the anchor firm. Intermediaries are expected to continue to provide logistical services where necessary, but the direct relationship between the producers and the company can ensure a standard and sustainable level of quality of product that helps to guarantee producers a fair price for their efforts.

- C. PRODEL participated as a sponsor in the first annual Chocofest organized by Imagcom in Guayaquil on November 20-23, 2008. The event, co-sponsored by various institutions including CORPEI and TAME, attracted internationally known



chocolate experts from France and England. The goal of the event was to improve the image of Ecuadorian chocolate and cacao in the international market by showcasing local companies and producers. The Chocofest was attended by

several Ecuadorian governmental ministries, including the Tourism Minister, and by senior officials from the International Cocoa Association. A total of five PRODEL anchor firms from the cacao and coffee sectors prominently participated with five stands during the four days of activities. The PRODEL stand at the Chocofest featured samples of products from participating anchor firms along with information about the Program. The organizing committee also designated a space for PRODEL anchor firms from the cacao sector including Ecuatoriana de chocolates, SKS, APROCA and Aroma Amazónico. PRODEL team members Franz Rios and Esteban Becerra made presentations on “Biodiversity and Cacao” and “New Markets and National Production” respectively. Representatives from PRODEL anchor firms Ecuatoriana de Chocolates and SKS each made a presentation on the topic of social responsibility in working with producers.

3.2 Activities planned for next Quarter

- A number of plans were made during this past quarter to strengthen anchor firm competitiveness and vertical and horizontal linkages. As a result of recent gains in the implementation of the Enterprise Partnership Fund, PRODEL team members anticipate even greater emphasis will be placed in the coming quarter on activities to strengthen the ties between the anchor firm and its producers in addition to improving sector specific quality control procedures, for example:

- PRODEL will facilitate a link between the Escoffee anchor firm and Tamia Muyo indigenous Robusta Coffee producers in the Orellana Province of the Ecuadorian Amazon Region to utilize an existing coffee washing facility to increase production and quality levels.
- PRODEL technical field personnel will facilitate work with producers in the Zamora Chinchipe Province of southern Ecuador to link them with the Ecuatoriana de Chocolates anchor firm for the production of white chocolate that includes an origin certification process.

4. Pulling in Local Services Providers

4.1 Achievements this Quarter

PRODEL received more than 450 responses from local providers as a result of a request for applications published in a local newspaper in June of 2008. During the quarter, the PRODEL team analyzed, qualified and completed the current database of qualified providers. Through the EPF, PRODEL hired a total of 42 consultants and experts to provide services to participating producers and anchor firms in a variety of areas including quality certifications, marketing, accounting, business development, and sector-specific technical assistance. PRODEL plans to continue contracting these services in large part through local service providers during subsequent quarters.

4.2 Activities Planned for Next Quarter

- Publish a second announcement in the Ecuadorian press to complete the database of suppliers for the various work areas required by the anchor firms and producers.
- Develop the terms of reference to contract specialized services included in 20 anchor firm EPF proposals to date.
- Support anchor firms and producers in identifying qualified suppliers with the PRODEL database as a reference point.

5. Providing Municipal Services to Businesses

5.1 Achievements during the Quarter

PRODEL sub-contractor CARE implemented this component of the program through consultants hired to analyze and construct a model to improve services for businesses in selected municipalities during the 1st quarter of 2009. This analysis includes field work

as well as a review of literature that addresses issues impacting municipal services to businesses.

According to a report by the World Bank entitled *Doing Business in Ecuador 2008*, Ref. www.doingbusiness.org, 14 procedures or steps are required to start a business in Ecuador. Focusing on the cost, time, and number of steps, the report ranked Ecuador in 136th place out of 181 countries in ease of doing business. Several of the steps analyzed in this report are the responsibility of municipal offices in Ecuador including municipal inspections and business registration. Therefore, the analysis of the business registration process of municipal governments conducted is considered by the PRODEL team, to be an important aspect of the business environment improvement model and the need to streamline these registration processes during initial assessments was identified. Nevertheless, it is important to point out that PRODEL's preliminary findings indicate that the main bottlenecks for the business registration process does not lie with the municipal business registration office (although there is room for improvement at all levels), but instead with procedures that are dictated by comprehensive national level policies in Ecuador.

Among the findings of PRODEL assessments are the following:

- On the whole, the business registration process within the municipal offices analyzed is fairly efficient.
- Permits required prior to the business registration process with the municipality include: the Fire Department, Ministry of Health, Superintendent of Companies, the IRS, and others that involve complex and often time consuming processes. These institutions work separate from the municipality and do not have a direct relationship with the municipality. Greater coordination between the various actors constitutes a potential way to streamline procedures and speed up the business registration process in the future.
- Constituents view their relationship with the municipality as an obligation to pay taxes and fees from which they derive very little benefit.
- There is a significant amount of informality in business in Ecuador and not all Ecuadorian businesses are legally constituted.
- Larger companies are registered and pay taxes in the large cities in Ecuador and not necessarily in the cantons where their sales and commercial activities are carried out.

PRODEL CARE team members developed and began implementation of a municipal information system using the SIGGLO “one stop shop” software in selected municipalities. This software will facilitate the business registration and tax payment

control processes through a more streamlined and efficient system within the municipal offices of Mira, Rioverde, Putumayo and La Joya de los Sachas.

The assessments of the business registration process resulted in a baseline that focused on three measurements of efficiency summarized in the table provided below: time, cost, and number of steps required.

Table 5: Summary of Three Efficiency Measures for Business Licenses

MUNICIPAL OFFICE	TIME	COST	NUMBER OF STEPS
Atacames	17 days ⁽¹⁾ 25 minutes within the municipal office	USD \$10 - USD \$5,000 depending on the amount of working capital involved	7
Rioverde	30 days ⁽²⁾ 20 minutes within the municipal office	USD \$10 - USD \$5000.00 depending on the amount of working capital involved	8
Eloy Alfaro	No data available	No data available	No data available
Mira	N. U. 1 day ⁽³⁾ N.R. 1 Week E. 10 minutes	USD \$10 - USD \$5000 depending on the amount of working capital involved	5
Pimampiro	N. 1 week E. 10 minutes	USD \$10 - USD \$5000 depending on the amount of working capital involved	3
Cotacachi	N. 15 days E. 3 days	USD \$1.5 per USD \$1,000 of each business' capital amount Plus USD \$2 for technical services USD 0.15 cents for administration	8
Lago Agrio	3 - 15 days ⁽⁴⁾	From USD \$5 to USD \$1,472 plus 2.10% of	4

MUNICIPAL OFFICE	TIME	COST	NUMBER OF STEPS
		surplus	
La Joya de los Sachas.	5 - 15 days	From USD \$5 to USD \$1,472 plus 2.10% of surplus	3
Putumayo	5 - 15 days	From USD \$5 to USD \$1,472 plus 2.10% of surplus	4
Loja	NA	USD \$10 - USD\$5,000 based on the business capital owned.	5
Chaguarpamba	NA	USD \$10 – USD \$5,000 plus a tax of 0.30 cents to USD \$1.80 per month for municipal services based on the business capital owned.	4
Puyango	NA	USD \$10 – USD \$5,000 based on business capital owned.	4

¹ Issuing the patent takes 25 minutes; however, other requirements in additional institutions must be fulfilled first which takes 17 days. 2. Issuing the patent takes 20 minutes; however, other requirements in additional institutions must be fulfilled first which takes 30 days since one has to leave Esmeraldas to obtain certain documents. N.U = New Urban Businesses; N.R. = New Rural Businesses; E. = Established Businesses. 4. Time related to the inspection completed every 15 days. This applies to the three local governments in the Amazon Region.

Table 6 below outlines detailed steps required to operate a company in the Loja canton of southern Ecuador. Businesses in Loja must obtain the following documentation from the various institutions listed in the first column of the following chart in order to obtain permission to operate:

Table 6: Requirements for Obtaining permission to Operate a Company in Loja

INSTITUTION GRANTING PERMIT	TO WHOM	TYPE OF PERMIT/ LICENSE	No. OF REQUIR EMENTS	EST. TIME NEEDED TO ACQUIRE PERMIT	COST
IRS	All types of businesses	RUC	4	With all documentation in order, the permit is granted immediately	Free
Municipality	All types of Businesses	Business license	5	2 hours	According to the table From USD \$10,000 to \$50,000
Public Health Ministry	Food businesses, laboratories, doctor's offices and clinics	Operating permits	8 basic 10 additional	1 week	According to 2008 rates and the type of business
Animal Health Services "SESA"	Supply stores and veterinarians	Operating Permit	4	Immediately once the required inspection has been completed	USD \$50,000
Fire Department	All kinds of businesses	Operating permit	4	24 hours	According to the table depending on the equity, as if it were a municipal license (USD \$10 to \$5,000)
Police Superintendent	Restaurant, cafeteria, food warehouse	Operating permit	3	Immediately upon submission of documentation	USD \$15

	Bars and nighttime entertainment establishments				USD \$250
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5.2 Activities Planned for Next Quarter

In the next quarter, PRODEL will conduct meetings to prepare agreements with anchor firms, producers and local governments for business climate improvements through the proposed model.

6. Monitoring and Evaluation

6.1 Achievements during the Quarter

- 21 anchor firms have been selected and the quarterly target plans have been established for the first 20.
- PRODEL conducted a monitoring, evaluation and follow-up workshop with 35 representatives from 11 of the 20 PRODEL anchor firms. Workshop participants were trained in the use of information gathering and reporting tools. Emphasis was placed on the differences and relationships between the tasks involved in project monitoring, follow-up and evaluation.
- During the quarter, PRODEL began placing great emphasis on measuring results achieved through the program activities.
- A total of 4,144 families have been trained and are applying the knowledge gained for the production of their agricultural goods. The sectors involved in these trainings include: coffee, cacao, herbs, quinoa, and dairy products to date.
- An assessment of business registration processes in 12 municipalities was conducted in the 1st quarter of FY 2009. This information will be used to begin implementation of business environment improvement activities during the following quarter.
- PRODEL anchor firm sales have increased on average by 34.5%, representing 116% of the target planned for December 2008 (corresponding to the end of the fiscal year in Ecuador.)
- The annual income for families participating in the PRODEL program calculated as of December 2008 was US\$1,135.

Table 7: Achievements to Date

INDICATOR	BASELINE (1)	LIFE OF PROJECT CONTRACTUAL TARGETS	FY08 PROGRESS	1ST QUARTER FY09 PROGRESS	CUMUL. PROGRESS TO DEC 2008	% OF FY09 TARGET ACHIEVED
Number of families linked to anchor firms receiving PRODEL assistance	2,295	8,000	2,275	1,394	4,144	52%
Hectares of licit crops cultivated by producer families supplying PRODEL anchor firms	2,296	4,000	2,800	958	4,208	105%
Number of new full time equivalent jobs for producers linked with PRODEL anchor firms	1,032	4,000	2,008	700	3,023	76%
Increase in anchor firms sales (\$)	4,176,323	6,264,485	5,620,888	5,620,888	5,620,888	70% achieved over a goal to be measured as of Dec. 31, 2009
(2)		50%	34.5%	34.5%	34.5%	
Number of small and medium enterprises (anchor firms) assisted by the PRODEL program	0	20	10	2	12	60%
Number of Municipalities assisted and that	0	10	4	0	4	40%

contributed to improve the business environment						
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(1) PRODEL team has also worked with the families included in the baseline

(2) December 31, 2008 target according to Ecuadorian Fiscal Year

Table 8 below shows the average annual sales revenue received by suppliers for the first 10 anchor firms.

Table 8: Average Family Annual Revenue from Sales to Anchor Firms (First 10 Anchor Firms as of December 2008)

ANCHOR FIRM	AVERAGE SALES REVENUE TO SEP 2008 (USD\$)	AVERAGE SALES REVENUE TO DEC 2008 (USD\$)
AAPPSME	242	242
Aproca	570	570
Aroma Amazónico	1,080	1,080
Café Galletti	3,504*	3,504
Café Rio Intag	322	591
Café Vélez	827	827
Ecuatoriana de Chocolates	No data available	327
Mondel	602	2,158
Piladora Sol de Oriente	550	800
SKS	1,250	1,250
Average	983	1,135

*Baseline was taken from the leading coffee growers group

6.2 Activities Planned for Next Quarter

- During the next quarter, an additional eight anchor firms will begin implementation of the technical assistance, business development and improvement of production and processing infrastructure portions of their projects.
- A monitoring, evaluation and follow-up workshop will be held for the remaining nine anchor firms that did not participate in the first workshop.
- PRODEL M&E personnel will continue to make field visits to validate first-hand information reported from the field.

7. Subcontracts and Grants

7.1 Achievements during the Quarter

The PRODEL subcontract and grants department focused on the following activities during this past quarter: (1) processing in-kind and fixed obligation grants; (2) the

approval and signing of grants for ten new anchor firms; and (3) conducting environmental reviews for the 10 new anchor firms for the program.

A total of 4,144 producers participated in technical assistance activities implemented through the PRODEL program starting in the first quarter of FY 2009. Technical assistance provided to cacao and coffee farmers was implemented using the farmer field schools, whereby producers themselves analyze and assess the current state of their own farms and set production improvement priorities.

PRODEL achievements in the area of subcontracts and grants during the first quarter of FY 2009 include:

- To date, a total of 20 EPF grant proposals have been approved in six value chains for a total of US\$2,476,010.
- The second group of 10 anchor firm EPF grant proposals was approved in the amount of \$823,079.
- A total of US\$787,960 of the EPF monies had been disbursed to the first 10 anchor firms as of December 31, 2008.
- The 20 approved PRODEL anchor firms pledged to contribute \$3,397,094 in leveraged funds toward the implementation of the program (see Table 9 below).

Table 9: Projected Contribution from Anchor Firms

ANCHOR FIRM	VALUE CHAIN	PRODEL FUNDS	ANCHOR FIRM CONTRIBUTION
Rio Intag, AACRI	Arabica Coffee	\$104,290	\$153,000
AAPPSME	Medicinal herbs	\$120,200	\$125,941
APROCA	Cacao	\$199,650	\$248,450
Aroma Amazónico	Coffee	\$149,650	\$300,800
Café Galletti	Arabica coffee	\$183,000	\$195,000
Café Vélez	Arabica Coffee	\$177,200	\$214,500
Ecuadoriana de Chocolate	Chocolate	\$188,100	\$261,540
El queso francés S.A.	Dairy products	\$182,750	\$219,800
MONDEL			
SKS Farms	Dark chocolate	\$177,900	\$260,540
Café Sol de Oriente	Robusta coffee	\$170,191	\$219,283
ESCOFFEE	Coffee	\$109,854	\$229,400
ECOLAC	Dairy products	\$78,000	\$81,650

ANCHOR FIRM	VALUE CHAIN	PRODEL FUNDS	ANCHOR FIRM CONTRIBUTION
FAPECAFES	Coffee	\$109,800	\$150,000
Salinerito	Cacao	\$80,000	\$114,000
Inagrofa	Grains	\$105,300	\$137,350
Aso Guabo	Fruits	\$50,000	\$88,000
Jugo Fácil	Fruits	\$75,410	\$100,700
COFINA	Cacao	\$81,500	\$104,000
APROCASH	Cacao	\$65,715	\$79,000
Cereales Andinos	Grains	\$67,500	\$78,140
TOTAL		\$ 2,476,010	\$ 3,397,094

Table 10 below outlines the amounts spent from the approved budgets to directly benefit producers participating in the PRODEL program as of December 31, 2008.

Table 10: Enterprise Partnership Funds to benefit Producers

ANCHOR FIRM	RESULT	ITEM	TOTAL
APROCA	Improved productivity	Technical assistance	\$9,600
	Improved competitiveness	Business strengthening workshops	\$17,350
	Provide plant material	Nursery supplies, grafting training	\$3,600
	Crop maintenance	Tools (saws and pruning shears)	\$11,000
A. AMAZONICO	Improved competitiveness	Corporate image, Business services	\$25,400
	Improved productivity	Technical assistance	\$17,200
	Improved quality processes	Peeling machine	\$2,000
	Improved commercial systems	Equipment commercial offices	\$14,421
E. DE CHOCOLATES	Improved productivity	Technical assistance	\$11,000
	Provide plant material	Nursery and operation	\$32,000
	Crop maintenance	Farming and production tools	\$10,000
SKS FARMS	Improved productivity	Technical assistance	\$12,000
	Improved quality processes	Advice in the area of quality control	\$14,800
	Provide plant material	Pruning shears	\$5,000
	Training	Practical courses and field workdays	\$6,800
AACRI	Improved competitiveness	Business development services	\$25,920
	Improved productivity	Training and technical assistance	\$15,840
	Organic productions systems	Materials (tanks, nets, shade screens)	\$19,450
	Crop maintenance	Machetes, saws and pruning shears	\$3,000

	Improved quality processes	Fermentation vats	\$8,080
	Training	Business strengthening workshops	\$5,000
SOL DE ORIENTE	Improved productivity	Technical assistance (2) field trainers	\$6,000
	Improved quality processes	Solar dryers	\$25,530
CAFÉ GALLETI	Improved productivity	Technical assistance (2) field trainers	\$6,000
	Improved quality processes	Solar dryers plastic covers	\$37,218
	Training	Farmer training	\$4,000
	Provide plant material	Nursery Construction and Operation	\$17,000
CAFÉ VELEZ	Improved productivity	Technical assistance (2) field trainers	\$9,000
	Improved quality processes	Production equipment	\$5,800
	Provide plant material	Production of coffee plants	\$15,000
	Crop maintenance	Tools (pruning shears and saws)	\$6,000
AAPPSME	Improved productivity	Training and technical assistance	\$12,000
MONDEL	Improved productivity	Training and technical assistance	\$24,000
	Improved quality processes	Production Equipment	\$24,000
TOTAL (December 31, 2008)			\$ 461,009

Table 11: Total Funds Disbursed to Anchor Firms and producers as of December 31, 2008

ANCHOR FIRM	VALUE CHAIN	PRODEL FUNDS	TOTAL DISBURSED TO DATE
AACRI	Arabica Coffee	\$104,290	\$ 71,627.12
AAPPSME	Medicinal herbs	\$120,200	\$ 29,533.20
APROCA	Cacao	\$199,650	\$ 65,692.14
Aroma Amazónico	Coffee	\$149,650	\$ 58,292.79
Café Galletti	Arabica coffee	\$183,000	\$ 123,461.44
Café Vélez	Arabica Coffee	\$177,200	\$ 46,481.44
Ecuadoriana de Chocolate	Cacao	\$188,100	\$ 112,795.72
MONDEL	Dairy products	\$182,750	\$ 130,091.44
SKS Farms	Cacao	\$177,900	\$ 69,760.72
Café Sol de Oriente	Robusta coffee	\$170,191	\$ 33,324.66
Inagrofa	Grains	\$105,300	\$ 27,000.00
Cereales Andinos	Grains	\$67,500	\$ 19,900.00
TOTAL			\$ 787,960.67

7.2 Challenges Encountered and Alternatives Employed

A total of eight waivers were submitted to USAID during this 1st quarter of FY 2009 after a rigorous due diligence process to search for the Enterprise Development Fund items in the U.S. market. PRODEL needs USAID approval for these waivers to be able to move forward with the program's implementation and meet the goals of the program within its short time frame.

7.3 Activities planned for next quarter

The sub-contracts and grants department will prioritize the following activities during the 2nd quarter of FY 2009:

- Complete environmental reviews for the second group of 10 anchor firms for the program.
- Hire local professionals to provide technical assistance to PRODEL producers and anchor firms.
- Make follow-up visits to anchor firms in order to support the progress of activities financed through the Enterprise Partnership Fund.

8. Management

8.1 Achievements during the Quarter

- Ramon Estupiñan was hired as the local business advisor for Esmeraldas Province to replace Cristobal Rodas.
- The PRODEL office hired Fernanda Vega as the procurement specialist to facilitate timely disbursements of the EPF grants and sub-contracts.
- The year two annual PRODEL work plan was completed and submitted during this past quarter and subsequently received approval from the USAID Mission in Ecuador.

8.2 Challenges Encountered and Alternatives Employed

- During the first quarter of FY 2009, PRODEL lost its local business adviser from the Esmeraldas province. Immediately upon notification of his resignation, the PRODEL team worked quickly to advertise, interview and hire a highly qualified replacement to minimize any delays in implementation.
- Large numbers of Ecuadorian IRS employees were let go during this past quarter resulting in further delays to register the ACDI/VOCA PRODEL program for VAT recovery. The PRODEL office in Quito was informed that it should receive an official letter regarding this status before the end of January 2009. All paperwork and steps to affect this registration have been carried out and verbally accepted by the Ecuadorian IRS. The PRODEL office has continued to record all VAT payments

through the established IRS online system and expects that reimbursement will be carried out upon receipt of the signed document from the IRS.

- Due to several turnovers in key positions within CARE Ecuador, the business environment improvement component of PRODEL lagged behind the implementation of the other program components. With the arrival of a new CARE director in Ecuador and the naming of a new direct counterpart within CARE for the PRODEL program, the Municipal Strengthening and Providing Municipal Services to Businesses components really got into full swing during the 1st quarter of FY 2009.

8.3 Planned activities for the next quarter

- Follow up will be conducted on the approval process for the waivers currently with USAID.

9. Integrating Cross Cutting Themes – Social Responsibility, Gender, Environment

9.1 Achievements during the quarter in the area of Social Responsibility

The concept of social responsibility was introduced to participants in the Chocofest held in Guayaquil this past quarter through presentations made on behalf of anchor firm representatives Claudia Radi of Ecuatoriana de Chocolates and Santiago Peralta, of SKS. In addition, PRODEL hired a social responsibility expert to make a presentation to Chocofest participants.

9.2 Activities planned for next quarter in Social Responsibility

Experts will train PRODEL local business development advisers and PRODEL field technicians in social responsibility concepts to be addressed during farmer field school training sessions.

9.3 Achievements during the quarter in the area of Gender

Achievements in this cross-cutting component during the first quarter of FY 2009 include the identification of candidates to participate in program workshops, the design of a curriculum, and the methodology for training producer women targeted by the PRODEL program.

A schedule of women in commercial activities workshops with PRODEL anchor firms and their producers broken down into zones is shown in Table 12 below.

9.4 Activities planned for next quarter in the area of Gender

Table 12: Scheduled women in commercial activities workshops by Zone

PROVINCE	CANTON	PARTICIPATING ORGANIZATIONS/ COMPANIES	NO. OF PARTICIPANTS	SITE OF WORKSHOPS	DATE
Zone 1 - South					
El Oro	El Guabo	ASOGUABO	10	Pasaje: ASOGUABO auditorium	3 rd week of Jan. 2009
	Marcabelí	APECAM	2		
Loja	Loja	FAPECAFES	2	Loja: Jipiro Municipal Camp	1 st week of Feb. 2009
	Chaguarpamba y Olmedo	ASOMOR	2		
	Quilanga	PROCAFEC	3		
	Puyango		APOP	2	Pasaje: ASOGUABO Auditorium
PROCAP			2		
CIELO			2		
Zamora	El Pangui	APEOSAE	2		
	Zurmi	As.Mujeres	2		
TOTAL ZONE 1			30		
ZONE 2: NORTHERN SIERRA AND ESMERALDAS					
Carchi	Tulcán	Communities of Casa Grande and La Gruta	4	To be defined with partners and/or anchor firms	3 rd week Jan. 2009
	Mira	Communities of Mascarilla and Tambarú	4		
		Coffee			4

PROVINCE	CANTON	PARTICIPATING ORGANIZATIONS/ COMPANIES	NO. OF PARTICIPANTS	SITE OF WORKSHOPS	DATE
		suppliers			Feb. 2009
Imbabura	Cotacachi	AACRI	4	To be defined with partners and/or anchor firms	
	Pimampiro	Women's groups of Pimampiro and Mariano Acosta	4		
	Otavalo	Quinoa suppliers	4	To be defined with partners and/or anchor firms	
Esmeraldas			3	To be defined with partners and/or anchor firms	1 st week Mar. 2009
			3		
TOTAL ZONE 2			30		
ZONE 3: NORTHERN AMAZON REGION					
Sucumbíos	Lago Agrio	Robust coffee suppliers	4	To be defined with partners and/or anchor firms	3 rd week Jan. 2009
		Cacao suppliers	4		
	Putumayo	CECOPAT (Ex AGROCAMP U)	4		1 st week Feb. 2009
	Cascales	Aroma Amazónico	4		
	Shushufindi	APROCASH	4		
Orellana	La Joya de los Sachas	Aroma Amazónico	2	To be defined with partners and/or anchor firms	1 st week Mar. 2009
		APROCAS	2		
		Asociación San Carlos,	2		

PROVINCE	CANTON	PARTICIPATING ORGANIZATIONS/ COMPANIES	NO. OF PARTICIPANTS	SITE OF WORKSHOPS	DATE
		COFINA			
		Asociación Tres de Noviembre, COFINA	2		
	Loreto	San José de Dahuano	2		
TOTAL ZONE 3			30		
TOTAL NO. OF PARTICIPANTS			90		

9.5 Achievements during the quarter in the area of Environmental Standards

PRODEL beneficiaries are familiar with and practicing environmental mitigation standards. PRODEL team members completed environmental reviews for 11 anchor firms during the 1st quarter of FY 2009 and the remaining nine reviews are expected to be completed by the first month of the 2nd quarter of FY 2009. Suggestions for best environmental mitigation practices were shared with producers and anchor firm representatives by PRODEL technical staff members during the production phase of these reviews.

In addition, the pest and disease control laboratory located in the Café Rio Intag installations in the Cotacachi Canton of northern Ecuador was designed and the purchase of the necessary equipment and materials got underway.

9.6 Activities planned for next quarter in the area of Environmental Standards

A total of nine environmental reviews will be completed and the pest and disease control laboratory in Café Rio Intag will be installed and begin operations during the 2nd quarter of FY 2009.

ANNEX 1. PRODEL SUPPORTS ANCESTRAL CROPS WITH STRONG DEVELOPMENT POTENTIAL



Quinoa (*Chenopodium quinoa*) is a crop of Andean origin that has significant potential for growth in the international health food marketplace. An edible plant commonly used in soups in traditional diets of Ecuador, Bolivia and Peru, quinoa offers great nutritional value and an excellent balance of amino acids.

Due to the unique and varied climate in the Andean Region, so many crops that are part of Ecuadorian ancestral traditions and food customs originated in this area that it is now known to many as the “center of origin”. Many of these foods, like the potato, are recognized and consumed worldwide, while others like quinoa, are relatively unknown. Unfortunately, many of these crops, despite their great potential, have been gradually lost as consumption has waned and farmers have taken to planting other crops.

Two of the anchor firms participating in the USAID-funded PRODEL program in Ecuador appreciate the potential for quinoa and are developing their businesses based on this crop. PRODEL anchor firms, Cereales Andinos and INAGROFA are committed to working closely with producers in the field. PRODEL supports the recovery of the cultivation of these ancestral products and seeks to assist 300 farmers in the northern border region of Ecuador through these two firms. The planting for this season has already begun and producers expect at least 4,000 quintals of quinoa to be harvested beginning in the month of May 2009. For most farmers, harvesting quinoa is a new experience, but one which could potentially double their income previously earned from growing barley or wheat.

The producers of Pijal, who are nearly all Otavalan indigenous farmers located in the Imbabura Province of northern



Ecuador, were initially hesitant to plant this crop without a secure market. However, through the PRODEL program, the value chain relationship between the farmers and the anchor firms is being strengthened for a long term win-win situation. In the words of Manuel Imbaquingo, a community leader and quinoa farmer, “historically, local buyers have taken advantage of the outcome of our efforts and we recognize the advantage of formalizing our commercial relationship with the anchor firm.” In addition, anchor firms like INAGROFA and Cereales Andinos will not only ensure the supply of quality raw material through this relationship, but also hope to reduce the importing of quinoa from neighboring countries that currently compensate for the lack of local production.



To solidify their commitment, indigenous representatives from the quinoa producing community of Pijal recently attended a formal agreement signing ceremony between producer leaders and the anchor firm, Cereales Andinos for the start of a successful commercial relationship in the PRODEL program offices in Quito, Ecuador.

ANNEX 2. Mondel Dairy Company: Goat Milk Producers in Northern Ecuador



Traditionally, the Afro-Ecuadorian communities located in the Mira Canton of Ecuador's Chota Valley and the Bolivar canton in the province of Imbabura have practiced goat herding and consumed goat meat and goat's milk as part of their daily diet. Only on occasion would they sell the goat meat to local merchants. Goat herding provided an important nutritional and economic contribution

for families living in this relatively dry and impoverished region of northern Ecuador. Carried out without the use of modern technology, goat herding took place on large tracts of communal land where the animals could graze freely.

Due to population increases, the reduction or elimination of communal lands, and the lack of knowledge of alternative techniques for raising livestock, these farmer families were forced to give up goat herding as an economic activity and turn to riskier short-cycle crops, which were often subject to severe market-based price fluctuations and conditions imposed by intermediaries. As a result, poverty and malnutrition have become the norm in the region.

PRODEL seeks to improve the plight of small producers like those that reside in the Mira and Bolivar cantons of northern Ecuador by linking them with anchor firms such as the Mondel Cheese Company, which produces specialty cheeses. Mondel currently supplies Ecuadorian supermarket chains like SuperMaxi and plans to expand into the export market in the near term. To do so, they have been looking for a steady flow of quality goat milk for cheese production in its factory located on the Colombian border with Ecuador in the Carchi Province.

As a result, Mondel has chosen to work with these Afro-Ecuadorian communities where the majority of the producers are women with a rudimentary knowledge of goat raising. This producer alliance will make it possible for 49 small farming families to organize themselves and participate in a formal training process through PRODEL. A total of 120 families will receive technical assistance in addition to a herd of goats. A collection

center will also be provided by the company to help ensure the production of quality milk to be sold at a fair price to the Mondel Company, through a commercial agreement. Producers have used their own capital to purchase 120 goats of the Anglo-Nubian breed, which have already begun to bear their first offspring, and are being cared for by members of the producers groups. An additional 120 animals will be provided by PRODEL for other groups of producers in the area. To provide adequate feed for the goats, small pasture areas are being prepared measuring five hectares and are expected to grow to 20 hectares by September of 2009.

Currently, the small farmers see this activity as an opportunity to contribute to their household economy, improve their family's nutrition and generate income. Ms. Carmen Leon, President of the Mascarilla producer group informs that "the children have already begun to drink good milk, which will help their nutrition so they will grow up strong and healthy and be able to study better." Some producers have already begun to think of becoming businesswomen, as Liliana Rodriguez, a leader in the Tumbatu



community, states: "...now we have hope to work in this area without having to migrate to the city and leave our families in an effort to earn a living. We believe in the project and in the company that has agreed to buy our milk at a fair price that will provide us with some profit."

According to Mondel's Manager, Jaime Erazo, one goat can provide up to four liters of milk per day, and at the price

of one dollar per liter, a family can significantly increase their income in a short period of time, potentially representing the main source of income for entire families in the northern highlands of Ecuador.

After having learned of the Mondel goat raising project through PRODEL, the Mira and Bolivar municipal offices have decided to get involved in the process to build the capacity of the groups of goat herders to manage their business themselves. These local governments have provided materials for building infrastructure for raising the goats, and the Mondel Company, with PRODEL resources, has acquired a site for the goat's milk collection center to be equipped with materials and inputs necessary to store and sell the milk.

ANNEX 3. Analysis of Project Expenses for First Quarter FY09 by Geographical Area

PROVINCE	Imbabura	Carchi	Esmeraldas	Orellana	Napo	Sucumbíos	El Oro	Loja	Zamora Chinchi
EXPENSES BY PROVINCE	\$155,363	\$274,534	\$238,130	\$62,550	\$39,837	\$144,443	\$56,333	\$191,706	\$98,813
ZONE	SIERRA NORTE		ESMERALDAS	AMAZONIA			SOUTH		
EXPENSES BY ZONE	\$429,897		\$238,130	\$246,831			\$346,852		
TOTAL									\$1,261,710