

ECUADOR LOCAL BUSINESS DEVELOPMENT PROGRAM (PRODEL)

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Fiscal Year 2009 4th 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 Producer's Association |
| AAPPSME | Agro-artisan Association of Producers of Dry Medicinal Plants of Ecuador |
| ACRIM | |
| ADE | Agency for Economic Development |
| AED | Academy for Educational Development |
| AMAZNOR | Program Sustainable Development for Amazon Northern |
| ANECAFÉ | National Association of Coffee Exporters |
| APECAEL | Specialty Coffee Association of Loja |
| APECAM | Specialty Coffee Association of Small Growers of Marcabeli-Balsas |
| APEOSAE | Organic Farming Exporter Association |
| APROCA | Atacames Cacao Producers Association |
| APROCAM | Association of Cocoa Producers of Muisne |
| APROCAR | Río Verde Cacao Producers Association |
| APROCASH | Shushufindi Cacao Producers Association |
| ASOGUABO | Association of Small Banana Producers of Guabo |
| BANDES | Bank of Economic and Social Development |
| BCS | Bio Control Systems |
| BCS ÖKO | Bio Control Systems Garantie |
| BNF | Ecuadorian National Development Bank |
| C&D | Conservation & Development |
| CABP | Certification of Agricultural Best Practices |
| CACPE | Savings and Loan Cooperative |
| CEO | Founder of Brewed Behavior |
| CFN | National Financial Corporation |
| CISAS | Center for Agricultural Research and Services of Sucumbíos |
| CITTES | Center for Research, Technology Transfer and Extension Services |
| CODEL | Local Economic Development Council |
| COFENAC | Ecuadorian National Coffee Council |
| COFINA | National Fine Chocolates Company |
| CONCACAO | Corporation for National Fine Aroma Cocoa producer of organizations in Ecuador |
| CQI | Coffee Quality Institute |
| CSR | Corporate Social Responsibility |
| ECOCACAO | Cacao Small Producer's Association of Esmeraldas |
| ECOLAC | The Technical University of Loja Dairy Factory |
| EI SALINERITO | The Salinas Salesian Family Foundation |
| EPF | Enterprise Partnership Fund |
| ESCOFFEE | Specialty Coffees of Ecuador |
| ESCOFFEE | Specialty Coffees of Ecuador |
| ETIMOS | Organization of Finance and Credit |
| FAPECAFES | Regional Federation of Associations of Small Ecological Coffee Growers of the South |
| FFS | Farmer Field Schools |

| | |
|-------------------|---|
| FFS | Farmer Field School |
| FIELD | Financial Integration, Economic Leveraging, Broad Based Dissemination |
| FIELD-Support | Financial Integration, Economic Leveraging, Broad Based Dissemination and Support |
| FINCA S.A | Finance Corporation for Community Assistance |
| FISPDICA | Foundation of Social Initiative for the Development of the Canton of Atacames |
| FLO | Fairtrade Labelling Organizations International |
| FODEMI | Microenterprise Development Fund |
| GRUPPO SALINAS | Salinas Salesian Family Foundation |
| ICAM | Italian Chocolate Company |
| ICCO | International Cocoa Organization |
| ICS | Internal Control System |
| INAGROFA | Freund Arroyo Industrial Agriculture Company |
| INIAP | Ecuadorian Institute for Agricultural Production |
| IRS | Internal Revenue Service |
| JUGO FACIL | Leenrike Frozen Food |
| LEDB | Local Economic Development Board |
| LWA | Leader with Associates |
| MIPRO | Ecuadorian Ministry of Production |
| PGPR | Plant Growth Promoter |
| PIDEM | Municipal Integrated Development Program |
| PROCAFEQ | Association of high Coffe, Espíndola and Quilanga Producers |
| PROCAP | High Altitude Coffee Growers Association of Puyango |
| PRODEL | Ecuador Local Business Development Program |
| PROVEMUNDO | |
| RA | Rainforest Alliance |
| RAS | Sustainable Agriculture Standard |
| RUNAYUYAI | Quinoa Small Producer's Association of Otavalo |
| SALINERO | Cacao Producer Company – Salinas Group |
| SIGGLO | Local Governments Information and Managing System |
| SWOT | Strengths, Weakness, Opportunities and Threats |
| USAID | United States Agency for International Development |
| UTPL | Technical University of Loja |

TABLE OF CONTENTS

| | |
|---|----|
| Program Overview..... | 6 |
| Executive Summary | 8 |
| 1. Municipality Strengthening | 10 |
| 2. Development of Anchor Firms..... | 12 |
| 3. Strengthen Horizontal and Vertical Linkages | 25 |
| 4. PULLING IN LOCAL SERVICES PROVIDERS | 44 |
| 5. Providing Municipal Services To Businesses..... | 46 |
| 6. Monitoring and Evaluation..... | 49 |
| 7. Subcontracts and Grants | 58 |
| 8. Integrating Cross Cutting Themes | 65 |
| 9. Certification of Agricultural Best Practices (CABP)..... | 70 |
| 10. Management | 77 |
| ANNEX 1. SUCCESS STORIES | 84 |
| ANNEX 2. MUNICIPAL MANAGEMENT MODEL | 87 |
| ANNEX 3. ANALYSIS OF PROJECT EXPENSES BY GEOGRAPHICAL AREA..... | 87 |

LIST OF TABLES

Table 1: PRODEL Program Indicators..... 7

Table 2: Anchor Firm Strengthening Activities during the 3rd Quarter of FY 2009..... 17

Table 3: Strengthening Activities and Results for Producers 32

Table 4: Achievements to Date on PRODEL Indicators..... 53

Table 5: New and Improved Hectares of Licit Crops to Date..... 54

Table 6: Anchor Firm Sales.....55

Table 7: Average Family Annual Revenue from Sales to Anchor Firms to Date.....58

Table 8: Number of New Full Time Equivalent Jobs to Date..... 59

Table 9: Cumulative Number of Families that have Received Training to Date, Classified by Gender, Ethnic Group and Disability..... 60

Table 10: Contribution from Anchor Firms..... 63

Table 11: Enterprise Partnership Funds to Benefit Producers..... 64

Table 12: Total Funds Disbursed to Anchor Firms and Producers as of September 30, 2009..... 67

Table 13: Women lead activities carried out in the context of the gender training process..... 70

Table 14: Participants in the gender training program..... 71

Table 15: Training and workshops related to the environmental component..... 72

Table 16: Beneficial Agent Validation Tests..... 73

Table 17: Certification Activities for Anchor Firms in the Fourth Quarter of FY 2009..... 77

Table 18: CABPs Key Progress Indicators and Targets..... 79

Program Overview

PRODEL, an associate award under USAID's FIELD-Support Leader with Associates (LWA), aims 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. Managed by the Academy for Educational Development (AED) and implemented by ACDI/VOCA with assistance from CARE, 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.

In support of the above objectives, PRODEL has created the Enterprise Partnership Fund to provide technical and co-financing assistance to 20 lead or "anchor" firms, tailored to their specific needs. 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. Where needed, PRODEL collaborates with banks, finance companies and microfinance institutions to facilitate the provision of additional credit to participating anchor firms and producer groups.

AED and ACDI/VOCA received a modification to the level of effort for PRODEL in September 2009 extending the program to September 30, 2012 and increasing the number of participating anchor firms by 34 firms.

PRODEL is implemented through six key areas:

- Municipal Strengthening
- Working with Anchor Firms
- Upgrading the Vertical and Horizontal Linkages
- Pulling in Local Service Providers
- Strengthening Local Business Environment
- Integrating Cross-Cutting Themes

The Program monitors its progress against the following indicators:

Table 1: PRODEL Program Indicators

| INDICATOR | LIFE OF PROJECT TARGET |
|--|------------------------|
| Number of families linked to anchor firms receiving PRODEL assistance | 8,000 |
| Hectares of licit crops cultivated by producer families supplying PRODEL anchor firms | + 4,000 |
| Number of new full-time equivalent jobs for producers linked with PRODEL anchor firms | + 4,000 |
| Increase in anchor firm sales (\$, %) | \$51,762,500 (+50%) |
| Number of small and medium enterprises (anchor firms) assisted by the PRODEL program | 20 |
| Number of municipalities assisted and that contributed to improve the business environment | 10 |

Executive Summary

This report covers activities undertaken and results achieved during the fourth quarter of the Fiscal Year (FY) 2009 (July 1–September 30, 2009). 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:

- The annual income has increased from approximately \$900¹ at program start up to \$1,549 for PRODEL participating producer families connected to 20 anchor firms calculated as of September 30, 2009.
- A total of 2,658 jobs were created as a result of improved farm management techniques for existing plantations in addition to the creation of new farms during the quarter, providing a cumulative PRODEL program figure of 8,290 jobs, 207% of the program target.
- 4,541 hectares were improved through pruning techniques, shade management, fertilization, and pasture aeration, and 730 new hectares of crops were established during this past quarter for a total of 13,109 new and improved hectares for the first phase of PRODEL.
- 826 participating PRODEL producers were trained through Farmer Field Schools for a total of 3,888 to date. Producers participating in the farmer field schools demonstrate a 75% adoption rate of production improvement techniques which is a vast improvement over more traditional training methods where adoption rates are approximately 25%.
- As of September 30, 2009, Enterprise Partnership Fund (EPF) disbursements for 20 PRODEL anchor firms and their producers totaled \$2,287,559. This is equivalent to the entire amount assigned to the EPF. This figure reflects a cut in the original amount due to overall budget cuts to the program in the 3rd quarter of FY 2009.
- PRODEL has facilitated the provision of credit to 1,677 PRODEL participating producers by 70 financial institutions during the period from March 1, 2008 to September 30, 2009. The National Development Bank (BNF) led the list with more than 57% of the loans being approved by this bank superintendent regulated agriculture sector financial institution.
- Specialty Coffee Consultant, Tracy Allen traveled to Ecuador to help PRODEL coffee sector anchor firms and the Ecuadorian specialty coffee sector with quality and production, as well as marketing strategy advice and guidance. Mr. Allen has broad skills and knowledge in the coffee industry and is a World Barista Championship Judge, a Specialty Coffee Association of America Super Taster, Certified Coffee Cupper and a Licensed Q Grader from the Coffee Quality Institute (CQI).
- The PRODEL team partnered with The Rainforest Alliance to jointly sponsor a seminar entitled “Innovative Ideas in Sustainable and Competitive Tourism” held

¹ All amounts in this report are in US dollars.

at the Marriott Hotel in Quito. A total of 76 representatives from the tourism industry and participating PRODEL anchor firms attended the event designed to motivate tourism sector representatives to incorporate the offer and sale of PRODEL anchor firm winning products through their businesses and establishments. The event featured stands from PRODEL anchor firms and presentations by Marriott Hotel chefs, which focused on the use of anchor firm products in restaurant and hotel food preparation. Additionally, Allen delivered a lecture on “Market Trends and the Challenges Faced in the Current Global Marketplace”.

- The PRODEL technical team, in conjunction with Allen, also sponsored a workshop at the Quito Marriot. The 25 participants who attended the event included representatives from PRODEL coffee sector anchor firms, Anecafé, the Ecuadorian National Coffee Council (COFENAC), CORPEI and the Technical University of Loja. The attendees performed a SWOT analysis of the Ecuadorian coffee industry focusing on the areas of commerce, finance, quality and production.
- The CARE PRODEL Management Model for Improving the Business Climate, developed in coordination with municipal office personnel, was formally submitted and follow up was provided to promote its implementation with mayors and municipal officials in the 12 participating municipalities for the program.
- A total of eight inaugurations in coordination with eight anchor firms and their network of producers were held in all PRODEL regions of intervention to celebrate the successful completion of the first phase of the program.

1. Municipality Strengthening

Municipal support provided through PRODEL is strengthening the local business environment in the following municipalities:

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 in order to achieve this program goal.

1.1 Achievements during the Quarter

The Local Governments Information and Managing System (SIGGLO) system is operational in four municipalities, streamlining the business registration process in Joya de los Sachas, Mira, Pimampiro and the Puyango municipalities. The user manual for the SIGGLO system developed by CARE has been reviewed by the PRODEL technical team in coordination with CARE technical representatives. The completed manual has been provided to the municipalities participating in the program.

During PRODEL phase I, consultants were hired to determine the status of the business registration process at the municipal level. The consultants discovered that the majority of the steps necessary in the business registration process at the municipal level take place outside of the municipal offices in other governmental offices. In response to this finding, the PRODEL consultants developed a model that links the Provincial Capital Territorial Development Agency with each municipal office or in some cases promotes the establishment of a Local Development Council.

The specific objectives discussed in the management model include:

1. Promote the legalization and creation of companies through a municipal business registration services department.
2. Improve the internal procedure for obtaining the Municipal Business Registration in accordance with the current laws and regulations.

3. Encourage the development of an information and local data base system, as a management, planning and promotion tool.
4. Facilitate linking the supply and demand of products and services on a local and national level.
5. Foster and promote participation, consensus-building and coordination between the different stakeholders; public, private, productive sector and other cooperating institutions in order to foster productive activities.
6. Support associative strengthening and training in the productive sector.
7. Encourage promotion and outreach events and activities.
8. Promote local economic development.

1.2 Challenges Encountered and Alternatives Employed

Not all of the municipal staff in the targeted municipalities was open to the SIGGLO system as a work tool in their offices. As a result, additional trainings were conducted with municipal administrative staff and SIGGLO users to ensure its proper use. Municipal officials were always included in these trainings in an effort to motivate administrative personnel and convince all actors involved regarding the efficacy of this system and its benefits to the municipal offices as well as for residents of the municipality as a whole.

Municipal elections were held during the process to implement the municipal management model and this caused delays in its promotion among municipal officials. In an effort to minimize the impact from the elections, the PRODEL team met with newly elected officials to present and explain the model. This resulted in a greater acceptance of the management model as reflected in surveys completed for the PRODEL work with municipalities. Individual attention was given to each municipal office and each and every staff member selected to implement the model in their respective municipalities.

2. Development of Anchor Firms

2.1 Achievements During the Quarter



Inauguration of the RUNA YUYAI storage and collection center in coordination with the Cereales Andinos anchor firm.

Despite unfavorable global economic conditions, PRODEL companies have taken important steps to develop and improve their competitive value during program implementation. Cereales Andinos stands out as a successful example of the value chain approach introduced through PRODEL. With the program's guidance, the firm met the objective of improving income and creating jobs, thus validating the program's approach and strategy.

Historically, Cereales Andinos depended primarily on imported quinoa. In order to grow and prosper, the firm needed to strengthen its links with producers and assure the supply of local raw materials. With the program's support, the business has developed a binding relationship with the farmers from the Runa Yuyai association, which has resulted in a more competitive value chain, more farmers being involved in the process and the birth of approximately 150 hectares of cyclical crops.

Cereales Andinos focused on obtaining sources of financing that would facilitate the purchase of raw material through the Runa Yuyai Association. Cereales Andinos and the PRODEL team constructed a business plan that was subsequently used by the company to secure a \$23,000 loan from the National Development Bank (BNF) and the Banco de la Producción for both the anchor firm and the producers. Additionally, the quinoa harvest period coincided with government funding allocations marked for the provision of food for social programs, which were awarded to Cereales Andinos. This funding is expected to provide a significant increase in the company's income in the coming months.

AAPPSME, under guidance from the PRODEL team, is another example of an organization which was able to meet its goals successfully during the program's implementation. Through adherence to its business plans, the organization improved on various levels. At the producers' level, productivity and quality improved and relations with the storage and collection centers were strengthened. At the business level, management practices improved, infrastructure was renewed, equipment was upgraded, new products were developed and the market expanded. These strides have allowed the organization to

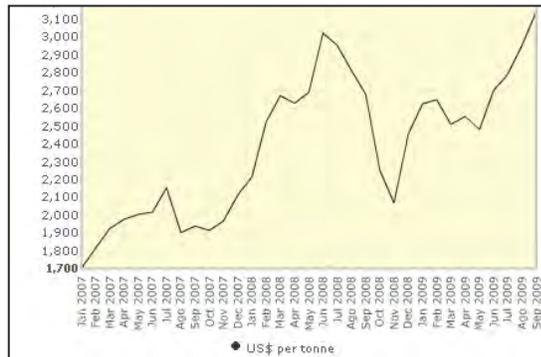
recover its leading position in the herbal beverage field at the local level. Significant economic progress is expected in the near future.



AAPPSME Chuquiribamba herbal production plant – before and after.

In addition, improvements in the AAPPSME plant’s infrastructure and equipment has made it possible to optimize production processes, reduce costs and improve the quality of the final product.

A. Socio-Economic Environment for Stakeholders in Border Region Value Chains



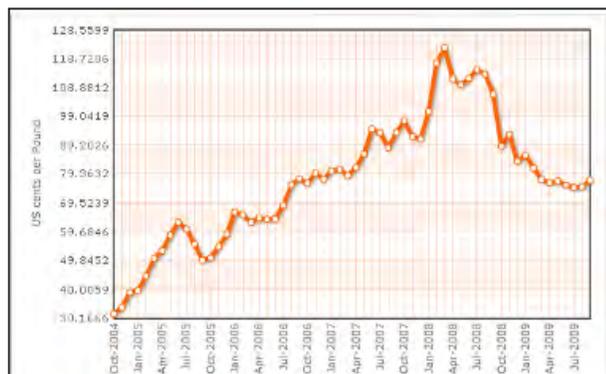
CACAO PRICES:

<http://www.icco.org/statistics/monthly.aspx?AD=2007&MD=1&H=2009&MH=9&Tipo=Grafico&Datos=USD>

With reference to the value chains that produce for export, the global economic crisis acted as the primary external factor that affected sales, both for the producers and the companies during this past period of PRODEL implementation. According to the ICCO, international cacao prices fell between June and December 2008, and then an upward trend resumed (see graph on left). Although the majority of harvest sales this year have remained at or near the prices of last year, a price recovery for the November 2009 to January 2010 harvest is expected.

A noticeable price drop in the line of Robusta coffees, most commonly produced in the Amazon region, occurred as a consequence of the world economic crisis as well (see opposite below).

It is expected that coffee prices will begin to recover in a fashion similar to that of the cacao prices that occurred in early 2009. Combining this anticipated climb in



prices with the fact that the northern part of the Amazon region is just beginning its harvest peak, an increase in producers' income is forecasted in the short term.

Arabica coffee prices have also been variable during this year but recent months indicate a growing trend toward recovery. A government-proposed 50,000 Hectare National Coffee Plan could, however, result in a return to exporting the high volumes of a decade ago, when a drop in prices caused farmers to abandon their crops. PRODEL's emphasis continues to be placed on the concept of improving productivity, so as to minimize any negative effects caused by the vulnerability of prices.

B. Implementation of Business Plans for Selected Anchor Firms

During the quarter, several of the firms developed new products and product presentations, while others dedicated their efforts to developing markets as established in PRODEL-assisted marketing strategies and plans. These activities and the results achieved are detailed in Table 2 on page 16.



An outstanding example of this new product development effort is ESCOFFEE's presentation of "Amazonas Blend." Due to favorable organoleptic characteristics, the anchor firm developed a washed Robusta coffee, believed to be unique in the country in the Orellana Province of the Amazon Region. As a result, the coffee is being well received by the market, especially in the niche of coffee connoisseurs looking for a unique product. This

region is home to the Tamia Muyo coffee producing community.

C. Internally Strengthening the Anchor Firms

The following chart indicates the various components, activities and tools utilized by PRODEL anchor firms during the program. The process of strengthening the management capability of the companies involves adopting a business approach, incorporating a business management model, employing management tools in order to make information-based results-driven decisions, and committing to organizational learning through a management system based on continual measurement and improvement.

Chart 1 - Current State of the Companies

| No. | Anchor Firm | Financial Statements | Organizational Structure | Internal Norms | Business Plans | Marketing Plan | Operational Plan | Financial Plan | Strategic Plan | Strategic Map | Alignment | Information Systems | Continual improvement processes | Lean Manufacturing | Certifications |
|-----|------------------|----------------------|--------------------------|----------------|----------------|----------------|------------------|----------------|----------------|---------------|-----------|---------------------|---------------------------------|--------------------|----------------|
| 1 | Mondel | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | ✓ | ✓ | | ✓ |
| 2 | Café Galletti | ✓ | | | ✓ | | | | | | | | | | |
| 3 | Café Velez | ✓ | | | ✓ | ✓ | | | | | | ✓ | ✓ | | |
| 4 | AACRI | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | | ✓ | | ✓ |
| 5 | Sol de Oriente | ✓ | | | ✓ | | | | | | | | | | |
| 6 | AAPPSME | ✓ | | ✓ | ✓ | ✓ | ✓ | | ✓ | | | | | | |
| 7 | APROCA | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ | | | | | | ✓ |
| 8 | ECD | ✓ | ✓ | | ✓ | | | | | | | | ✓ | | |
| 9 | SKS | ✓ | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | ✓ | ✓ | | ✓ |
| 10 | Aroma Amazónico | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | | ✓ |
| 11 | Ecolac | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | |
| 12 | Fapecafe | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | | | | ✓ |
| 13 | Escoffee | ✓ | ✓ | | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | | | |
| 14 | AsoGuabo | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | | ✓ | ✓ | | ✓ |
| 15 | Inagrofa | ✓ | | | ✓ | ✓ | | | | | | | | | |
| 16 | Cofina | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | |
| 17 | AAPROCASH | ✓ | | ✓ | ✓ | | ✓ | | ✓ | | | | | | |
| 18 | Cereales Andinos | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | | | ✓ | ✓ | | |
| 19 | Jugo Fácil | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | ✓ | ✓ | |
| 20 | Grupo Salinas | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | ✓ | | ✓ |

D. Building capacities

Members of the PRODEL team partnered with local business advisors hired through the Enterprise Partnership Fund to provide business management coaching to the organizations that required the most support in this area to include Aroma Amazónico, AAPROCASH, and AACRI Rio Intag. Success was found to be directly related to the motivation levels found within each participating anchor firm. Those anchor firm managers that sought to implement business development as their path to sustainability, facilitated the process and showed the greatest improvements. In the case of the Aroma Amazónico and AAPROCASH anchor firms, the manager trained under PRODEL has been hired to continue beyond the life of the program providing a measure of sustainability for these firms. Please see Table 2 for additional activities.

E. Continuity of PRODEL Processes

Members of the PRODEL team met with representatives from the Ecuadorian Ministry of Production (MIPRO), the Universitas Equatorialis and PRODEL anchor firms to discuss an agreement that will provide companies with the necessary support to continue the strengthening process started under PRODEL. Some businesses have shown great interest in this agreement, and the PRODEL team has been coordinating with MIPRO to forge the agreement that will provide counterpart funding to PRODEL activities in the future.

Table 2: Anchor Firm Strengthening Activities during the Third Quarter of FY 2009

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|----------------------------------|---|
| APROCA | <ul style="list-style-type: none">- The company has consolidated three commercial markets- Two organizations have been incorporated as strategic partners for joint commercialization efforts- APROCA has captured 70% of the production from Atacames and 50% of the production from Muisne- The quality of product has improved- The PRODEL team provided training to 507 producers and five experts in marketing and technical management |
| ECUATORIANA DE CHOCOLATES | <ul style="list-style-type: none">- The company's administrative accounting information was updated- Efficiency control systems have been established- Treasury management and procurement management has been organized- The company signed a contract with the Kallari Chocolate Company/USA, which runs until late 2010- A distributor has consolidated access to the German market- The company made contact with new potential distributors in the European market- The business has consolidated its Ecuadorian market position- Productivity has improved by approximately 15%- The human resources department efficiency has improved |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|-----------------------|---|
| JUGO FÁCIL | <ul style="list-style-type: none"> - The company maintains up-to-date accounting information - The financial information preparation and reporting has improved - The company implemented a sales plan, strengthening the commercial process of the business - The relationship with the mulberry (mora) producers association has been strengthened - The company signed a commercial agreement with the guanabana producers of La Tola - The company now has a pricing strategy that accounts for all existing commercial channels - Negotiations have started for distribution into Mexico City - Negotiations were set up with distributors for the Argentine, Chilean and Peruvian markets - The company reached a pre-agreement for exportation to Chile with a commitment to import the first container, upon receiving the Chilean commercialization permit, before the end of 2009, - A pre-audit of the Mariano Acosta mulberry (mora) producers was carried out as part of the Rainforest certification process - The company contracted personnel to develop quality and certification control - A machine for washing fruits was installed - The PRODEL team assisted in strengthening the capacity of the personnel that manage the accounting system - The skills of marketers, salespeople and commercial managers improved, both regarding knowledge of the process, as well as in the use of the product - The PRODEL team provided training for personnel from the plant under the parameters of achieving good manufacturing practices |
| GRUPPO SALINAS | <ul style="list-style-type: none"> - The audit process for the corporation's 2008 financial accounts has been completed with a favorable outcome - Financial statements are up to date - 188 farmers with 398 hectares of land earned organic certification - The company made its first exportation (25 MT) of organic cacao to Italy, as well as 50 MT of conventional cacao (25 MT to ICAM - an Italian Company) and 25 MT to Grupo Franceschi of Venezuela) - The company surpassed its planned sales targets for September 2009 (\$303,936) due to the negotiation with ICAM; the contract with the company is for 125 MT and to date, 50 MT have been exported - Financing from ETIMOS (Italy) for \$100,000 and \$97,000 from local organizations has been approved. The company has an up-to-date and functional website - Promotion and publicity material is now available, both in English and Spanish for trade fairs locally and abroad - Operating manuals and internal regulations have been established for the company's personnel - The publicity campaign continues to positively impact sales - The company obtained a FLO certificate for exporters - Personnel who attended the TEC diploma training are now applying basic tools such as the use of financial indicators and client management |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|-------------------------|--|
| AACRI Rio Intag | <p>in the national market</p> <ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Recording and systemization of information from the commercialization of coffee has been strengthened - The company developed its new coffee product “Select” - Negotiations have begun to develop a new market in South Korea, with the first order coming in for 2,270 kilos - An alliance with a national company was initiated for selling coffee in TE type packaging for national and external markets - The micro-organisms were presented to various companies and producer associations - The construction and equipping of a building for the coffee processing plant advanced - The business now has a laboratory for taste quality control - A new coffee-roasting machine was purchased - Mass production of micro-organisms has begun - The PRODEL team provided training to the company’s in-house experts and personnel |
| CEREALES ANDINOS | <ul style="list-style-type: none"> - Due to operational improvements the company has realized increased profits - The company received business loans for its operation - A binding relationship has been developed with producers, who supply quality raw material, in the Otavalo region - The company’s competitiveness has been sustainably strengthened - The company has improved its management capacity - The company has positioned itself as one of the main suppliers of nutritional products - The company won a competition for healthy food alternatives for federal social programs - A storage & collection center was inaugurated in Otavalo - Threshing machines for the post-harvest process and quality assurance of quinoa were delivered - In relation to the previous quarter, sales have increased by 53% - An operative plan was implemented to administer the storage & collection center and the machinery used for post-harvest activities |
| AROMA AMAZÓNICO | <ul style="list-style-type: none"> - The accounts payable and accounts receivable systems for the rotating fund were established - Accounting practices have been established upon the legalization of operations - The company implemented its cash flow tool - Operational plans are in place for the following areas: technical, finance accounting, commercial and management - The company possesses an evaluation and continual improvement procedure for management team activities - The Integrated Strategic Administration System for the company was created based on the Balanced Scorecard - Ricardo Cordero received training for transition to management - AMAZNOR’s business and financial assessment process was |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|-------------------|---|
| | <ul style="list-style-type: none"> - consolidated - Implementation of a control system for administration and revolving fund management of each collection center has occurred - Rules for the commercial process were established based on organic certification and fair trade standards - Producer data information systems were developed - Produced 18,000 chocolate bars to sell to the market - Marketing plan for the chocolate bars was developed - Contacts with the Swiss company Bernrain were initiated in order to secure the sale of cacao beans for 2010 - Sold eight tons of cacao to Nestle - Regulations for using a rotating fund for commercializing cacao and coffee were established and are operational - Follow-up was provided for the organic certification of 500 new farmers and approximately 950 hectares of newly certified hectares of cacao - 200 hectares of cacao were planted using the new clones tested by INIAP - Company experts were trained in client services and Interpersonal Relationship Management |
| COFINA | <ul style="list-style-type: none"> - The company developed a website - Work continued on the construction of the new plant for production of semi-finished cacao products; it is expected to begin functioning in January 2010 - Training has begun for personnel that will manage the plant for semi-elaborated products - The PRODEL team assessed producers in order to obtain a quality product closer to the expectations of the company's commercial clients |
| AAPROCASH | <ul style="list-style-type: none"> - The process of strengthening administrative management was consolidated - The company developed new market alternatives - The client database was consolidated - A new company and commercial image was developed - The internal manual and policies are being applied |
| CAFÉ VÉLEZ | <ul style="list-style-type: none"> - New information systems have been incorporated - The accounting software system has improved - The company made new contacts with potential clients for export to the U.S. - Strong commercial links have been set up with FAPECAFES for the supply of coffee - Management of sales, collection, accounting and customer service has improved - The company defined internal roles and standards - Due to improvements in infrastructure, overall processes have been enhanced - Coffee culture in the country has been promoted, in production as well as commercialization - The business has created a favorable working environment |
| AAPPSME | <ul style="list-style-type: none"> - The administrative and operational plant was restructured in order to adapt to the new production and commercialization process |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|---------------|---|
| | <ul style="list-style-type: none"> - A media campaign was implemented to position the company in local and national markets - Articles were published in local media, radio, and television, in addition to garnering attention from national media - The Classic and Lemon Lojana Horchata products were accepted for sale in the TLA national supermarket chain - The company established a relationship with the Slow Food international food marketing chain from Italy - Negotiations started for exporting classic Horchata to Spain through a commercialization agent who specializes in nostalgic products from Latin American supermarkets - Contacts for distribution in Guayaquil were set up - The Lojana Horchata product was present at the border integration fair in the city of Loja - The company participated in various events organized by local supermarkets and malls, such as Hypermarkets El Valle - Washing, cutting and pre-drying machines are now operational - Disinfection boiler and oven were installed, with a new dehydration system that works through radiators with heat transfer - The new installations provide better working conditions in the production plant - New security systems, against robbery and fire installed - Plant personnel received new protection uniforms and fire extinguishers; first aid kits were also installed - Water purification and chlorination system has been installed, which lowers the bacterial load of the raw material; the dehydration process is now carried out in optimal conditions - Administrative management has been reoriented, improving the control of the administrative processes and the planning of the organization's growth |
| SKS | <ul style="list-style-type: none"> - The company's accounting system has been formalized - Communication has improved between the plant and the accounting department - Better control of expenditure and income now exists - Control of raw material product inventories was improved - The company has identified production costs for each product - The company has improved the timely delivery of all documentation for recording and control - Human Resources has improved due to the approval of a regulations manual for personnel - The ROOT CAPITAL lending institution processed credits for exportation |
| ECOLAC | <ul style="list-style-type: none"> - The training phase in administrative processes, cost determination and inventory control for ECOLAC personnel is complete - The company contracted an individual responsible for commercialization and sales - Training planned for distributors and their support personnel is complete - Company sales have increased |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|------------------|--|
| | <ul style="list-style-type: none"> - Compared to last year's records, fresh cheese has shown an increase in sales of 200% and yogurt an increase of 5% - The company carried out a publicity campaign on radio and television - The company sponsored the national mini-basketball championship, which provided the company with additional media coverage - Order of new products increased by 50% due to the presence of company products in the Hipervalle supermarket - A new distributor was contracted in the city of Loja - Two new buyers of fresh cheese were established - Sanitary registration with the Leopoldo Izquieta Pérez National Hygiene Institute is in progress - 100% of the ECOLAC administrative personnel have improved their business capabilities - The company achieved a 50% reduction in milk returns due to increased product quality from producers - The benefits and advantages of using aluminum tanks were publicized - Better understanding of the pasteurization process has been achieved |
| FAPECAFES | <ul style="list-style-type: none"> - Credit was obtained for working capital - Export of 805 qq to the U.S. occurred - A commitment to buy 250 qq of organic coffee with Café Vélez was established, as well as 400 qq of organic coffee with Café Galletti - Contracts for exporting gourmet and boutique coffee with specialized roasters in the U.S. have been signed - The company has arranged for the participation of six members of FAPECAFES in the "Hablamos de Café" (Let's Talk Coffee) event in Colombia - Farmer Field School workshop courses were carried out - A bi-national event for Coffee Tasters took place - Three people were selected to participate in the preparation course for Q-Grader |
| ASOGUABO | <ul style="list-style-type: none"> - The financial-accounting situation was diagnosed - Accounting adjustments were carried out - Responsibilities for the accounting personnel were distributed and the Financial Manager was designated - A contract with Dole was established - The company proposed further discussion with the national government regarding a support program for banana production and commercialization - The PRODEL team trained trainers, who will share their knowledge with producers with the goal of forming community promoters - Human Resource department personnel were designated - Human resource and salary policies were created - Positions, functions and procedure manuals and standards were developed |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|---------|---|
| | - The company negotiated the first collective contract with employees |

E. Selected Activities



Prodel technical team members attend the bi-national training course for coffee tasters.

With the goal of improving the quality and generating a greater coffee consuming culture in Ecuador, the second bi-national (Ecuador and Perú) course for coffee tasters took place in the city of Loja. FAPECAFES organized the course, using the PRODEL-financed technical University of Loja (UTPL) coffee taste testing laboratories. Attendees included those responsible for quality control, the local directors of all the member associations of FAPECAFES and participants from organizations in northern Peru. This workshop provided the necessary training in quality control tools used to differentiate the organoleptic and physical

characteristics of the different coffees. Selected trainees will travel to Nicaragua to continue developing their skills and the remaining participants will apply the acquired knowledge through technical assistance to coffee farmers.

Plan Ecuador, USAID, PIDEM and PRODEL Information Workshop

Plan Ecuador, USAID, PIDEM and PRODEL participated in an information-sharing workshop at the San Jose de Puenbo Hotel, near Quito, during this previous quarter. PIDEM and PRODEL delivered short presentations on the activities carried out by province, canton and parishes in the northern border region. These two groups and Plan Ecuador planned to coordinate efforts in the northern border region and Plan Ecuador presented its priority cantons to the group that are located primarily within 40 kilometers of the border between Ecuador and Colombia.

Innovative Ideas in Competitive Sustainable Tourism

In order to assist PRODEL anchor firms to develop commercial alternatives with hotels, restaurants and tourism establishments on a national level in Ecuador, Rainforest Alliance and PRODEL organized and co-financed an event entitled, "Innovative Ideas in Competitive Sustainable Tourism." Anchor firms were given the opportunity to present competitive winning ideas, with a focus on using tourism as a tool of economic development. The event provided a forum to nurture relationships among the economic stakeholders in these value chains, as well.



Participation in Tourism Workshop, presentation by Tracy Allen on Marketing Trends and the Challenges of the Global Economic Crisis.

Coffee Cluster Actors Workshop



Workshop with PRODEL coffee anchor firms and representatives, in quality improvement and market differentiation and development strategies.

Taking advantage of the presence of coffee expert Tracy Allen, a workshop was in the Marriott Hotel with key coffee sector representatives. Allen offered his impressions and guidance, for participants, and the issues of foreign trade, productivity, quality and finance were discussed in working groups. A SWOT analysis of the issues was developed which generated and led to an in-depth discussion for improving the coffee value chain in Ecuador.

2.2 Challenges Encountered and Alternatives Employed

The primary challenges faced by PRODEL participating anchor firms and their producers are market access and the development of their products for sale on a national level. In general, a high percentage of their sales depend on only one channel: The largest national supermarket, Supermaxi. Only the biggest and most competitive companies have access to such limited channels of commercialization, leaving smaller businesses to negotiate under unfavorable conditions. For this reason, the businesses have been advised by PRODEL technical team members to creatively promote their products, find synergies for the development of horizontal linkages, and diversify their commercialization channels. To achieve this objective, other alternatives have been encouraged and developed, such as entering into hotel, restaurants and tourism establishments, in addition to selling the concept of social and environmental responsibility that their product is based on.

2.3 Activities Planned for Next Quarter

The following activities are planned for the next quarter of intervention:

- Develop tools for qualifying existing and new value chains for the program.
- Create and improve tools to evaluate and qualify potential anchor firms.

- Coordinate activities with CORPEI and other public and private sector entities to select new companies.

3. Strengthen Horizontal and Vertical Linkages

3.1 Achievements during the Quarter

A. Highlighted cases

The relationship between producers and anchor firms substantially improved quality processes, increased productivity and encouraged collaboration and partnership to strengthen the organizations as a result of technical assistance and PRODEL guidance.

Increasing productivity proved to be the biggest challenge. Enhanced productivity occurred via technical assistance through the Farmer Field Schools (FFS), which promoted a greater level of adoption of transferred techniques. FFS is based on an experiential and interactive educational concept that is carried out with a group of farmers who, with the help of a facilitator, perform practical analysis and research on their farms in order to diagnose the current status of their land and to establish priorities to achieve better production performance.

PRODEL has incorporated this participatory approach into its program methodology and operates under principles based on integrated crop management and the adoption of good agricultural practices. The PRODEL technical team trained approximately 3,500 coffee and cacao growers, with a new technology adoption rate of over 70%. It is important to note that the participation of farmers through this training system has strengthened producer organizations by improving communication channels and creating commercial linkages based on product quality.



COFINA Linked SAN CARLOS association producer grafts a super tree.

Super-trees, which can increase cacao production per hectare up to five times the normal production levels, have the potential to greatly increase cacao producer incomes. As a result, continued support in the planting of super-trees for cacao producers is highly recommended by the PRODEL technical team.

PRODEL anchor firm ESCOFFEE is committed to strengthening links with the market by carrying out ESCOFFEE tours in each area. Tours consist of interaction between representatives of buyers and groups of coffee growers directly in the fields.

Through these visits, buyers witness firsthand the activities involved in producing and enhancing Arabica high-altitude coffee. This communicates the firm's social and economic commitment, as well as enhancing customer loyalty.

The ECOLAC anchor firm is a successful example of the importance of strengthening vertical linkages. Through support from PRODEL, dairy farmers received training in maintaining product quality through improved practices in milk extraction, collection, transportation and animal health improvement. As a result of this training, 100 % of all containers that were not appropriate for milk transportation were discarded and proper aluminum tanks were provided by the program as replacements. Further, in the Yanzatza area, animal health demonstrated significant improvements as the incidence of mastitis was considerably reduced, facilitating an 85% recovery rate in production.

Through the EPF, ECOLAC funded soil analysis and subsequently provided dairy farmers with technical recommendations, which has resulted in the introduction and implementation of new soil management techniques. The impact of these practices will be evident over the medium term; however, it is important to highlight the “change in mentality” that has occurred as a result of these recommendations. Before PRODEL’s involvement, farmers’ motivation levels were neglected.

In terms of vertical strengthening, ECOLAC illustrated important accomplishments regarding relationships with various potential markets for its products. Adhering to its business plan, ECOLAC has increasingly focused on the diversification of its products. Subsequently, sales of its sub-products have increased by approximately 200%. Furthermore, the company has introduced new products (varieties of cheese) with a high rate of sales rotation. In addition, ECOLAC is unique in terms of forward strengthening. As a result of support from the PRODEL team, the company now has access to geo-marketing tools, trained personnel and relevant information obtained directly from the points of sale, which has allowed ECOLAC to implement true sales management with tangible projections. The increased sales of sub-products and the introduction of new products have resulted in a 7% increase in the demand for raw material. Producer milk quality has improved for 50% of the delivered product during the PRODEL program intervention thus improving the company’s brand image in terms of the quality and freshness of its products.

Another example that stands out in terms of anchor firm led vertical linkages and market development is Gruppo Salinas. Through strategic use of the EPF, Gruppo Salinas participated in business tours to Italy which facilitated a deal to export 150 MT of cacao to Italy and helped strengthen its commercial ties to the ECOCACAO/FISPDICA cacao producer groups. Gruppo Salinas established an alliance with ECOCACAO/FISPDICA through the supply of 260 quintals of cacao. Although the company is located in the Chimborazo Province, the company’s initial support for a technician based in Esmeraldas Province has proven successful, as it has made it possible to plan activities and perform technical follow-up and decision-making in a timely manner. The PRODEL team provided the company’s technical team with training and advice on planting techniques, management, establishing a clonal garden, quality assurance techniques and certification, all of which strengthened vertical ties with the 188 producers and their 398 organically certified hectares. Considering the limited time period given for the process, the company’s achievements are notable.

B. Equitable and Trusting Relationships among Stakeholders



Cereales Andinos linked RUNA YUYAI and Azama quinoa producers demonstrate a USAID funded threshing machine.



Training for RUNA YUYAI quinoa producers.

As a result of the fulfillment of commitments, improved incomes, the synergy of relationships and the success experienced so far, many producers have been motivated to work with anchor firms for the next crop cycle. For example, in the case of producers linked to Cereales Andinos, where 150 additional farmers signed up for the quinoa project, thus incorporating a new 100 hectare area of cultivation.

ECOCACAO and the anchor firm SKS have achieved substantial progress in building linkages. SKS developed a project in two northern areas of Esmeraldas Province through an agreement with the PROVEMUNDO Company, along with another in the southern region of the Province via support from the ECOCACAO association. With the latter group, an important linkage was established between the company and the organizations, which went beyond the cultivation of cacao. With support from SKS, ECOCACAO began working in the area of community tourism, which brought in significant economic resources due to the presence of foreign visitors. The relationship between the company and ECOCACAO is anticipated to strengthen in the short term. With the association seeking organic certification, it is a certainty that SKS will be an important customer for the organization. The PRODEL team recommends that other processes already underway outside the realm of cacao continue to be supported so that development can continue to grow in this region of Esmeraldas Province.

Jugo Fácil has accomplished noteworthy gains during this past quarter of PRODEL implementation. The company managed to support 50% more producer families than the established goal. In conjunction with the PRODEL team, these producer families were provided with advice and training on building infrastructure for nurseries, planning, farm management, certification, quality and administration. In addition, the relationship with its producers in the Northern Sierra region of Ecuador is direct and transparent, consequently

producing strong bonds. For example, each Thursday the directors of the company visit blackberry farmers in Imbabura to establish and strengthen commercial relationships. Furthermore, the organization pays its suppliers 40% more for high quality fruit compared to what they formerly received.

C. Improving Infrastructure and Equipment



APROCA linked APROCAR association storage and collection center inaugural activities.

In recent years, the APROCA association of cacao producers has worked hard to improve its commercial system. With the support of PRODEL, APROCA built a storage & collection center, which will go a long way toward strengthening the APROCA commercial system. In addition to the storage and collection center, the PRODEL program provided training and advice for the construction of infrastructure for nurseries, planting, farm management, certification, quality, organizational strengthening, and administration.

APROCA linkages with APROCAR, APROCAM, the Velasco Ibarra Cooperative, the Asociación Sueños del Ecuador (Dreams of Ecuador Association), the Chontaduro Association and the Chinca Association has created a network of producers which form the foundation for commercial system strengthening for the anchor firm and its producers.



AAPROCASH inaugural activities.

Linked to the SKS and Gruppo Salinas anchor firms, the ECOCACAO and FIPSDICA organizations have found ways in which to jointly fulfill commercial commitments. Improvements from EPF-funded equipment and infrastructure will ensure quality fermentation, improved drying and post-harvest processes, which will guarantee consistent quality of supply and commercial system strengthening.

AAPROCASH also made significant improvement in infrastructure and equipment, as well as established stronger vertical linkages, for example with the Guayaquil based cacao exporting company, COFINA. During the past quarter, the company inaugurated a drying platform for cacao, purchased additional fermentation machines for organic products, as well as wooden tools required under certification guidelines for post-harvest treatment of organic produce.

D. Quality Improvements

FAPECAFES has shown an increasing interest in reinforcing production and commercialization processes in order to guarantee high cup quality standards. This has led to the incorporation of new elements into the company's activity planning. At the grassroots level, technical training has begun to more effectively guarantee product quality. Concurrently, an effort is being made to open up new niche markets using coffee micro-lots, which incorporate new production processes and product differentiation with more specific quality standards. At the international level, this positions FAPECAFES as a national benchmark for Ecuadorian specialty coffees and opens up new commercial opportunities.

E. Training

The PRODEL team provided training workshops during the 4th quarter of FY 2009 in Loja for technicians in the coffee chain who had been unfamiliar with such methodology.



Farmer field schools for coffee sector technical personnel.

F. Strengthening Activities to Improve Producer Competitiveness

During this past quarter, PRODEL made significant progress in strengthening the skills of farmer producers, product quality and linkages with firms and competitiveness. The table below lists capacity-building activities and their subsequent results.

Table 3: Strengthening Activities and Results for Producers

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|----------------------------------|--|
| APROCA | <ul style="list-style-type: none"> - Cultivated areas increased by 150 hectares - Improved product quality was realized due to new planting materials - The renewal of 358 hectares of cacao will increase the volumes produced - Two new producer associations were incorporated - PRODEL provided training to producers on clean harvesting with no product variety mixing - Each association member possesses an internal regulation manual - The Board of Directors is aware of its roles and functions |
| ECUATORIANA DE CHOCOLATES | <ul style="list-style-type: none"> - The second phase of establishing Farmer Field Schools in Esmeraldas was completed surpassing the original goal with a total of 74 farmers graduating from the FFS - Through the EPF tools for nurseries were purchased for the FFS - Three nurseries were built for the production of 22,000 cacao plants at the community and household level - The grafting of 16,000 plants was verified - Linkages between producers and anchor firm were strengthened |
| JUGO FÁCIL | <ul style="list-style-type: none"> - Quinde producers provided 50,000 maracuya (passion fruit) plants - The Mariano Acosta zone of Imbabura saw approximately 19,323 blackberry bushes planted on 12.78 hectares - The PRODEL technical team provided training and technical assistance to guanabana, maracuya and blackberry producers |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|------------------------|--|
| | <ul style="list-style-type: none"> - The PRODEL team trained two people in the use of tools for gathering and collecting guanabana and blackberry - The company provided training in the production of quality fruits as required by the market - The number of beneficiaries increased and the process of technical and commercial assistance was strengthened - An agreement was signed for the sale of maracuya |
| GRUPPO SALINAS | <ul style="list-style-type: none"> - Systematization of the necessary information to obtain organic certification through Bio Control Systems (BCS) has occurred - The anchor firm distributed a set of tools to 150 FISPDICA members and 150 NAAT-E members - A total of 156 producer families from NAAT-E and 152 producer families from FISPDICA have been linked to the anchor firms as of September 30, 2009 - Farmer Field Schools were successfully carried out in NAAT-E and FISPDICA - Physical improvements were made to NAAT-E infrastructure, which included the construction of shelters and a fermentation shed and the location of fermenting machines that are expected to improve production processes and cacao quality - Training was delivered to those responsible for managing storage & collection centers on the use of electronic tools to control production and the traceability of each and every lot of cacao |
| AACRI Rio Intag | <ul style="list-style-type: none"> - 79 on-farm germinators were installed, with a capacity of 212,500 plants, covering an approximate 70 hectares of coffee crops - A total of three training workshops were conducted - 103 hectares of coffee have been planted - The beneficial micro-organisms grown in AACRI Rio Intag have been distributed to the coffee growers - The micro-organisms are being promoted to all of the producers - Liquid and solid organic fertilizer is being produced - The organic certificate for new coffee growers has been renewed; in total there are 118 coffee growers within the program covering 94 hectares - Loans have been given for establishing new coffee crop hectares as well as for the management of those coffee hectares already established |
| MONDEL | <ul style="list-style-type: none"> - Farmer Field School trainings have resulted in an improvement in the quantity and quality of milk production - Dairy producers received two instruction booklets on pasture management and cattle management - 50 filters were distributed to ensure milk quality - The price of milk for small dairy farmers continues to be between \$0.32 and \$0.35 per liter and payment varies depending on quality - The Lactoscam laboratory equipment essential for measuring quality parameters was delivered - 26 goats were distributed to the La Portada, Tumbatu and Juan Montalvo communities - Fausto Ruiz committed to donating the land and material for the construction of a goat milk cheese factory. The mayor of Mira has expressed interested in supporting this project - Herd mortality has been reduced to zero, primarily due to training provided to |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|-------------------------|--|
| | beneficiary families |
| CAFÉ GALLETTI | <ul style="list-style-type: none"> - Community nurseries received 350,000 sacks for coffee beans - The germinators are producing coffee plant sprouts - The community germination in La Primavera will produce 48,000 sprouts, which will be distributed to those who did not have access to seeds but who were interested in participating in the program - The Farmer Field Schools continue to provide training on preparing the substrate, setting up the nursery and proper planting techniques |
| INAGROFA | <ul style="list-style-type: none"> - The 140 hectares of quinoa planted continues to be monitored - 1.25 hectares of a special variety of Peruvian quinoa was planted - Crop management technology was transferred to 195 farmers - 98 farmers attended training workshops |
| CEREALES ANDINOS | <ul style="list-style-type: none"> - 484 quintals have been harvested from a 35-hectare area. The economic yield per hectare is \$840 from an initial investment of \$450 - 484 quintals of processed quinoa yielded 25% first-grade quinoa; 50% second-grade quinoa; 10% third-grade quinoa; and 15% loss due to the elimination of saponin and moisture - With the use of post-harvest equipment purchased through with EPF support, the end product was clean and free of impurities - Farmers from the Runa Yayai Association are highly motivated to continue quinoa production in their communities |
| AROMA AMAZÓNICO | <ul style="list-style-type: none"> - 125,000 domestic Ecuadorian cacao trees were planted on 200 hectares by 13 member organizations in the provinces of Sucumbios and Orellana - The proposal for improving the cacao chain was disseminated in the provinces of Sucumbios and Orellana aimed at local governments, development institutions and producer organizations - A machine to wash Robusta coffee was purchased and installed - Inspection of 500 new farmers enrolled in the organic certification occurred - 320 new growers legally joined member organizations - The organizations were provided guidance on changing or renewing their Board of Directors - Producers received support for member organizations in commercial and organizational strengthening - Support from the national and local governments was negotiated for the implementation of a cacao and coffee plantation renewal plan for close to 3,000 producers from member organizations |
| SOL DE ORIENTE | <ul style="list-style-type: none"> - 45 working groups were formed for Robusta coffee production to benefit 1,000 families - 39.5 rolls of plastic were distributed to beneficiaries for the construction of 280 solar dryers, measuring 30 m2 each - CISAS provided 500 pumps to beneficiaries - EPF funded 443 pumps for beneficiaries - 289 training workshops were held focusing on coffee growing using the Farmer Field School methodology - Hired technicians conducted 860 field visits (monitoring, evaluation and recommendations) to 45 working groups - Geo-referencing of 358 farms occurred during this period - 1,000 hectares of Robusta coffee were renewed, including those reported by CISAS |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|-------------------|---|
| | <ul style="list-style-type: none"> - 442 hectares of coffee received maintenance |
| COFINA | <ul style="list-style-type: none"> - A total of 373 farmers have received technical assistance, 173 of which have come from the various communities of the Joya de los Sachas Canton - Super-trees produced an average of 20-25 quintals/hectare/year, which provided substantial increased income for farmers - A nursery has been built to reproduce super-tree variety plantlets, with a capacity for 30,000 plants. Sales from the nursery will provide sustainability for this initiative over time. - A cacao post-harvest manual was produced - Security measures were established to minimize the risks for contamination - 25 producers from participating communities received training on topics of leadership, organizational development and business management - Relationships between the association and the anchor firm were strengthened, reflected in this year's sale of 1,150 quintals of dry cacao, which continues to comply with quality requirements - Storage & collection centers received technical support, which focused on the improvement of cacao quality |
| AAPROCASH | <ul style="list-style-type: none"> - 135 producer families received theoretical and practical training through FFS methodology in cacao quality improvement - The improvement of 225 hectares has yielded 58 new crops - Grafting practices were carried out to increase cacao production - Biols (Natural fertilizers) were applied to improve production - Advances were made to certify AAPROCASH cacao |
| CAFÉ VÉLEZ | <ul style="list-style-type: none"> - Nurseries have been built for the production of 250,000 plants - Promotion of quality coffee growing techniques through a radio program called "Coffee Farmer Moment" has proved to be an excellent low cost initiative - Linkages have been formed with leaders of certain communities who are committed to quality and productivity |
| SKS | <ul style="list-style-type: none"> - Four shelters were built to help improve cacao processing - Approximately 400 producers received training, 73% men and 27% women, on topics related to cacao production and quality - Farmer Field Schools were held in La Pena, Tachina del Río Santiago, Valdez, Colón Eloy, San Agustín and Bella Vista communities in northern Esmeraldas, with the participation of 10 to 15 producers per school |
| AAPPSME | <ul style="list-style-type: none"> - 20 producers joined the organization as members - 0.5 hectares was added for herb production - The PRODEL team held Best Practice training events for harvest and post-harvest, which included training on the new machinery acquired for improving the production process - The Chantaco storage & collection center was established with the incorporation of new producers - Visits were made to aromatic herb producers in the Chichaca and Pordel communities |
| ECOLAC | <ul style="list-style-type: none"> - Approximately 400 hectares have been sampled to ensure good soil management techniques - 100% of the samples have been analyzed - A package of agricultural inputs was established - 400 hectares distributed among the pilot farms have been improved - Technologies for increasing the organic material levels of soil were shared |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|------------------|---|
| | <ul style="list-style-type: none"> - Planting practices for leguminous and tree species were established - Agricultural inputs were purchased and distributed to providers - Each provider received personalized recommendations with respect to fertilization and good soil management - The PRODEL team provided training on the proper application of the agricultural input package - Technical capacities and skills showed improvements in laboratory analysis practices - Milk quality analysis was conducted - The National Development Bank (BNF) approved a loan for the anchor firm - Milk producers received 100% of their aluminum tanks - Through the purchase and replacement of materials and laboratory analyses the UTPL Agricultural Soil Laboratory was strengthened - Ecuadorian Ministry of Production (MIPRO) provided financing for the diagnosis and treatment of diseases, genetic improvement and the design and construction of farm animal stables - The relationship, credibility and trust of providers has shown considerable improvement - Linkages were improved among CITTES, the Soil Group and the School of Agricultural Engineering - Results were presented to the Zamora Chinchipe Provincial Council to encourage their support for soil upgrading |
| ESCOFFEE | <ul style="list-style-type: none"> - Producers in the Loreto Canton of Orellana Province received initial purchases of their washed Robusta coffee - The San Rafael and Huatitoca community coffee producers received depulping machines - The coffee producing community of Loreto received mesh for Robusta parchment coffee - The 24 de mayo community conducted a meeting on the formation of a Board of Directors - The 24 de mayo community transformer module was replaced - Distribution of moisture measurement equipment for Arabica coffee took place - The ESCOFFEE nursery installed new seed beds in order to obtain new coffee plants - Growers in the Olmedo coffee growing community received backpacks and sprayers for use on their coffee plantations - A warehouse for receiving coffee was built in the Olmedo Canton |
| FAPECAFES | <ul style="list-style-type: none"> - The application of efficient micro-organisms from the AACRI Rio Intag anchor firm laboratory yielded improvements in soil fertility - Growers of unproductive plantations participated in exchanges and visits with successful growers to encourage the renewal of unproductive plantations - Anchor firm representatives encouraged farmers to implement agro-forestry nurseries at the household level, with 60% coffee plants and 40% native forest and fruit plants - 1,500 brochures focused on organic coffee were distributed - Associations and producers received support for organic certification audits and inspections - Internal regulations were improved - Information was prepared on fair trade measures for members |

| COMPANY | STRENGTHENING ACTIVITIES AND RESULTS |
|----------|---|
| ASOGUABO | <ul style="list-style-type: none"> -Producers showed increased involvement in quality control - Internal coordination among the technical department, (PROMESA and exports and finance), showed improvement |

G. Horizontal Linkages

During the fourth quarter of FY 2009, PRODEL anchor firms and their producers explored and established connections with the program’s stakeholders to develop horizontal linkages along value chains. Some of the initiatives are described below:

- The 8 consortium formed between PRODEL anchor firms Café Galletti and Jugo Fácil have begun to coordinate marketing efforts through the hiring of a sales and marketing manager to benefit the two PRODEL anchor firms.
- Another example of cooperation this past quarter was between Mondel and Gruppo Salinas, which are leaders in the production of mature cheeses in Ecuador. Instead of competing for the positioning of their products, they have created areas of cooperation. For example, Mondel is especially strong in the sale of goat cheese and as a result, the two companies now jointly sell this product.
- A horizontal relationship has been solidified between the FAPECAFES, Café Vélez and Café Galletti anchor firms to cooperatively meet market demand for their coffee products both domestically and internationally.

H. Financial Services

The activities carried out to date within the area of financial services have been intended to create a foundation for establishing alternatives and mechanisms that will allow the anchor firms, as well as small producers, to gain sustainable access to lines of credit for their economic activities. More specifically, the aim is to achieve a direct line between financial institutions and businesses, as well as to facilitate producers’ access to micro-credit, which deters the need to resort to loan sharks for their working capital.

Numerous obstacles exist to facilitate this access to credit and include: the lack of financial institutions providing this type of credit in Ecuador, the low or almost non-existent level of financial culture among small businesspersons, the lack of financial information generated by the anchor firms, the current lack of credit in the global economy and the informality that exists within farmer associations and agri-businesses.

Bearing in mind these factors, the activities carried out during this past quarter were aimed at reducing the obstacles, and facilitating access to credit for PRODEL beneficiaries both at the anchor firm and producer levels.

The support provided to the anchor firms during the quarter was focused primarily on the following activities:

- The financial monitoring tool employed made it possible to assess the monthly evolution of the main financial indicators for each anchor firm. The PRODEL team made recommendations on how to improve their accounting systems and their financial indicators, as well as how to present more consistent information.
- In order to ensure that the firms had no tax problems, the PRODEL finance team checked if they were on the Internal Revenue Service’s “white list.” If they were not on that list, the team notified the firm in question of the need to resolve their situation as soon as possible.
- The PRODEL team facilitated a contact between the Gruppo Salinas anchor firm and the National Financial Corporation (CFN), to apply for a loan that would finance the purchase of cacao for export. In addition, contact was made with OIKOCREDIT as another alternative financing source, which the company will consider in the future.
- The PRODEL team helped the anchor firm Inagrofa to establish a relationship with OIKOCREDIT in order to access financing to mobilize the quinoa harvest. Although Inagrofa experienced losses in previous fiscal years, OIKOCREDIT is an organization that supports and/or finances socially-driven, profitable projects. As it currently supports a significant number of small quinoa farmers, and Inagrofa has obtained positive results with the assistance of PRODEL, some support from OIKOCREDIT is anticipated.
- The PRODEL team held a workshop to review the financial planning of the Jugo Fácil anchor firm, which resulted in a change to its business plan. This adjustment was facilitated by a change in the company’s accountant and its accounting system, which now provides more reliable information of product costs and the company’s expenses.

The table below lists previously employed alternatives and the financing obtained by anchor firms over the last fifteen months:

Table 4

| Source of financing | Number of anchor firms who have accessed each source of funds | Capital (In US\$) | Observations |
|---------------------------------|---|-------------------|--|
| PRODUBANCO | 3 | 39,390 | |
| CORPORACIÓN FINANCIERA NACIONAL | 2 | 3,500,000 | One company already received a loan and one is about to receive a US\$ 50,000 loan in the very near future |
| FAMILIA | 1 | | |

| | | | |
|--|---|------------------|---|
| | | 36,000 | |
| BANCO PICHINCHA | 1 | 20,000 | One company has received a loan and one loan application is being processed |
| OIKOCREDIT | 1 | 70,000 | One additional company is engaged in the loan application process |
| AMAZNOR | 1 | 200,000 | |
| ROOT CAPITAL | 1 | 300,000 | |
| BANCO NACIONAL DE FOMENTO | 1 | 20,000 | |
| FUNORSAL - FUNDACIÓN DE ORGANIZACIONES CAMPESINAS DE SALINAS | 1 | 7,000 | |
| COOPERATIVA DE AHORRO Y CRÉDITO SALINAS | 1 | 20,000 | |
| TOTAL FINANCING RECEIVED | | 4,212,390 | |

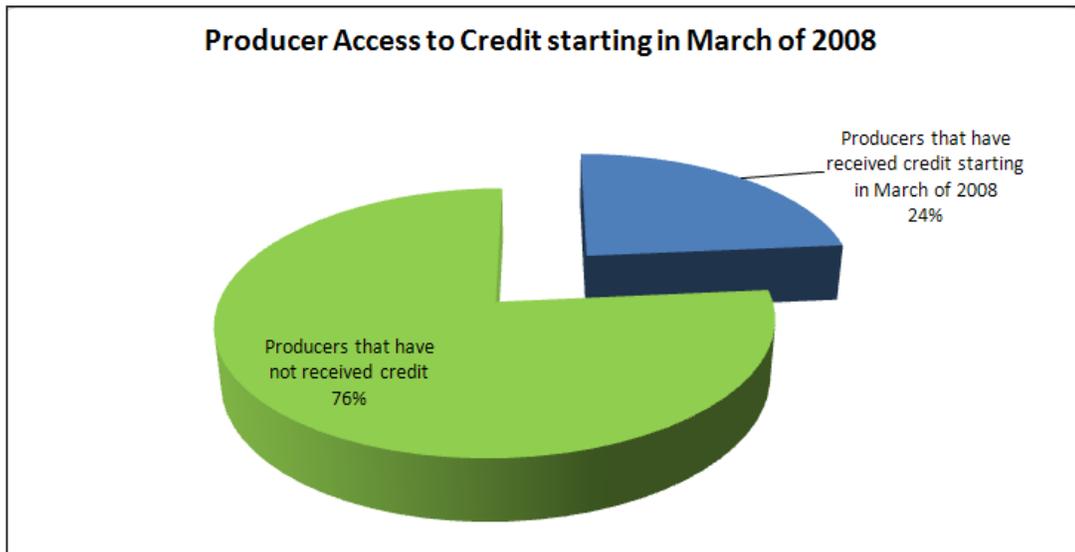
As the above table indicates, the majority of anchor firms have accessed credit during the past 15 months, and the main financial institutions that have provided these loans include the National Financial Corporation (CFN), OIKOCREDIT, Banco Pichincha, Produbanco and Root Capital.

The support the PRODEL team provided to the producers during the quarter focused on strengthening their coordination efforts with the associations in order to facilitate access to credit through the National Development Bank (BNF) and other financial institutions, such as Savings and Loan Cooperatives in their areas. In addition, the search for alternative financing sources continued, as well as the organization of credit-related association activity. The most important of these activities are described as follows:

- The PRODEL team created a proposal focusing on value chains for the National Development Bank (BNF), which proposed financing to develop a pilot program within the institution. Subsequently, BNF accepted the proposal. The PRODEL team will develop a specific credit guidebook for the pilot project that begins in November of 2009.
- In the search to diversify funding sources, the PRODEL team made contact with BANDES in order to learn of their financing conditions. Great progress has been made with this bank that offers loans to small agricultural producers. The process to

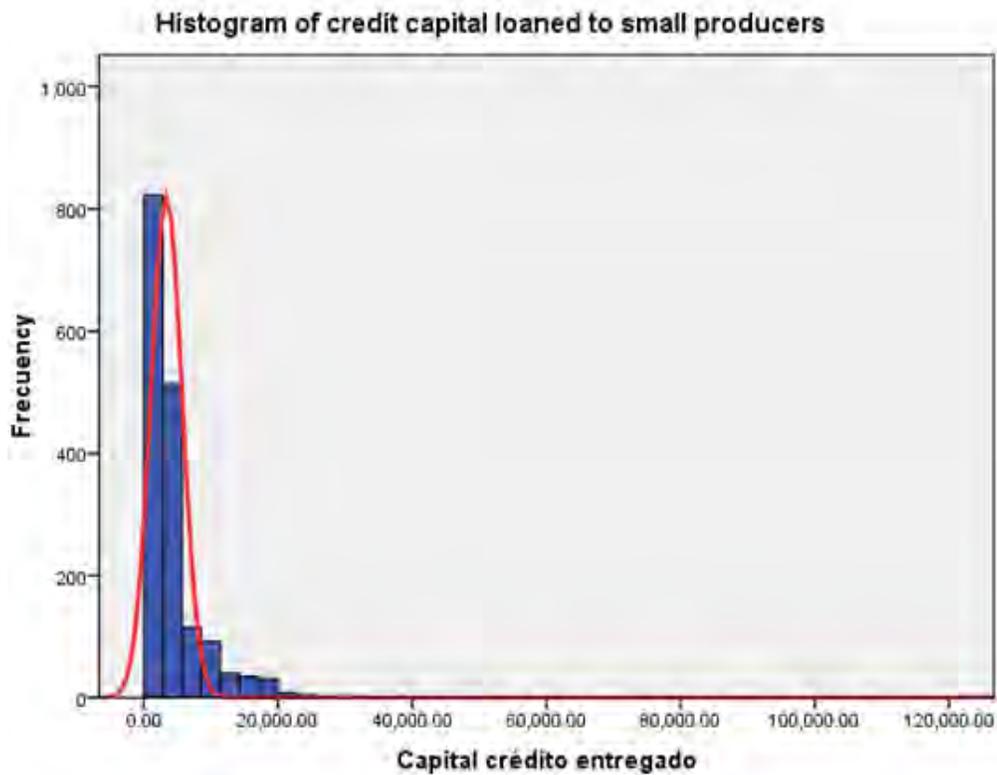
access the loans does take some time and PRODEL is providing the necessary follow up to make sure this financing connection becomes a reality for participating producers.

- The PRODEL technical team provided support to the FAPECAFES anchor firm in order to review the preliminary results of a consultancy that is being carried out to structure a credit system within the organization. At the insistence of the FAPECAFES



board of directors, the PRODEL team will help the anchor firm develop a set of rules and regulations regarding accessing credit.

- A total of 7,123 producer/micro-business persons were listed in the PRODEL monitoring and evaluation system (ME&R) Tool 1. It was determined from this list that a total of 1,677 credit operations have been issued since March 2008, either individually or with PRODEL support. These figures imply that 23.5% of the producers on the PRODEL ME&R list have accessed financing between March 2008 and September 2009.

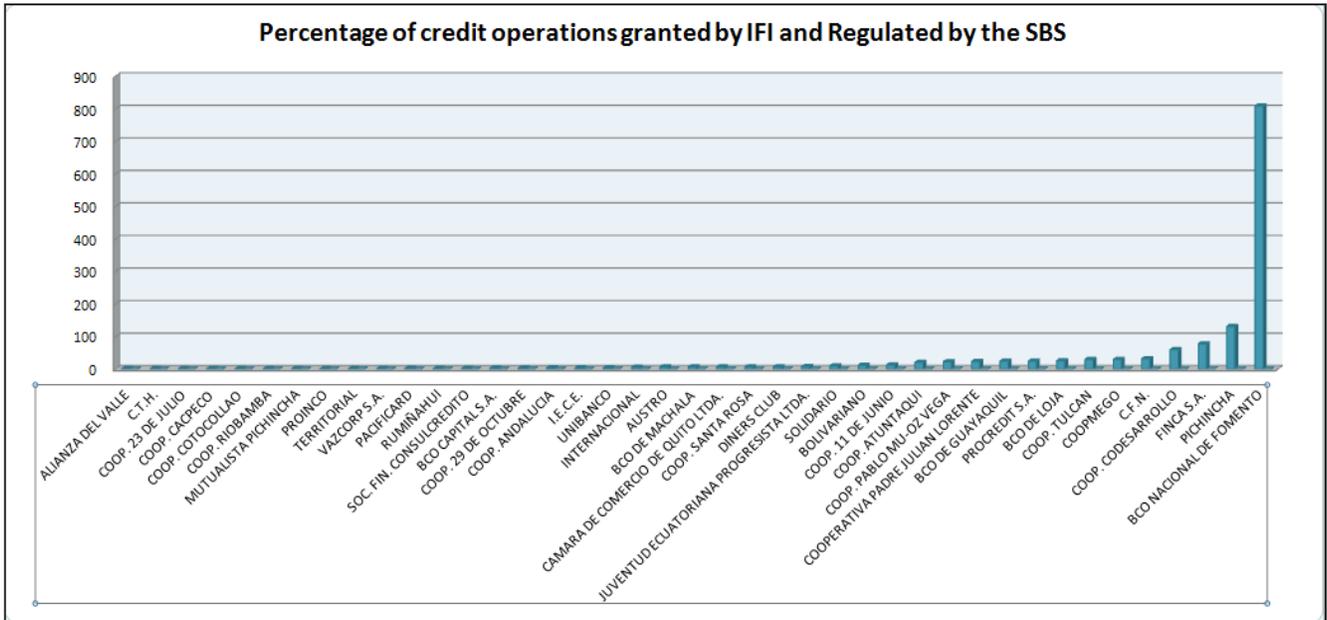


The total amount of capital provided through the 1,677 credit operations was \$7,692,916, which represents an average loan of \$4,587 per operation, with a mode of \$5,000 and a median of \$3,000. The histogram 1 illustrates the amount of capital received for each loan.

A total of 70 financial institutions granted the 1,677 loans, and 41 of the 70 are financial institutions regulated by the Ecuadorian Superintendent of Banks and Insurance (SBS) and the remaining 29 are financial institutions not regulated by that agency.

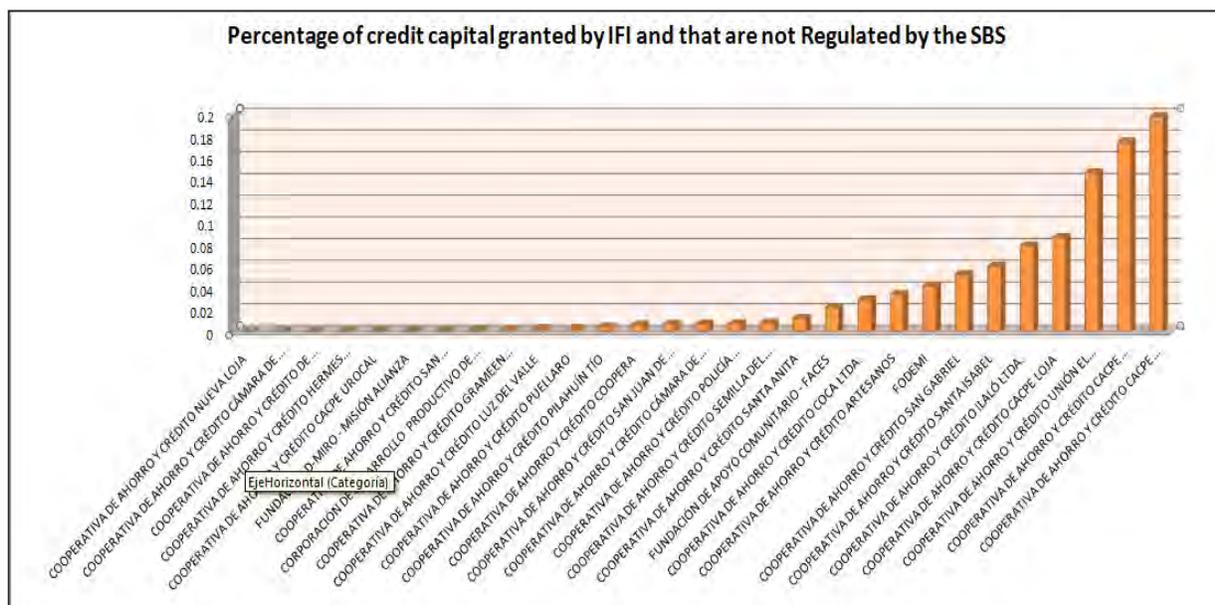
The bar graph below provides a clearer picture of the percentage of loans granted by the financial institutions regulated by the Ecuadorian Superintendent of Banks and Insurance.

Percentage of credit operations provided by financial institutions regulated by the SBS



The bar graph illustrates that the National Development Bank (BNF), with 56.4% of the total loans granted, is the financial entity that provides the most financing to agriculture in Ecuador. Banco Pichincha follows with 9.15%, Banco FINCA with 5.45%, Codesarrollo Savings and Loan Cooperative at 4.19% and Financial Corporation comes in at at 2.23%.

In terms of financial institutions not regulated by the Ecuadorian Superintendent of Banks and Insurance, the main institutions that provided credit to the agricultural sector include: El Ejido Savings and Loan Cooperative (16.73%, 41 loans), the CACPE Zamora Savings and Loan Cooperative (13.02%, 32 loans), the Microenterprise Development Fund (FODEMI) (11.84%, 29 loans) and the CACPE Yantaza Savings and Loan Cooperative with 7.76% (19 loans). These figures are shown in the bar graph below.



As is the case with the number of loans disbursed by financial institutions regulated by the Ecuadorian Superintendent of Banks and Insurance, the National Development Bank provides the majority of the loan capital (54.96%, or US\$3,771,184), followed by the Banco de Pichincha with 10.82%, the Banco de Guayaquil with 4.70% and the Savings and Loan Cooperatives of Coopmego and Codesarrollo with 3.20% each. Below is a graph illustrating these figures:

- The PRODEL team developed the anchor firm selection matrix, which will serve as a decision-making tool for choosing anchor firms for the second phase of the PRODEL program. The matrix was validated in the field, with very favorable results.
- The financial services team is working with the PRODEL agribusiness specialist to develop a tool for selecting value chains, to be completed in October 2009.

The activities planned for the October-December 2009 period will be focused primarily on setting the foundation for implementing the strategies and activities scheduled for the second phase for PRODEL. These activities will seek to strengthen the mechanisms and relationships between financial institutions, small producers and anchor firms. The main activities to be carried out include:

- Together with the National Development Bank (BNF), the pilot value chain focused financing program will get underway. This pilot will serve as the basis for refining procedures, tools, processes and policies for value chain financing.
- Develop the terms of reference for hiring consultants, create a financial literacy program based on the Farmer Field School methodology, and design the methodology required for providing financing using a value chain approach.
- Establish links with institutions and organizations linked to the financial sector, such as the Rural Financial Network, National Financial Corporation (CFN), Ecuadorian Superintendent of Banks and Insurance, Regional Networks, and International Networks.
- Finalize the development of the value chain selection tool, test it and apply it in the field.
- Continue to monitor the financial evolution of PRODEL participating anchor firms using the financial monitoring tool previously developed. This will allow the PRODEL team to give recommendations and suggestions on how to strengthen the financial structure and position of each firm.
- Continue to follow up on the tax situation of each of the anchor firms by monitoring their status on the Internal Revenue Service's "white list."

3.2 Challenges Encountered and Alternatives Employed

During the implementation of the first phase of PRODEL, trainings were conducted using various methodologies. Several anchor firms that were charged with training a large number of producers encouraged the greatest number of technical visits to the field within a given period of time. Other anchor firms concentrated their training efforts on harvest and post-harvest techniques. Additional firms used the Farmer Field School methodology to improve crop productivity and quality management. It has become apparent during the first phase of PRODEL that the Farmer Field School methodology yields the greatest levels of adoption on behalf of participants and as a result, will represent the training system of choice during the second phase of the program.

4. PULLING IN LOCAL SERVICES PROVIDERS

4.1 Achievements dur the Quarter

- Through the Enterprise Partnership Fund, the PRODEL team continued to hire consultants and experts, almost exclusively through local service providers in the following areas: Certification, coaching for managers, microbiology, company image design, business development software and sector-specific technical assistance.
- The PRODEL team created a database of approved local providers. The database will be used to organize the large number of potential providers anticipated for the next phase of the program.

4.2 Activities Planned for Next Quarter

- Release a new publication to the press to increase and diversify the current number of providers.
- Continue with the process of verifying and evaluating new providers found in the Local Enterprise Partnership Fund database.
- Systematize and order the current database so as to facilitate efficient information sharing. Access to the database will be made available to all potential users, with priority given to participating anchor firms.

5. PROVIDING MUNICIPAL SERVICES TO BUSINESSES

5.1 Achievement during the Quarter

The implementation strategy for this component focused on two important areas:

- 1) Strengthening four local governments by incorporating the business registration module of the SIGGLO system.
- 2) Delivering a management model to improve the business climate in the 12 PRODEL participating municipalities.

The PRODEL team visited the municipalities of Mira, Pimampiro, Joya de los Sachas and Puyango to make the official delivery of the SIGGLO system's business registration module, which was installed and implemented by municipal business registration personnel. Subsequently, each of the participating municipalities signed Delivery-Reception certificates.

Before designing its strategies, the program aimed its efforts at developing an assessment, which outlined the mechanisms and requirements for forming companies. The main findings of this exercise were:

- The issuance of a business registration in the municipalities proved to be a simple and efficient part of the process.
- Start-up businesses require additional permits from the Fire Department, Ministry of Health, Superintendency, and the IRS. Because each of these entities does not have a previous relationship with the municipality, obtaining such permits are complex procedures that take a considerable amount of time.
- Beneficiaries view their relationship with the municipality as only a taxpaying one. They do not receive any benefits in return.
- As not all businesses operate with their legal registration documents in order and many processes occur on an informal basis.
- Larger companies register and pay taxes in the big cities but not in the municipalities where the commercial activities take place.

Once these realities were identified, proposals were formulated by municipality creating individualized management models for each local government.

Northern Highlands Zone: Mira, Pimamprio and Cotacachi

In Mira, the management model was validated, the Local Economic Development Council (CODEL) was formed, and the proposal was incorporated into the municipal organization as guidance for activities within the CODEL. In addition, the SIGGLO model for Revenue and Treasury Management was implemented, which can be activated to incorporate other kinds of revenue collection, according to the municipality's needs in the future. In Pimamprio and Cotacachi, the PRODEL team established a relationship with the Economic Development Agency PROIMBABURA, which provides business climate enhancement services, as well as economic development services to the municipal governments. The SIGGLO module for Revenue and Treasury Management was installed.

Southern Zone: Puyango, Chaguarpamba and Loja

In cooperation with government authorities, members of the Municipal Council, representatives of the anchor firms, producer association representatives, and the PRODEL team validated the management models to improve the business climate in these three cantons. This proposal will be linked to the Loja ADE (Business Development Agency) which has ten years of experience providing services to the city of Loja. It will also be grounded in Puyango's local government, which has incorporated the business registration model of the SIGGLO system with good operating results.

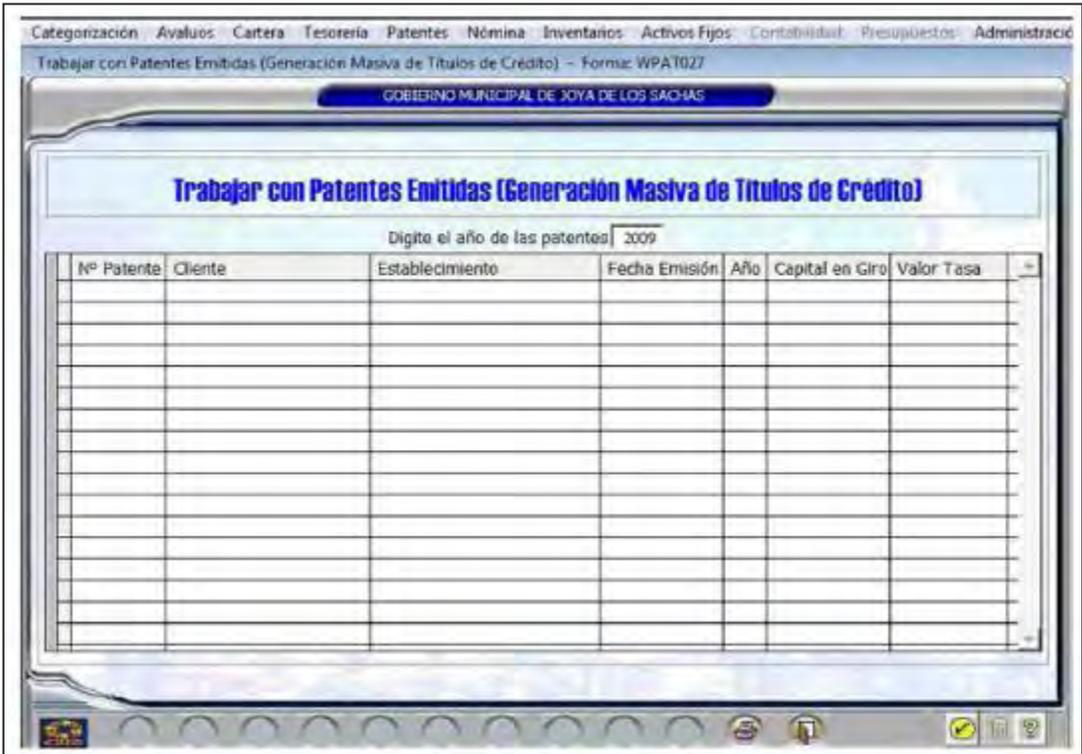
Northern Amazon Zone: Joya de los Sachas, Lago Agrio and Putumayo

Out of the three local governments in this region the most successful process developed for implementing the management model occurred in the municipality of Joya de los Sachas, where the local government has an existing economic development unit. The local

government has also incorporated the business registration and management model into its operating system at the municipal office level. Although it is under new municipal direction, the Lago Agrio municipal office is expected to incorporate the business registration and management model into its operating systems.

Esmeraldas Zone: Atacames, Eloy Alfaro and Rioverde

The PRODEL technical team customized the models to the needs of each participating municipal office. In the Atacames municipality, the development of the new Agency for Economic Development (ADE) was identified as an important initiative. As a result, the business management model is expected to be incorporated into the ADE systems for business and economic development purposes. The two local governments of Eloy Alfaro and Rioverde will develop their own development councils (CODELs) in order to put the management model proposals into practice.



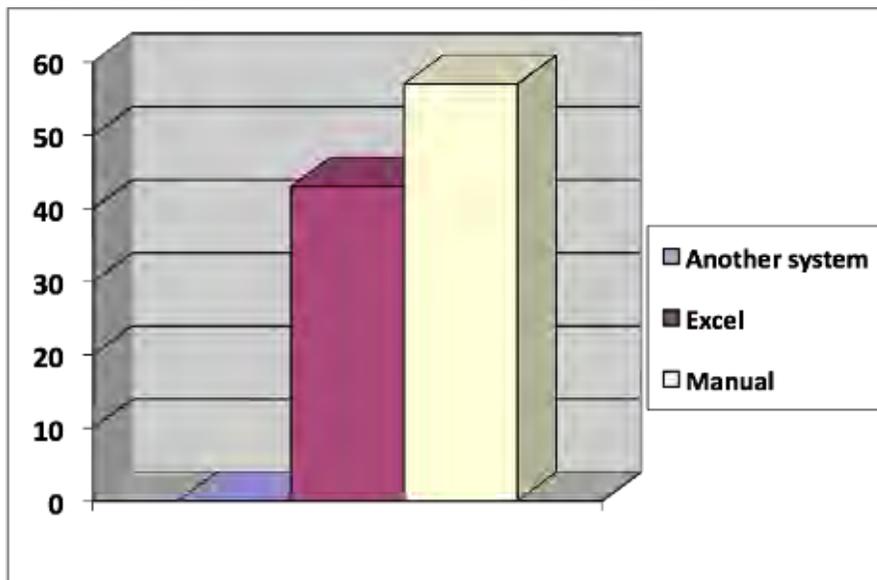
The PRODEL team implemented a SIGGLO system training program geared toward two audiences: The system administrator and system users. For system administration, technicians from each local government were trained to provide technical support. Follow-up visits have been made to ensure that the onsite know-how is in place in each municipality. In order to build SIGGLO system user capacity and facilitate a sense of ownership, the project team worked collaboratively with revenue and collections

departments and the heads of the economic development offices to tailor the design and implementation of the management models to each municipality and its current situation.

Evaluation

In order to assess the degree of satisfaction of system users, a satisfaction survey was administered that provided positive feedback to program activities, the evaluation process involved two steps. The first assessed the level of satisfaction with the SIGGLO system SIG-P business registration module on an individual basis. The second consisted of a collective evaluation. The results of the survey are provided below:

1) Evaluation of the process before SIGGLO implementation:



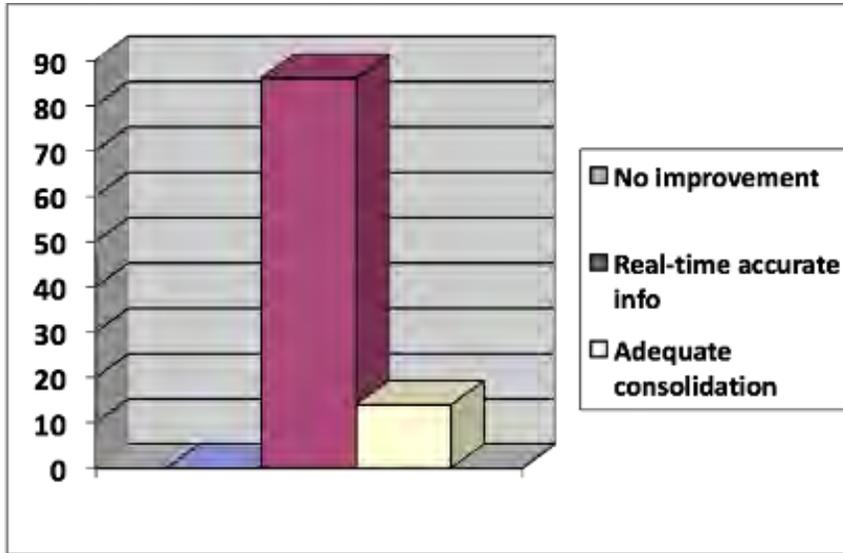
Response:

Control of the system:

Using Excel: 43%

Manually: 57%

2) What has the implementation of the system accomplished?



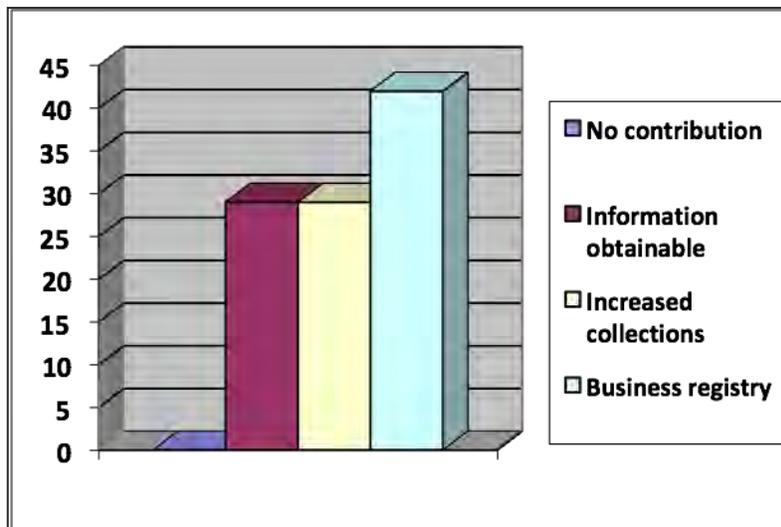
Response:

No improvement: 0%

Adequate consolidation: 14%

Real-time, accurate information: 86%

3) Benefits of the patent module:



Response:

Eases information gathering: 29%

No contribution: 0%

Increased collection: 29%

Registry of companies now available: 42%

6. Monitoring and Evaluation

6.1 Achievements during the Quarter

- A total of 9,089 families have been trained and are applying the knowledge gained in the production of agricultural goods. The sectors involved to date include: Coffee, cacao, herbs, grains (quinoa), dairy products and fruits.
- A total of 10,868 hectares have been improved through pruning techniques, shade management, fertilization and pasture aeration. The projected goal was surpassed primarily due to the contribution of the cacao and coffee value chains. Cacao and coffee producer families have at least one hectare and are subsequently managed as extensive crops. The degree of adoption by the small farmers varies according to the training methodology employed. In the groups where the Farmer Field School methodology was used, the level of adoption is three times higher than the groups where traditional training methods were used.
- A total of 2,241 new hectares of crops have been established: 1,293 Hectares of coffee, 486 Hectares of cacao, 231 Hectares of tropical fruits, 171 Hectares of quinoa and 60 hectares of grass for goats.
- 315,000 cacao plants have been planted in both community and individual nurseries. The percentage of survival is in line with expectations.
- At the end of the planting season (May) in the province of Sucumbios, a total of 941 new hectares of Robusta coffee were established. Due to the lucrative price paid in the Colombian market, the producers are motivated to maintain these new plantations in optimal conditions.
- Participating producers are implementing organic certification processes on 1,257 hectares.
- A total of 8,290 jobs have been created as a result of improved farm management techniques for existing plantations, in addition to the creation of new ones. The cultivation of herbs has proven to be the most intensive in terms of job creation: One hectare of herbs requires 21 full-time workers. The least intensive crop is quinoa, which uses 0.3 full-time workers per hectare.
- As of December 31, 2008, PRODEL anchor firm sales have increased, on average, by 30%, representing 60% of the planned target established for December 2009 (corresponding to the end of the fiscal year in Ecuador).
- As of September 30, 2009, based on calculations from 20 anchor firms, the annual income for a PRODEL participating producer family is currently \$1,549. While the overall average has increased, some firms show a decrease in the average annual income. This is attributed to the incorporation of new families who have just begun the process of improving their farm. Productivity and quality is anticipated to increase in the next harvest cycle.
- 25% of the PRODEL beneficiary producer families are female-headed households. The women have become active agents in the training processes, primarily in

livestock raising projects and with quinoa cultivation, where 73% of the farmers are women.

- 22% of the beneficiary households belong to two minority groups, indigenous and Afro-Ecuadorians. In most cases, PRODEL has been the only development alternative that has supported them.

Table 5: Achievements to Date on PRODEL Indicators

| Indicator | Baseline (1) | Life Of Projecttargets | Cumulative Progress To June 2009 | 4th Quarter Fy09 Progress | Cumulative Progress To Sept. 2009 | % Of Fy09 Target Achieved |
|--|-----------------|---------------------------|---|---------------------------------|---|---------------------------------|
| Number of families linked to anchor firms receiving PRODEL assistance | 2,295 | 8,000 | 8,002 | 1,087 | 9,089 | 113% |
| Hectares of licit crops cultivated by producer families supplying PRODEL anchor firms | 2,296 | 4,000 | 7,838 | 5,271 | 13,109 | 327% |
| Number of new full time equivalent jobs for producers linked with PRODEL anchor firms | 1,032 | 4,000 | 5,632 | 2,658 | 8,290 | 207% |
| Increase in anchor firms sales (\$) | 43,025,058 | 51,762,500(2) | 44,305,245(3) | 44,305,245(3) | 44,305,245(3) | |
| Number of small and medium enterprises (anchor firms) assisted by the PRODEL program | 0 | 20 | 20 | 0 | 20 | 100% |
| Number of Municipalities assisted and that contributed to improve the business environment | 0 | 10 | 12 | 0 | 12 | 120% |

(1) The PRODEL team has also worked with the families included in the baseline.

(2) December 31, 2009 target according to Ecuadorian Fiscal Year.

(3) December 31, 2008 progress according to Ecuadorian Fiscal Year.

Table 6: New and Improved Hectares of Licit Crops to Date

| Anchor Firm | New And Improved Hectares Of Licit Crops | New Hectares | Improved Hectares |
|----------------------------------|---|---------------------|--------------------------|
| CAFÉ GALLETTI | 398 | 176 | 222 |
| CAFÉ VELEZ | 736 | 50 | 686 |
| AACRI RIO INTAG | 274 | 53 | 221 |
| SOL DE ORIENTE | 1,156 | 941 | 215 |
| ESCOFFEE | 179 | 69 | 110 |
| FAPECAFES | 1,016 | 0 | 1,016 |
| APROCA | 865 | 200 | 665 |
| ECUATORIANA DE CHOCOLATES | 771 | 171 | 600 |
| SKS | 963 | 0 | 963 |
| AROMA AMAZÓNICO | 1,500 | 0 | 1500 |
| COFINA | 633 | 0 | 633 |
| GRUPPO SALINAS | 458 | 58 | 400 |
| AAPROCASH | 484 | 57 | 427 |
| MONDEL | 1,160 | 60 | 1,100 |
| ECOLAC | 840 | 0 | 840 |
| AAPPSME | 13 | 4 | 9 |
| CEREALES ANDINOS | 71 | 71 | 0 |
| INAGROFA | 222 | 100 | 122 |
| ASOGUABO | 1,209 | 168 | 1,041 |
| JUGO FÁCIL | 161 | 63 | 98 |
| TOTAL | 13,109 | 2,241 | 10,868 |

Table 7: Anchor Firm Sales

| Anchor Firm* | Baseline | Planned Goal | Planned % Increase Life Of Project | Goal Achieved (\$) (Dec 2008) | Goal Achieved (%) (Dec 2008) |
|---------------------------|--------------|--------------|------------------------------------|-------------------------------|------------------------------|
| CAFÉ GALLETTI | \$ 229,068 | \$ 350,000 | 53% | \$ 276,540 | 21% |
| CAFÉ VÉLEZ | \$ 60,000 | \$ 170,000 | 183% | \$ 126,283 | 110% |
| AACRI RIO INTAG | \$ 146,000 | \$ 216,000 | 48% | \$ 198,374 | 36% |
| SOL DE ORIENTE | \$1,672,711 | \$ 2,614,000 | 56% | \$ 1,488,678 | -11% |
| ESCOFFEE | \$ 205,809 | \$ 450,000 | 119% | \$ 401,496 | 95% |
| FAPECAFES | \$1,980,000 | \$ 2,500,000 | 26% | \$ 1,991,147 | -2% |
| APROCA | \$ 101,396 | \$ 250,000 | 147% | \$ 123,800 | 22% |
| ECUATORIANA DE CHOCOLATES | \$ 0 | \$ 1,200,000 | - | \$ 535,421 | - |
| SKS | \$ 777,990 | \$ 950,000 | 22% | \$ 850,300 | 9% |
| AROMA AMAZÓNICO | \$ 441,175 | \$ 847,500 | 92% | \$ 399,765 | -9% |
| COFINA | \$13,899,612 | \$15,250,000 | 10% | \$12,031,993 | -13% |
| GRUPPO SALINAS | \$ 120,000 | \$ 220,000 | 83% | \$ 249,449 | 108% |
| AAPROCASH | \$ 90,000 | \$ 125,000 | 39% | \$156,786 | 74% |
| MONDEL | \$ 615,415 | \$ 1,000,000 | 62% | \$ 701,059 | 14% |
| ECOLAC | \$ 1,286,526 | \$ 1,795,000 | 40% | \$ 1,388,121 | 8% |
| AAPPSME | \$ 132,568 | \$ 200,000 | 51% | \$ 109,804 | -17% |
| CEREALES ANDINOS | \$ 69,831 | \$ 125,000 | 79% | \$ 107,773 | 54% |
| INAGROFA | \$ 206,977 | \$ 400,000 | 93% | \$ 378,974 | 83% |
| ASOGUABO | \$19,521,164 | \$21,500,000 | 10% | \$21,565,543 | 10% |
| JUGO FÁCIL | \$ 1,408,010 | \$ 1,600,000 | 14% | \$ 1,223,464 | -13% |

*This indicator is measured on an annual basis from January to December, in accordance with the Ecuadorian fiscal year. The next date of measurement for annual anchor firm sales will be as of December 31, 2009.

For the reporting of this indicator, the annual sales for the Ecuadorian fiscal year, from January 1 to December 31, 2008, has been compared with the baseline established January 1 to December 31, 2007. Of the 20 firms supported by PRODEL, 14 companies (70%) have increased their sales, and six firms (30%) show decreased sales. The specific behavior of each firm is described below:

Café Vélez sales increased by 110%.

The company is achieving significant sales growth for three reasons. Firstly, the company is gaining increased recognition in the local market for the quality of its product via word of mouth. Secondly, within the framework of the PRODEL program, the firm has formed strategic alliances with large customers such as Metropolitan Touring, El Español and Crepes and Waffles at the national level. Lastly, the entry of generic coffee (non-Vélez brand) in the Supermaxi supermarket chain is proving lucrative.

Grupo Salinas sales in cacao and derivatives increased by 108%.

This company has made important strides in market development, and its business tours carried out as part of the PRODEL program support have been effective. The brand is well-positioned at the national level and has widespread acceptance and a competitive advantage due to its commitment to social responsibility and fair trade. The company, building on its sales growth, is achieving sustainable linkages with producers, especially in Esmeraldas. The growth in sales in 2008 is attributable to the commercial development of its strategic partners in Italy, who until 2007 bought cacao paste but has now decided to buy cacao beans from the organization, thus purchasing progressively larger volumes of raw material.

AAPROCASH sales increased by 74%.

In a short amount of time, this organization has taken important steps in the successful consolidation as a business. Management practices and a commitment to its suppliers have greatly improved and the organization has created ties of loyalty of which producers feel proud to be a part of. Additionally, producers remain committed as they are receiving fair pricing and weighing of their products, which serve to attract new members to the firm.

Sol De Oriente sales fell by 11%.

The Sol de Oriente Company, after a good coffee production year in 2007, has suffered from a shortage of raw material. Currently, entities such as CISAS, COFENAC, local governments and international cooperation agencies have been supporting growers to renovate or prune their crops. As a result of these maintenance and/or renewal practices, there has been a reduction in production in the area. Furthermore, those producers who did not renew their crops were affected by production seasonality in the 2008 harvest. In the medium term, a significant increase in production is anticipated.

Jugo Fácil sales declined by 13%.

The decrease in sales does not reflect the company's great potential. Through analysis and guidance from PRODEL, it began a selection process for quotas, channels, product portfolio selection and a cleaning of its portfolio in search of more profitable markets. It has also tentatively left the Guayaquil market, where it did not have much control over its portfolio. The company has selected those products with the greatest potential for development and profitability and has redefined its orientation toward the export market.

AAPPSME sales declined by 17%.

For years, this herbal production company has been a pioneer in processing aromatic herbs but had been losing customers and its leadership position due in part to weaknesses in management. In addition, the lack of a commercial office contributed to the downward spiral versus the competition. The PRODEL team has strengthened AAPPSME's management capacity, worked on product development, infrastructure upgrading, improved processes, technology investments and technical assistance. The PRODEL team is also assisting the firm in developing markets. The results of this support are expected to be seen in the near term.

Table 8: Average Family Annual Revenue from Sales to Anchor Firms to Date

| Anchor Firm | Average Sales Revenue (\$) |
|---------------------------|----------------------------|
| CAFÉ GALLETTI | 1,400 |
| CAFÉ VELEZ | 2,293 |
| AACRI RIO INTAG | 549 |
| SOL DE ORIENTE | 417 |
| ESCOFFEE | 900 |
| FAPECAFES | 1,907 |
| APROCA | 166 |
| ECUATORIANA DE CHOCOLATES | 537 |
| SKS | 640 |
| AROMA AMAZÓNICO | 532 |
| COFINA | 568 |
| GRUPPO SALINAS | 403 |
| AAPROCASH | 297 |
| MONDEL | 3,008 |
| ECOLAC | 2,500 |
| AAPPSME | 224 |
| CEREALES ANDINOS | 572 |
| INAGROFA | 1,500 |
| ASOGUABO | 12,014 |
| JUGO FÁCIL | 559 |
| AVERAGE | \$1,549 |

Table 9: Number of New Full Time Equivalent Jobs to Date

| Anchor Firm | Full Time Equivalent Jobs |
|---------------------------|----------------------------------|
| CAFÉ GALLETTI | 239 |
| CAFÉ VELEZ | 368 |
| AACRI RIO INTAG | 194 |
| SOL DE ORIENTE | 694 |
| ESCOFFEE | 107 |
| FAPECAFES | 508 |
| APROCA | 432 |
| ECUATORIANA DE CHOCOLATES | 386 |
| SKS | 482 |
| AROMA AMAZÓNICO | 900 |
| COFINA | 316 |
| GRUPPO SALINAS | 229 |
| AAPROCASH | 242 |
| MONDEL | 580 |
| ECOLAC | 420 |
| AAPPSME | 273 |
| CEREALES ANDINOS | 21 |
| INAGROFA | 67 |
| ASOQUABO | 1,814 |
| JUGO FÁCIL | 48 |
| TOTAL | 8,290 |

Table 10: Cumulative Number of Families that have Received Training to Date, Classified by Gender, Ethnic Group and Disability

| ANCHOR FIRM | FAMILIES TRAINED | ETHNIC GROUP | | | | | |
|---------------------------|------------------|------------------------|--------------------------|--------------|------------|--------------|-----------|
| | | MALE HEAD OF HOUSEHOLD | FEMALE HEAD OF HOUSEHOLD | INDIGENOUS | AFROECU. | MESTIZO | DISABLED |
| CAFÉ GALLETTI | 367 | 262 | 105 | 0 | 31 | 336 | 0 |
| CAFÉ VÉLEZ | 457 | 367 | 90 | 1 | 0 | 456 | 4 |
| AACRI RIO INTAG | 409 | 331 | 78 | 5 | 9 | 395 | 6 |
| SOL DE ORIENTE | 986 | 747 | 239 | 234 | 0 | 752 | 3 |
| ESCOFFEE | 448 | 382 | 66 | 124 | 0 | 324 | 0 |
| FAPECAFES | 688 | 602 | 86 | 37 | 0 | 651 | 2 |
| APROCA | 470 | 366 | 104 | 0 | 118 | 352 | 4 |
| ECUATORIANA DE CHOCOLATES | 427 | 311 | 116 | 182 | 60 | 185 | 1 |
| SKS | 352 | 269 | 83 | 0 | 163 | 189 | 2 |
| AROMA AMAZÓNICO | 1,869 | 1,435 | 434 | 618 | 8 | 1,243 | 0 |
| COFINA | 373 | 287 | 86 | 94 | 3 | 276 | 0 |
| GRUPPO SALINAS | 307 | 229 | 78 | 2 | 1 | 304 | 0 |
| AAPROCASH | 308 | 227 | 81 | 27 | 0 | 281 | 0 |
| MONDEL | 402 | 233 | 169 | 0 | 48 | 354 | 0 |
| ECOLAC | 197 | 131 | 66 | 4 | 0 | 193 | 0 |
| AAPPSME | 310 | 84 | 226 | 12 | 0 | 298 | 0 |
| CEREALES ANDINOS | 100 | 62 | 38 | 96 | 0 | 4 | 0 |
| INAGROFA | 216 | 173 | 43 | 103 | 0 | 113 | 2 |
| ASOGUABO | 250 | 207 | 43 | 0 | 1 | 249 | 0 |
| JUGO FÁCIL | 153 | 118 | 35 | 55 | 26 | 72 | 0 |
| TOTAL | 9,089 | 6,823 | 2,266 | 1,594 | 468 | 7,027 | 24 |

6.2 Activities Planned for Next Quarter

- A new monitoring and evaluation system will be developed for Phase II which will be based on the existing system. Modifications will be made to current tools and the responsibilities of the anchor firms will be more clearly defined.
- The collection, processing and reporting of information will be automated through the QlikView system.
- PRODEL ME&R personnel will continue to make field visits to validate 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 the 4th quarter of FY 2009:

- Monitored and evaluated grant and subcontract implementation activities
- Verified and reviewed documents supporting the achievement of milestones
- Provided final payment to suppliers and allocated remaining resources
- Supported the process to implement the Certification for Agricultural Best Practices (CABPs) component
- Completion of grant paperwork and close out

To date, 227 contractors to include 58 field technicians, 8 business strengthening specialists, 13 accounting advisors, 19 business advisors, 37 marketing specialists, 17 certification advisers and 75 construction technicians have been hired through PRODEL. These contractors have been financed through the Enterprise Partnership Fund (EPF) to strengthen participating anchor firms and producer groups.

PRODEL achievements in the area of subcontracts and grants during the fourth 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 \$2,476,010.
- As of September 30, 2009 a total of \$ 2,287,559 of the EPF monies had been disbursed to the 20 anchor firms. This amount is lower than the approved amount due to budget cuts in the 3rd quarter of FY 2009 to the PRODEL program.
- Of all of the funds disbursed to September 30, 2009, \$1,853,659 has been spent directly for producers. That represents 81.03% of the EPF that has been channeled to strengthen production, commercial and quality improvement processes at the small producer level.

The 20 approved PRODEL anchor firms have contributed \$ 3,804.496 in leveraged funds toward the implementation of the program (see Table 11 below).

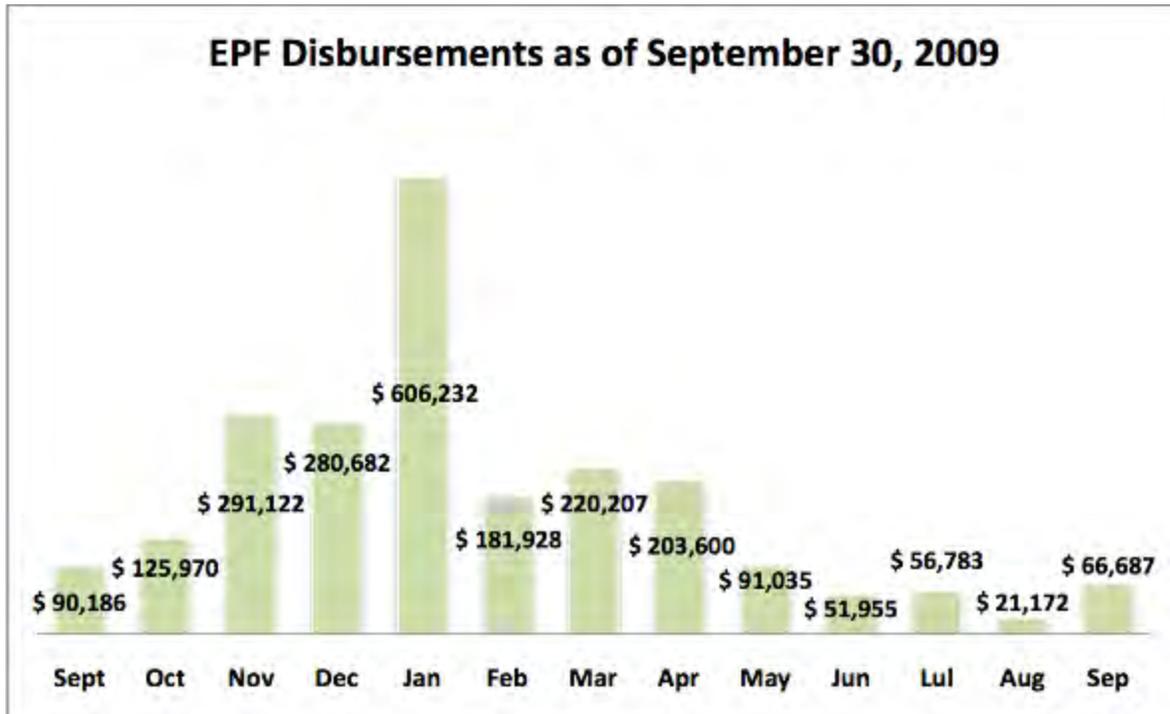


Table 11: Contribution from Anchor Firms

| Anchor Firm | Value Chain | Prodel Funds Assigned | Anchor Firm Contribution To Date |
|---------------------------|-----------------|-----------------------|----------------------------------|
| APROCA | Cacao | \$199,650 | \$289,407 |
| AROMA AMAZÓNICO | Coffee | \$149,650 | \$313,947 |
| ECUATORIANA DE CHOCOLATES | Chocolate | \$188,100 | \$219,073 |
| SKS | Dark chocolate | \$177,900 | \$264,351 |
| AACRI RIO INTAG | Arabica Coffee | \$104,290 | \$158,437 |
| SOL DE ORIENTE | Robusta coffee | \$170,191 | \$467,897 |
| CAFÉ GALLETTI | Arabica coffee | \$183,000 | \$223,554 |
| CAFÉ VÉLEZ | Arabica Coffee | \$177,200 | \$235,005 |
| AAPPSME | Medicinal herbs | \$120,200 | \$139,737 |
| MONDEL | Dairy products | \$182,750 | \$266,115 |
| FAPECAFES | Coffee | \$109,800 | \$148,944 |
| AAPROCASH | Cacao | \$65,715 | \$78,400 |
| CEREALES ANDINOS | Grains | \$67,500 | \$78,506 |
| COFINA | Cacao | \$81,500 | \$99,350 |
| ECOLAC | Dairy products | \$78,000 | \$107,100 |
| ESCOFFEE | Coffee | \$109,854 | \$292,111 |
| INAGROFA | Grains | \$105,300 | \$116,019 |
| ASOGUABO | Fruits | \$50,000 | \$99,300 |
| JUGO FÁCIL | Fruits | \$75,410 | \$89,000 |
| GRUPPO SALINAS | Cacao | \$80,000 | \$118,244 |
| TOTAL | | \$ 2,476,010 | \$ 3,804,496 |

Table 12 outlines the amounts spent from the approved budgets and the direct benefits for producers participating in the PRODEL program as of September 30, 2009.

Table 12: Enterprise Partnership Funds to Benefit Producers

| ANCHOR FIRM | RESULT | ITEM | TOTAL |
|----------------------------------|----------------------------|--|--------------|
| APROCA | Improved productivity | Technical Assistance (three experts), tools | \$48,400 |
| | Improved competitiveness | Certification, marketing, fairs, equipment | \$21,228 |
| | Improved quality processes | Collection center equipment | \$41,036 |
| | Provide plant material | Nursery inputs, payment to grafters | \$57,000 |
| | Crop maintenance | Crop management tools | \$10,810 |
| | Training | Business Strengthening (MONTERREY TECH) | \$9,000 |
| AROMA AMAZÓNICO | Improved productivity | Technical assistance (four experts) | \$42,300 |
| | Improved competitiveness | Business consultancy, marketing, equipment | \$38,517 |
| | Improved quality processes | Collection center and equipment | \$17,133 |
| | Training | Business Strengthening | \$4,771 |
| ECUATORIANA DE CHOCOLATES | Improved productivity | Technical assistance (two experts) | \$ 44,000 |
| | Improved competitiveness | Marketing and promotion consultancy | \$15,035 |
| | Improved quality processes | APEOSAE collection center upgrade | \$20,000 |
| | Provide plant material | Nursery building, inputs, grafters | \$32,000 |
| | Crop maintenance | Crop management tools | \$10,000 |
| SKS | Improved productivity | Technical assistance (two experts) | \$ 44,000 |
| | Improved competitiveness | Accounting, business consultancy, certification | \$23,100 |
| | Improved quality processes | Quality consultant, solar dryers | \$37,800 |
| | Crop maintenance | Crop management tools | \$5,000 |
| | Training | Business strengthening (MONTERREY TECH), workshops materials, field days | \$11,571 |
| AACRI RIO INTAG | Improved productivity | Technical assistance (two experts) | \$ 15,840 |
| | Improved competitiveness | Containers, business consultant, certification | \$26,920 |
| | Improved quality processes | Solar dryers, depulping machines, laboratory | \$45,762 |
| | Provide plant material | Nursery inputs | \$1,200 |
| | Crop maintenance | Tools, bio tanks | \$4,100 |
| | Training | Business strengthening (MONTERREY TECH) | \$9,536 |
| SOL DE ORIENTE | Improved productivity | Technical assistance (two experts) | \$36,000 |
| | Improved competitiveness | Marketing and promotional tours | \$5,500 |
| | Improved quality processes | Solar dryers, drying areas, equipment | \$52,238 |
| | Provide plant material | Nursery inputs, nursery operator | \$15,000 |
| | Crop maintenance | Crop management equipment | \$15,000 |
| CAFÉ GALLETTI | Improved productivity | Technical assistance (two experts, one promoter) | \$40,000 |

| ANCHOR FIRM | RESULT | ITEM | TOTAL |
|-------------------------|----------------------------|---|--------------|
| | Improved competitiveness | Certification, personalized packaging | \$39,000 |
| | Improved quality processes | Solar dryers, lab, depulping machines | \$27,887 |
| | Provide plant material | Nursery inputs | \$17,000 |
| CAFÉ VÉLEZ | Improved productivity | Technical assistance (2 experts) | \$36,000 |
| | Improved competitiveness | Organic certification | \$5,000 |
| | Improved quality processes | Solar dryers, depulping machines, tasting room | \$57,655 |
| | Provide plant material | Nursery tools | \$20,000 |
| | Crop maintenance | Crop management tools | \$6,000 |
| AAPPSME | Improved productivity | Technical assistance (one expert) | \$12,000 |
| | Improved competitiveness | Management, commercial consultant, equipment | \$42,300 |
| | Improved quality processes | Reconstruction and equipment of storage & collection centers | \$60,900 |
| | Training | Business strengthening (MONTERREY TECH) | \$5,000 |
| MONDEL | Improved productivity | Technical assistance (two experts), goats and breeders | \$ 49,000 |
| | Improved competitiveness | Commercial advisor, marketing | \$36,500 |
| | Improved quality processes | Storage & Collection center, producer equipment | \$23,000 |
| FAPECAFES | Improved productivity | Technical assistance (two experts, seven promoters) | \$ 69,600 |
| | Improved competitiveness | Fairs and events, computer network, equipment | \$19,400 |
| | Improved quality processes | Manual coffee development | \$5,000 |
| | Crop maintenance | Irrigation system to producers | \$7,780 |
| | Training | Business strengthening (MONTERREY TECH), business management services for producers | \$7,369 |
| AAPROCASH | Improved productivity | Technical assistance (two experts) | \$ 13,500 |
| | Improved competitiveness | Business, legal and accounting consultant, marketing, commercial system equipment | \$22,222 |
| | Improved quality processes | Fermentation boxes | \$4,999 |
| | Crop maintenance | Crop management tools | \$7,879 |
| | Training | Business strengthening (MONTERREY TECH), workshops on organic agriculture | \$7,481 |
| CEREALES ANDINOS | Improved productivity | Technical assistance (one expert) | \$ 9,000 |
| | Improved competitiveness | Organic certification | \$4,000 |
| | Improved quality processes | Quinoa storage & collection center, equipment | \$34,000 |
| COFINA | Improved productivity | Technical assistance (four experts) | \$23,400 |
| | Improved competitiveness | Computer equipment | \$ 3,300 |
| | Improved quality processes | Drying areas, solar dryers | \$24,000 |
| | Crop maintenance | Crop management tools | \$11,100 |

| ANCHOR FIRM | RESULT | ITEM | TOTAL |
|-----------------------------------|----------------------------|--|---------------------|
| | Training | Business strengthening (MONTERREY TECH) | \$4,032 |
| ECOLAC | Improved productivity | Technical assistance (one expert) | \$ 5,000 |
| | Improved competitiveness | Advertising campaign | \$ 8,860 |
| | Improved quality processes | Quality training, equipments | \$10,900 |
| | Crop maintenance | Tools, soil sampling (analysis) | \$12,440 |
| | Training | Business strengthening (MONTERREY TECH), soil management, workshop materials | \$14,383 |
| ESCOFFEE | Improved productivity | Technical assistance (2 experts) | \$27,000 |
| | Improved competitiveness | Strengthening relationship with suppliers | \$ 1,000 |
| | Improved quality processes | Solar dryers, depulping machines, Loreto module adaptation | \$48,979 |
| | Provide plant material | Plant production materials | \$ 6,000 |
| INAGROFA | Improved productivity | Technical assistance (two experts) | \$27,000 |
| | Improved quality processes | Warehouse, drying area and work clothes | \$14,697 |
| | Training | Producer training, materials | \$6,000 |
| ASOGUABO | Improved productivity | Technical experts training, model farm | \$35,000 |
| | Improved competitiveness | Business consultant | \$10,000 |
| | Training | Business strengthening (MONTERREY TECH) | \$4,396 |
| JUGO FÁCIL | Improved productivity | Technical assistance (two experts) | \$15,300 |
| | Improved competitiveness | Market study | \$7,718 |
| | Provide plant material | Nursery inputs and tools | \$10,000 |
| | Training | Supplier training and materials | \$4,750 |
| GRUPPO SALINAS | Improved productivity | Technical assistance (two experts) | \$23,760 |
| | Improved competitiveness | Organic certification | \$8,000 |
| | Improved quality processes | Solar dryers, fermentation boxes, equipment | \$15,720 |
| | Provide plant material | Nursery operator and grafters | \$7,920 |
| | Crop maintenance | Farm management tools | \$9,000 |
| | Training | Business strengthening (MONTERREY TECH) | \$4,632 |
| TOTAL (September 30, 2009) | | | \$ 1,853,659 |

Table 13: Total Funds Disbursed to Anchor Firms and Producers as of September 30, 2009

| ANCHOR FIRM | VALUE CHAIN | PRODEL FUNDS | TOTAL DISBURSED TO DATE |
|---------------------------|-----------------|--------------|-------------------------|
| APROCA | Cacao | \$199,650 | \$ 187,474 |
| AROMA AMAZÓNICO | Coffee | \$149,650 | \$ 102,721 |
| ECUATORIANA DE CHOCOLATES | Chocolate | \$188,100 | \$ 179,823 |
| SKS | Dark chocolate | \$177,900 | \$ 163,504 |
| AACRI RIO INTAG | Arabica Coffee | \$104,290 | \$ 103,359 |
| SOL DE ORIENTE | Robusta coffee | \$170,191 | \$ 165,171 |
| CAFÉ GALLETTI | Arabica coffee | \$183,000 | \$ 162,629 |
| CAFÉ VÉLEZ | Arabica Coffee | \$177,200 | \$ 170,237 |
| AAPPSME | Medicinal herbs | \$120,200 | \$ 120,200 |
| MONDEL | Dairy products | \$182,750 | \$ 168,341 |
| FAPECAFES | Coffee | \$109,800 | \$ 109,149 |
| AAPROCASH | Cacao | \$65,715 | \$ 56,082 |
| CEREALES ANDINOS | Grains | \$67,500 | \$ 66,832 |
| COFINA | Cacao | \$81,500 | \$ 76,032 |
| ECOLAC | Dairy products | \$78,000 | \$ 77,172 |
| ESCOFFEE | Coffee | \$109,854 | \$ 116,916 |
| INAGROFA | Grains | \$105,300 | \$ 77,329 |
| ASOGUABO | Fruits | \$50,000 | \$ 49,396 |
| JUGO FÁCIL | Fruits | \$75,410 | \$ 56,160 |
| GRUPPO SALINAS | Cacao | \$80,000 | \$ 79,032 |
| TOTAL | | | \$ 2,287,559 |

7.2 Challenges Encountered and Alternatives Employed

The main challenge faced by the sub-contracts and grants department during the 4th quarter of FY 2009 was the reduction in the Enterprise Partnership Fund that came as a result of the budget cut to the overall PRODEL program. In order to minimize any adverse impact on the activities carried out by the firms, the team worked on allocating additional resources obtained from Value Added Tax refunds.

In addition, a number of firms reported that they possessed leftover funds from specific activities that had not been implemented or that had been implemented with service providers who offered more competitive prices. Overall, these funds were small amounts and were reprogrammed by the technical team to finance complementary items aimed exclusively at small producers.

7.3 Activities Planned for Next Quarter

The sub-contracts and grants department will prioritize the following activities during the first quarter of FY 2010:

- Verify backup documentation processed by PRODEL under the In-Kind and Fixed Obligation Grant modalities, and complete the formal close out process for the first 20 anchor firms for the program.
- Complete the documentation process, including the delivery of backup documents relating to the achievement of milestones.
- Complete the final evaluation of the funds spent versus the original projected budget.
- Continue with the planning of field visits to verify the delivery of items and to analyze the fulfillment of activities funded through PRODEL.
- Support the process of selecting providers for the second phase of the program.
- Review and update the processes managed by the sub-contracts and grants department in order to propose adjustments to improve performance during the second phase of the program.

8. Integrating Cross Cutting Themes

8.1 Achievements in the Area of Gender

Activities through this PRODEL component were completed in April of 2009.



Participants in PRODEL gender workshop.

The purposes of this component were to increase the visibility and participation of women in the production and sale of quality products to anchor firms. Likewise, these economic activities also sought to empower women in the marketplace. In order to fulfill the objectives of this component, three training and education modules were developed in the four major regions of program implementation. The events were held during the period of January to April of 2009. The modules that were carried out include:

- Module One – Personal Development, Leadership and Communication (the four PRODEL regions)
- Module Two – Gender and Economic Development (northern and southern regions, with the inclusion of participants from the other two zones)
- Module Three – Entrepreneurship and the Design of Proposals (northern and southern regions only)



Perhaps of the greatest achievements of the PRODEL gender component is an increase in self-esteem and leadership abilities on behalf of women, who now play a more prominent role within the organization. As a result of program interventions, the women who are part of the organizations now possess basic business practice knowledge, as well as knowledge of gender issues. Furthermore, they have also been trained in value chains and understand the differences between production chains and value chains. Additionally, a work plan was developed and put into place, which can serve as a resource guide for future gender related activities in these communities.

The following table displays the impact and results of the gender training process.

Table 14: Women lead activities carried out in the context of the gender training process

| Activities promoted/led by women linked to anchor firms | No. of women leading the activities | Place / Firm |
|---|-------------------------------------|-----------------------------------|
| Meeting of women of Zamora Chinchipe, invitation and replication of topics and activities carried out in the process of training - action | 4 | Zamora: FAPECAFES (Apeosae) |
| A woman participant in the process joined the Board of Directors of the organization (Secretary of APECAP) | 1 | Palanda-Zumba: FAPECAFES (Apecap) |
| Greater leadership and capacity to make proposals to strengthen the organization (improved communication, parliamentary procedure) | 2 | Otavalo: Cereales Andinos |
| Organizational strengthening for the management and care of goats in Mascarilla and Tumbatu | 3 | Mira, Mascarilla, Tumbatu: Mondel |
| Interest has been generated to promote and replicate the processes within the ASOGUABO association | 3 | El Oro: ASOGUABO |
| Application of the methodology and replication of production activities in AACRI Rio Intag | 2 | Cotacachi: AACRI Rio Intag |
| Total number of women exhibiting greater participation levels | 15 | |

Table 15: Participants in the gender training program

| Region | No. of women | Anchor firm technical staff |
|--------------|--------------|-----------------------------|
| South | 17 | 11 |
| North | 24 | 6 |
| Esmeraldas | 21 | 7 |
| Amazon | 18 | 3 |
| Total | 80 | 27 |

8.2 Achievements in the Area of Environment

The PRODEL team, in cooperation with a consultant, achieved the following results during the quarter:

- Beneficiaries of the PRODEL understand and apply environmental mitigation standards.
- Through AACRI Rio Intag's efforts, financing was obtained from the Catalan (Spain) Governmental Cooperation Agency to construct buildings to house a micro-organism pest control laboratory, which was inaugurated on May 22, 2009. Prior to this, awareness-raising meetings were held with the beneficiaries about AACRI Rio Intag's

acquisition of a microbiology lab, which could help resolve the problems involved in crop management in Ecuador. The PRODEL team gave advice on setting up and equipping the lab, the list of materials required and the selection of suppliers.

- Training was provided on the benefits and methods of adopting organic farming, AACRI Rio Intag’s Board of Directors, technical staff and its producers.
- Micro-organism beneficial agents were reproduced in various plots in the community belonging to AACRI Rio Intag members.
- The PRODEL team and the AACRI Rio Intag technical team implemented a training system which the Board of Directors adopted as a standard for strengthening the technical and operational processes of the company.
- Protocols were developed for each of the organic fertilization and management alternatives to establish standards of practice within the laboratory. The AACRI Rio Intag technical staff, APROCA, CONCACAO, ASOGUABO and Aroma Amazónico received the training in the standards and protocols.
- The workshops and training sessions addressed the following topics:
 1. Soil improvement practices, the application of foliage, the establishment of biological control agents and the use and management of micro-organisms in interaction with organic fertilization for coffee growing
 2. The use of suppressive micro-organisms
 3. The use of organisms responsible for mineralizing nutrients
 4. The use of effective micro-organisms or EMAs
 5. The use of plant growth-promoting bacteria
 6. Micro-bionic ecology
 7. The use of suppressive micro-organisms and patterns of action for each Bio-catalysis
 8. Making traps to isolate beneficial fungi
 9. Making traps to capture efficient micro-organisms
 10. The use of suppressant micro-organisms
 11. Determining factors in soil conservation and organic media permitted in organic farming

Table 16: Training and workshops related to the environmental component

| Training and workshops | | | | |
|------------------------|------------|-------------|------------------|------------|
| Gender | Producers | Technicians | Anchor Firm Reps | Total |
| Male | 149 | 123 | 12 | 284 |
| Female | 38 | 70 | 24 | 132 |
| Total | 187 | 193 | 36 | 416 |

In order to provide sustainability to the process in the production of beneficial micro-organism agents in AACRI Rio Intag, the PRODEL team has implemented a series of tests to validate the effectiveness of the organisms and to obtain a significant potential market, while providing an alternative technology for carrying out organic agriculture.

The test sites are located in three of PRODEL's four regions of influence: Esmeraldas, Amazon and the Southern border region (see Table 17).

Table 17. Beneficial Agent Validation Tests

| Test | Anchor Firm | Location | Counterpart Technician from the Anchor Firm |
|--|-----------------|--|--|
| Bio-catalysis in Cacao, Trichoderma, Gliocladium, EMA's and PGPR | AROMA AMAZÓNICO | Province: Sucumbíos Canton: Shushufindi Parish: Shushufindi Central Place: Farm of Mr. Henry Ávila Coord: 0° 8'9.27"S; 76°38'30.90"O | Armando Vaca Wilmer Encarnación |
| Bio-catalysis in Cacao, Trichoderma, Gliocladium, EMA's and PGPR | APROCA | Province: Esmeraldas Canton: Atacames Parish: La Unión Place: CEFFA Farm (Cefodi) Coord: 0°44'31.34"N; 79°51'8.32"O | Eng. Gualberto Valdez |
| Bio-catalysis in the coffee Mineralization phase | FAPECAFES | Province: Loja Canton: Loja Parish: Vilcabamba, Cucanamá sector Place: Farm of Mr. Jorge Lapo Coord: 4°13'44.00"S; 79°12'44.30"O | Eng. José Jimenez, Agr. Carlos Lapo, Eng. Estuardo López |
| Bio-catalysis in coffee Trichoderma, Lecanicillum, Beauveria, | FAPECAFES | Province: Loja Canton: Loja Parish: Vilcabamba, Sacapo sector Place: Finca Sr. Luis Sánchez Coord: 4°15'4.90"S; 79°14'53.80"O | Eng. José Jimenez, Agr. Carlos Lapo, Eng. Estuardo López |
| Bio-catalysis in banana | ASOGUABO | Province: El Oro Canton: El Guabo Parish: El Guabo Place: Farm of Mr. Edwin Melo Coord: 3°12'18.60"S; 79°47'25.90"O | Eng. Marco Oviedo Eng. Manuel Brito |

8.3 Achievements in the Area of Enterprise Social Responsibility

The PRODEL team achieved the following results during the 4th quarter of FY 2009 in the area of Social Responsibility:

PRODEL participating anchor firms have been encouraged to apply good Corporate Social Responsibility (CSR) practices. Efforts on behalf of the PRODEL team to promote best agricultural practices, certification processes, Fair Trade initiatives and above all the link between anchor firms and an ever growing number of small producers have begun to bear

fruit to establish a niche market for Ecuadorian products in the world economy for participating anchor firms. CSR makes sense for small businesses from countries like Ecuador where programs that facilitate economic growth but at the same time protect the environment help to sell products in increasingly receptive markets that are focused on green initiatives that generate income in a responsible manner.

9. Certification of Agricultural Best Practices (CABP)

The Certification of Agricultural Best Practices (CABPs) component of PRODEL worked on a number of fronts this past quarter to achieve the goals established during its initial planning phase. Continuing with the strategy laid out during the previous quarter, six groups of farmers were chosen that maintain commercial relationships with PRODEL anchor firms (Gruppo Salinas, SKS, COFINA) or that are anchor firms themselves (AAPROCASH, Aroma Amazónico, APROCA), to work on the implementation of their respective Internal Control Systems (ICSs) with the goal of obtaining Organic and/or Rainforest Alliance certification. Following the plans developed for the implementation of the ICSs, the CABPs team delegated this responsibility to six local consultants. Their mid-term results revealed success in meeting and exceeding the goals established for this quarter in terms of certification activities (see table 18).

In addition, the CABP focused on training technical personnel related to the PRODEL program and its anchor firms in the area of certification standards, both for Organic and Rainforest Alliance certification. With respect to organic standards, six participatory, one-day workshops were held in three project regions: Esmeraldas Province, The Amazon region and Loja/Zamora Chinchipe Provinces, which included the presence of farmers who were members of the groups. Two one-week technical workshops trained approximately 45 internal auditors in two regions (Esmeraldas Province and Loja Province).

The organization in charge of the Rainforest Alliance training, Conservation and Development, held three workshops for internal auditors in Esmeraldas Province, Lago Agrio and Vilcabamba, along with the participation of technical personnel from the groups of producers linked to PRODEL anchor firms.

In addition to the training events, initial (pre-audit) evaluation visits were made to seven groups regarding Sustainable Agriculture Standards and Rainforest Alliance certification. As a result of the evaluations, the CABPs team has recommended four groups of farmers to receive the official certification audit, which will be conducted in late October and early November of 2009.

During the course of this past quarter, and in consensus with the PRODEL team, it was decided to include a practical study on the use of micro-biological products developed in the AACRI Rio Intag laboratory as part of the CABPs activities. This study is currently in its initial stage of implementation.

Table 18: Certification Activities for Anchor Firms in the Fourth Quarter of FY 2009

| | ANCHOR FIRM | CERTIFICATION ACTIVITY |
|---|------------------------|--|
| 1 | AACRI Rio Intag | <ul style="list-style-type: none"> - Conservation & Development made a field visit for the initial evaluation of AACRI Rio Intag with respect to the Sustainable Agriculture Standard - The anchor firm will provide all inputs necessary for the micro-organism usage tests in the five parcels set up by the consultant team and the CABPs team - The AACRI Rio Intag technical staff participated in the Internal Auditors for Organic Standards workshop held on August 28th - The technical staff of AACRI Rio Intag participated in the Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) workshop held on August 13th - Signage and safety materials were delivered for the AACRI Rio Intag coffee processing plant |
| 2 | FAPECAFES | <ul style="list-style-type: none"> - In coordination with the FAPECAFES and the CABPs technical team, activities were coordinated to establish 56 family nurseries in the FAPECAFES working areas - Conservation & Development made a field visit to conduct an initial evaluation of APEOSAE with respect to the Sustainable Agriculture Standard - Conservation & Development made a field visit to conduct the initial evaluation of ACRIM/APECAP with respect to the Sustainable Agriculture Standard - FAPECAFES technical staff and field promoters participated in a workshop for Internal Auditors with respect to the Sustainable Agriculture Standard (Rainforest Alliance Certification) on August 19th - FAPECAFES technical staff and promoters participated in the workshop for Internal Auditors for Organic Standards on August 24th - Signage and safety materials were delivered for the FAPECAFES coffee processing plant and warehouses - The CABPs team is coordinating with ICS personnel of APEOSAE and ACRIM/APECAP in the implementation of the internal audits needed to maintain a complete and functional ICS |
| 3 | CAFÉ VÉLEZ | <ul style="list-style-type: none"> - The company's technical field staff, in coordination with personnel from the UTP and CABPs personnel, are developing two nurseries to hold 120,000 coffee plants each - The CABPs reforestation program has donated material for nurseries and 10,000 native forest plants will be obtained in addition to the coffee plants reproduced in these nurseries - The company's technical staff and field promoters participated in the Internal Auditing workshop with respect to Sustainable Agriculture Standards (Rainforest Alliance certification) on August 19th - The company's technical staff and field promoters participated in the Internal Auditing workshop with respect to Organic Agriculture Standards on September 18th - The CABPs team is coordinating with Café Vélez technical staff on the implementation of ICS for producer groups from Chaguarpamba and Changaimina |

| | ANCHOR FIRM | CERTIFICATION ACTIVITY |
|---|-----------------------|--|
| 4 | CAFÉ GALLETTI | <ul style="list-style-type: none"> - El Colmenar (Las Aradas) association of coffee growers received an evaluation on organic certification standards. The result of the evaluation was positive and 84 growers have been integrated into the certification process with a total of 232 hectares of coffee - As an El Colmenar field staff initiative a list of 100 producers belonging to El Airo area are organizing to obtain organic certification - Technical staff and promoters from El Colmenar Association participated in the Internal Auditing workshop with respect to Sustainable Agriculture Standards (Rainforest Alliance certification) on August 19th - Technical staff and promoters from El Colmenar Association participated in the Internal Auditing workshop with respect to Organic Agriculture Standards |
| 5 | ESCOFFEE | <ul style="list-style-type: none"> - Technical staff and promoters from the firm participated in the Internal Auditing workshop with respect to Sustainable Agriculture Standards (Rainforest Alliance certification) on August 19th |
| 6 | SOL DE ORIENTE | <ul style="list-style-type: none"> - 4,000 forest species tree plants will be supplied to select members of the groups of suppliers for Sol de Oriente as part of the CABPs reforestation program |
| 7 | APROCA | <ul style="list-style-type: none"> - The contract for updating APROCA's Internal Control System, with the inclusion of 120 new producers in organic certification is 50% completed - Technical staff and field promoters from APROCA participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on August 13th - Technical staff and field promoters from APROCA participated in the workshop for Internal Auditors for Organic Agriculture Standards on August 24th - Safety and signage equipment was supplied to the APROCA storage & collection center in coordination with the APROCA technical team, thus fulfilling RAS standard requirements - The delivery of 4,000 forest species tree plants from the nurseries of the Esmeraldas Provincial Council has been negotiated |
| 8 | SKS | <ul style="list-style-type: none"> - Work on the implementation of the Internal Control System for the ECOCACAO association is at the 60% progress mark - The ECOCACAO association has carried out 94 internal audits - Technical staff and field promoters from ECOCACAO participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on August 13th - Technical staff and field promoters from ECOCACAO participated in the workshop for Internal Auditors for Organic Agriculture Standards on August 24th - The delivery of 4,000 forest species tree plants from the nurseries of the Esmeraldas Provincial Council has been negotiated |
| 9 | GRUPPO SALINAS | <ul style="list-style-type: none"> - The Internal Control System for the FISPDICA and NAAT-E producer groups has been implemented. - The certification company BCS ÖKO Garantie conducted an evaluation of the ICS and farmers from these groups were approved and certified under organic standards; 188 farmers managing 397 hectares of crops are part of this group |

| | ANCHOR FIRM | CERTIFICATION ACTIVITY |
|----|------------------------|---|
| | | <p>- Technical staff and field promoters from FISPDICA and NAAT-E participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on August 13th</p> <p>- Technical staff and field promoters from FISPDICA and NAAT-E participated in the workshop for Internal Auditors for Organic Agriculture Standards on August 24th</p> |
| 10 | AROMA AMAZÓNICO | <p>- The contract for updating the Internal Control System, with the inclusion of 500 new producers under organic certification, is 65% implemented. The company's technical staff and field promoters participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on September 4th</p> <p>- The company's technical staff and field promoters participated in the workshop for Internal Auditors for Organic Agriculture Standards on August 24th</p> |
| 11 | COFINA | <p>- The contract for updating the Internal Control System with the inclusion of 200 new producers under organic certification is 53% implemented. Technical staff and field promoters from the San Carlos Association participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on September 4th</p> |
| 12 | AAPROCASH | <p>- Work to implement the AAPROCASH Internal Control System is 90% complete. The internal audits conducted are on file at the company's offices</p> <p>- The company's technical staff and field promoters participated in the workshop for Internal Auditors for Sustainable Agriculture Standards (Rainforest Alliance Certification) on September 4th</p> <p>- The consultant in charge of implementing the ICS of AAPROCASH participated in the workshop for Internal Auditors with respect to Organic Agriculture Standards on September 14th</p> |

9.1 Achievements during the Quarter

- BCS ÖKO Garantie signed a service provision contract in July 2009. As part of this contract, the company delivered six informational workshops for 248 participants, who were taught basic organic standards and the procedures for achieving them.
- BCS ÖKO Garantie carried out two workshops to train internal auditors, one in Esmeraldas Province and the other in Catamayo, with a total of 47 participants.
- Gruppo Salinas has incorporated farmers from the FISPDICA and NAAT-E groups into the organic certification process to include 188 farmers (397 hectares) as part of the certified group. Gruppo Salinas, as the anchor firm, is responsible for the certification process and BCS ÖKO Garantie is in charge of certification evaluations.

- Sub-contractor Conservation and Development (C&D) conducted three internal auditor training workshops for 67 participants focused on the Rainforest Alliance Sustainable Agriculture Standard, in order to obtain RAS certification.
- C&D carried out the pre-audits and assessment audits for seven producer associations. The reports for these evaluations were sent to their respective group administrators to help the producers complete the task to implement certification standards.
- The CABP team has made a number of efforts to obtain seeds or plants of forest species for the reforestation program. As a result of these efforts, the reforestation program currently has seeds for the reproduction of 40,000 native forest plants in the Loja area. The FAPECAFES technical team, with the support of CABP personnel, has implemented 56 family nurseries as part of a strategy to create mixed nurseries for the reproduction of cacao, coffee and forest plants. In addition to these efforts, the Café Vélez technical staff is working with 40 families to establish family nurseries.
- As a result of the CABP support, and in coordination with the Sol de Oriente anchor firm, PETROECUADOR nurseries have provided 8,000 native forest plants to be distributed to coffee producers in the Amazon Region of Ecuador.
- In Esmeraldas Province, reforestation efforts have been coordinated with the Provincial Council, which has agreed to supply 8,000 native forest plants for delivery the first week of November 2009.
- The five tests on the use of micro-organisms have been conducted on an experimental banana plot in El Guabo, El Oro Province. ASOGUABO staff will coordinate with the consultant to follow up on the results of these tests.
- Safety and signage materials, including work clothes (industrial gloves, aprons, protective goggles), fire extinguishers, sign sets including safety and infrastructure location signs and non-polluting industrial paint to delimit areas within the warehouses, have been supplied to the storage centers of nine PRODEL beneficiary groups.

Table 19: CABPs Key Progress Indicators and Targets

| INDICATOR | LIFE OF PROJECT TARGET | BASE LINE | CUMULATIVE PROGRESS TO SEPT. 30, 2009 |
|--|-------------------------------|------------------|--|
| No. of hectares for which the certification process has been initiated (combined cacao and coffee) | 1,500 | 0 | 1,226.75 |
| No. of hectares certified (combined cacao and coffee) | 500 | 0 | 398 |
| No. of families with an increase in their economic benefits | 250 | 0 | 100 |
| No. of families that will indirectly benefit from this component | 1,500 | 0 | 663 |
| Number of rapid wildlife inventories (conducted by producers as part of certification process) | 10 | 0 | 0 |
| Number of certified hectares with management plans in place | 500 | 0 | 0 |
| Number of reforested hectares with native species shade coverage | 500 | 0 | 0 |

9.2 Challenges Encountered and Alternatives Employed

The CABP team, after dividing up the work and positioning the strategy, has been dedicated to coordinating the implementation of training processes and applying the production processes of the ICSs for selected associations. The CABP team has also followed up with other groups, such as APEOSAE, who have been progressing with their ICSs independently.

In some isolated cases, the response from the groups has been low and they have not met expectations. In order to improve the attendance of the producers at these workshops, the CABP team has redoubled its efforts in making these invitations through direct communication, as well as engaging in more follow-ups and field coordination visits.

The CABP team decided to work directly on the activity related to the wildlife inventories, as part of the deliverables for this component. As a result, the workshops have not taken place yet; however, they are scheduled for October and November of 2009. The participatory methodology of the Farmer Field Schools will be used for these events. Important bibliographical material has been acquired for the identification of birds and mammals, as well as binoculars for bird watching. The intention of these workshops is to share scientific methodologies with the producers and create awareness among the participants as to the importance of biodiversity.

9.3 Activities Planned for Next Quarter

- Complete the contracts for implementing the ICSs with SKS (ECOCACAO), Gruppo Salinas (FISPDICA, NAAT-E), APROCA, COFINA (Asociación San Carlos), AAPROCASH and Aroma Amazónico in order to prepare the 1,340 producers from these groups for the certification programs.
- Hold workshops to create wildlife inventories in Esmeraldas Province (Rio Verde, Atacames, Tonchigue), the Amazon Region (Shushufindi), Zamora Chinchipe Province (El Pangui, Nangaritza) and Loja Province (Olmedo, Las Aradas, Chaguarpamba).
- As a result of the workshops, management plans will be produced for 500 hectares planned within CABP component activities.
- Present reports from the five field tests, which are being conducted on the application of micro-biological agents produced in the AACRI Rio Intag laboratory. Create and utilize protocols for applying them and provide recommendations on how best to use these products.
- Hold two workshops on best agricultural practices, emphasizing clean alternatives for pest and disease control.

10. Management

10.1 Achievements during the Quarter

Prime recipient AED received a modification to the original associate award in September of 2009, which extends PRODEL's involvement for three more years to September 30, 2012. ACDI/VOCA was asked to continue as the lead implementing firm in the field. The program has been designed to work with 34 firms in the second phase to benefit a total of 13,600 residents of the northern and southern border regions of Ecuador.

10.2 Challenges Encountered and Alternatives Employed

The CARE subagreement under PRODEL was completed on August 31, 2009 as designed and budgeted for the program. As a result, three of the PRODEL advisers completed their first phase service as of the same date. This left the PRODEL program with only one local business development advisor for the month of September 2009 to assist in the preparation of the second phase, and to prepare quarterly report information. PRODEL decided to hire two of the three CARE advisers to continue in the second phase of the program. The PRODEL team asked these advisers to begin work with PRODEL during the last week of September to assist in the preparation of the quarterly report and to begin gearing up for phase II.

ANNEX 1 - Success Stories

FAPECAFES: A Social Organization as a Model for Business Development

Created in September 2002 as a non-profit entity, the main goal of FAPECAFES, is to improve the standard of living for coffee producer families in the southern border region of Ecuador. The company currently consists of six grassroots associations of small coffee producers from southern Ecuador (PROCAP, APECAM, PROCAFEQ, APECAP, APEOSAE and the APECAEL).

Since its inception, FAPECAFES has sold coffee produced by its six member organizations in specialized markets, to include coffees with organic and fair trade certification. Currently, the group includes 1,600 small and medium size coffee growers, 90% of which produce under the organic and fair trade certification and 10% produce conventionally. This has made it possible for the organization to sell its products in the international marketplace, earn the trust of importers and coffee roasters and obtain a certain level of recognition for the quality of its products. There is still a lot to be done but with the commitment of its Board of Directors and staff, FAPECAFES, is determined to ensure that the objective for which it was created becomes a reality for all of its members.

FAPECAFES remains committed to the objective of looking after the wellbeing of its producer families, while working to convert coffee production into a profitable activity and the company into a competitive business. This has obligated all of the stakeholders in the value chain to improve their processes. This has not been easy, for a number of reasons, but FAPECAFES, with the support of various institutions and organizations, such as the ACDI/VOCA PRODEL program financed by the United States Agency for International Development (USAID), offers associative commercialization services for coffee and other products related to high quality niche markets, organizational strengthening, financial support, training in quality processes along the entire agricultural production chain, methodological guidance and technical assistance in the areas of social and environmental standards, and how to responsibly administer and self-manage human and financial resources under its control for its growing membership.

While the quality of the coffee produced in the southern region of Ecuador has provided FAPECAFES the opportunity to enter into more specialized niche markets, not all the coffee meets the standards demanded by the international marketplace. Given this state of affairs, Fulvio Galarza, President of FAPECAFES signals: *“Since 2008, FAPECAFES has had contact with roasters from Europe and United States who demand highly differentiated coffee for which they are prepared to pay very high prices, and they recognize the efforts of each farmer, however, I feel that we are not yet prepared to work with high volumes and maintain excellent quality, as a result we have started a training process on the farms, as*

well as in the storage & collection centers, that teach producers what the market demands.” The member producers from the different FAPECAFES grassroots organizations are making an effort to carry out an exhaustive selection process of their coffees with the goal of reaching these markets. With the support of ACDI/VOCA PRODEL, the organization intends to make quality differentiation much more selective, by region, by community and even by producer, which will undoubtedly lead to exportation from coffee lots that are distinguished by origin, and even producer. This is a process entitled traceability that is extremely important to coffee producing countries like Ecuador where you have a great variety of micro-climates at various altitudes. This will generate higher profits for the growers and serve as recognition of their efforts in the entire productive process.

Much needs to be accomplished. As Galarza says: *“This implies a different form of exporting coffee, as traditionally, it was done in jute sacks, but now we are going to implement the vacuum packed system in cardboard boxes. This guarantees the product’s quality until it arrives at the roaster, but also allows one to make small micro lots of coffee differentiated by more specific origins such as communities or even by producers, depending on the quality of the product.”*



FAPECAFES staff member implements coffee quality control procedures.



FAPECAFES export ready coffee product.

Domingo Troya, a producer in El Batan sector, from the FAPECAFES linked PROCAFEQ Association states: *“We didn’t trust what the FAPECAFES experts said and in the beginning we didn’t want to make a greater effort without knowing what could happen in the end, but once the results were made known we were convinced that we could do it. Now we have the quality, the knowledge and above all the desire to make things better day by day.”*



FAPECAFES Linked PROCAFEQ coffee producer, Domingo Troya.

Currently, FAPECAFES is a groundbreaking organization with national and international recognition and is the benchmark for associative production and commercialization of specialty coffees within Ecuador. Its average sales volume is 11,000 qq of washed coffee yearly, of which 90% is exported to Canada, France, the United States, Austria, Belgium, Germany, England and Holland, making it the fourth largest national exporter and the largest exporter of quality coffee to specialized markets, with 10% being sold in the national market.

A significant incentive for the farmers is knowing that by improving the management of the farm, the economic benefits also improve. It is estimated that producers who maintain their farms with appropriate agro-ecological management, can obtain at least 10% of their harvest as gourmet quality. The prices for coffee rated above 89 points start at \$3.00/pound for the farmer and can be higher if the coffee possesses special qualities. This translates to the fact that the farmer can obtain an average increase of 42% in their net income.

The PRODEL team anticipates that FAPECAFES will be recognized both locally and internationally as an organization that produces and exports the best coffee in Ecuador. Moreover, promoting the excellence of individual producer acts as an incentive for farmers to improve their coffee quality in line with international standards.

Behind Chocolatier SKS is an Important Message

The relationship between ECOCAO and SKS is not only a success story, but also an example of an approach that is worthy of imitation. It not only represents the path that the PRODEL team wants to communicate to its businesses, but also the path of development for Ecuador, which aims to be a prosperous, united, and competitive country.

Ecuadorian PRODEL program anchor firm SKS, producer of gourmet chocolates, understands that as well as offering a variety of high quality goods, it also sells a message behind its products. As a result, the company sought cacao producers that meet its demanding standards. Furthermore, SKS also expects that its producers fulfill the social and environmental responsibilities that its products stand behind. Secondly, the ARTESANAL ASSOCIATION – ECOCAO, which groups 80 producers from 14 communities in the southwest region of Esmeraldas Province, goes beyond fulfilling these conditions by conserving natural resources, thereby aiming to benefit the collective whole.



Galera San Francisco Marine and Forest Reserve in Tonchigue-Esmeraldas

Given the wealth of biodiversity in the Esmeraldas Province of northwest Ecuador, ECOCAO producers saw an opportunity to implement a pilot community-based tourism project. The attractiveness of the region is not only its ecosystem, but also the experience of the visit, where one can enjoy a variety of local cuisine, community living experiences, and interactive visits to farms. SKS has discovered that this initiative provided an opportunity to create trust with its clients abroad, who are invited to visit the region and see the work that the organization

is carrying out, not only in its conservation and social responsibility efforts, but also in improving quality processes, developing commercial skills, and post-harvest management.

66 year old Edilberto Vera Heredia is married with five children and is a founding partner of ECOCAO. He tells the story of how five years ago, together with other producers from the region, formed an association in an effort to obtain better profits from his cacao:



SKS Linked ECOCACAO cacao producer, Edilberto Vera.

“I have 1.5 hectares of cacao. I don’t have much as I am not native to this zone. I came when I was eight years old from La Union in Atacames. The whole farm is planted using an agro-forestry system, where cacao dominates as the crop that provides me with income, as well as a variety of fruits, banana and timber-yielding trees. I have 700 productive trees. The majority are old, more or less 50 years old. 200 were produced by the community nursery that we made together as ECOCACAO two years ago. The harvest varies from one year to the next. 2008 was a productive year; in total we managed to produce 52 quintals of cacao fruit pulp.”

He recounts that previously he sold his production to middlemen, but since August 2009 when the organization’s storage & collection center was inaugurated he sold all his production through the ECOCACAO organization that trades with PRODEL anchor firm SKS. Heredia goes further to state that, *“This center is ours and we all should sell here because only in this way can we strengthen our organization. The weight is fair and also they pay me three cents more than the local middleman pays per pound. There are times when the middlemen pay a little more but they rob us on the weight. On one occasion I took 100 pounds (two buckets) to sell and they only paid me for 80 pounds and they didn’t even let me see the scale when they weighed my product. This doesn’t happen in the ECOCACAO storage & collection centre.”*

With the support of the PRODEL program via SKS, the ECOCACAO storage & collection center became a reality. The work of this company with the producers in the region is also an example to be modeled. Strong, equitable and binding relationships have been developed, from the farmer to the market, where each one of the participants in the chain wins. This synergy makes the relationships competitive and sustainable. Funded by the United States Agency for International Development (USAID) the PRODEL program helps firms like SKS and the cacao producers association ECOCACAO to increase incomes and generate employment in the recessed marketplace of Esmeraldas Province in the northern border region of Ecuador.

ANNEX 2 – Municipal Management Model

Summary of the Management Model

The following presents a summary of a proposal to put the Municipal Management Model into action, which will allow for improvement of the business environment in PRODEL participating municipalities. The proposal for the municipal management model consists of five components:

1. Describes the background of the PRODEL development process, objectives and methodology.
2. Outlines the general guidelines and justification for the Management Model.
3. Addresses improvement on internal and external levels, as well the decision-making process required from the public and private stakeholders in order to promote and strengthen local economic development.
4. Includes a brief assessment and analysis of management alternatives for each one of the municipalities.
5. Describes the principal steps necessary for the implementation and follow-up phases.

Each one of the components contributes to the Management Model proposal with additional consideration for the distinct realities in each of the participating municipalities.

Specific objectives of the proposed municipal management model include:

1. Promote the legalization and creation of companies through a municipal business registration services department.
2. Improve the internal procedure for obtaining the Municipal Patent in accordance with the current laws and regulations.
3. Encourage the development of an information and local data base system, as a management, planning and promotion tool.
4. Facilitate linking the supply and demand of products and services on a local and national level.
5. Foster and promote participation, consensus-building and coordination between the different stakeholders; public, private, productive sector and other cooperating institutions in order to foster productive activities.
6. Support associative strengthening and training in the productive sector.
7. Encourage promotion and outreach events and activities.
8. Promote local economic development.

Based on these objectives, the Economic Development Units will be in charge of the following processes:

TRANSLATION OF GRAPH:

CENTER: Economic Development Unit

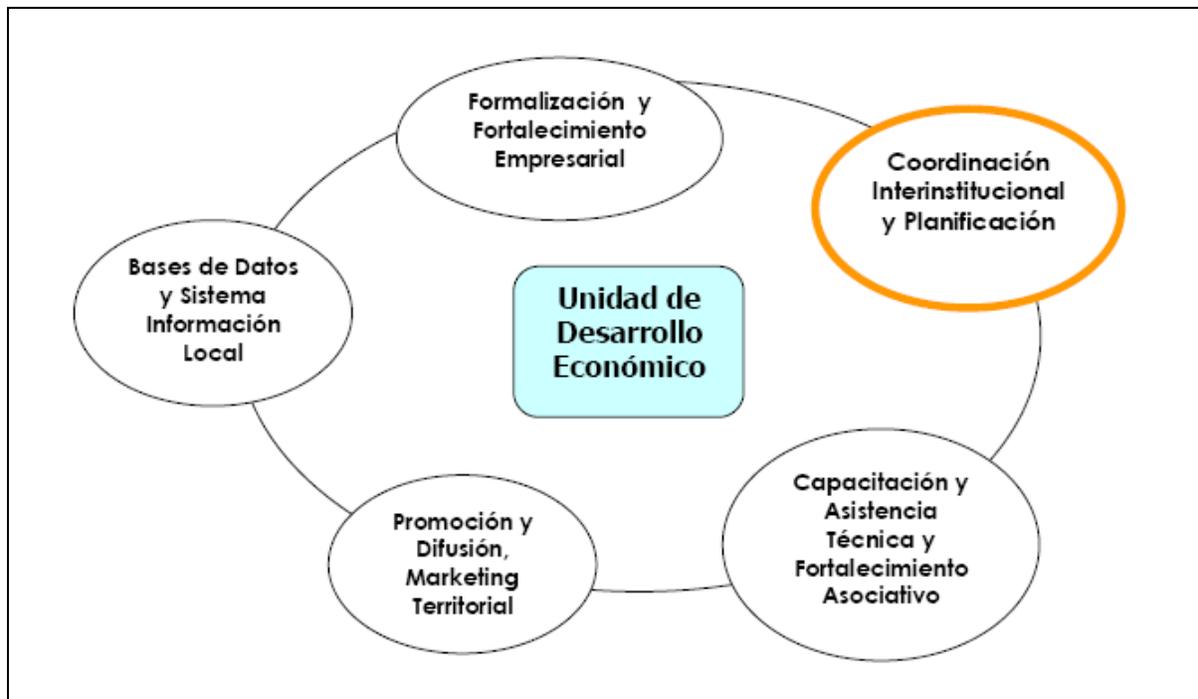
CLOCKWISE FROM TOP: Business Formation and Strengthening

Inter-Institutional Coordination and Planning

Technical Assistance and Training and Association Strengthening

Promotion and Outreach, Territorial Marketing

Databases and Local Information System



In order to facilitate the implementation of the Municipal Management Model, a series of tools have been created that allow the municipalities to fulfill the role of promoter and facilitator for local economic development.

Business Formation and Strengthening

The Municipal Economic Development Units must provide the following services for the local entrepreneurs in order to formalize and strengthen small and medium-sized businesses: obtaining a municipal patent, assisting with tax registration and other related obligations and acquiring permits. These services include providing the necessary information regarding the required procedures and documentation, the obligations to pay fees, where to go, attending hours and timelines for opening a business/company. Additionally, the Municipal Economic Development Units also provide information related to the supply of financial services, training activities and technical assistance and promotion.

In order to obtain a municipal business registration, an automated system must be used for the process (Proposed – Local Government Information System SIGGLO), which improves control, and transparency and accuracy of the information contained in the Economic Land Registry. In addition, an automated system improves the efficiency levels within the municipal offices.

Local Database and Information System

An economic development datasheet has been designed with the purpose of obtaining information from the municipality's productive sectors: agricultural, livestock and handicraft. The datasheet contains information about the producers, the type and volume of production, and the hectares planted.

Territorial Promotion, Dissemination and Marketing

Internal and external promotion constitutes an effective tool in publicizing the municipality and the products and services that exist therein, as this is of interest to companies for setting up or buying products in the region. Such promotion also allows the local communities to learn about what the companies located in its municipality have to offer and where they are located. Municipality-organized fairs and meetings, in alliance with business sector representatives and producers, respond to these kinds of initiatives. Other promotional instruments include posters, flyers, newspapers, and web pages.

Inter-Institutional Coordination and Planning

Local governments have recently been charged with leading economic development processes in their territories. A strong political will is essential to drive this initiative, in addition to participation and action by the different economic stakeholders (public sector, business-persons, associations, universities, women's associations, and NGOs to name a few.)

The challenge at the municipal level is to open spaces for coordination between the public and private sectors in themes related to local productive development.

Creating a Local Economic Development Board (LEDB) can facilitate the incorporation and consolidation of the productive agents within the municipal office purview.

Training, Technical Assistance and Associative Strengthening

Prior to the development of the Municipal Management Model, Economic Development Units carried out various training activities, providing technical assistance and strengthening associations. However, it is proposed that through bodies such as the LEDB, the municipalities can plan and coordinate different training and technical assistance endeavors. Moreover, using the new information tools provided through PRODEL, needs can be identified, which in turn, determine the appropriate training and technical assistance strategies.

ANNEX 3. ANALYSIS OF PROJECT EXPENSES BY GEOGRAPHICAL AREA

| PROVINCE | Imbabura | Carchi | Esmeraldas | Orellana | Napo | Sucumbíos | El Oro | Loja | Zamora Chinchi |
|----------------------|--------------|-----------|------------|-----------|----------|-----------|-------------|-----------|-------------------|
| Expenses by Province | \$341,893 | \$468,364 | \$684,004 | \$255,413 | \$81,824 | \$562,371 | \$233,879 | \$663,092 | \$240,207 |
| ZONE | SIERRA NORTE | | ESMERALDAS | AMAZONIA | | | SOUTH | | |
| Expenses by Zone | \$810,257 | | \$684,004 | \$899,608 | | | \$1,137,178 | | |
| TOTAL | | | | | | | | | 3,531,047 |