

ECUADOR LOCAL BUSINESS DEVELOPMENT PROGRAM (PRODEL)

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Fiscal Year 2009 3rd 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.

AACRI	Río Intag Small Coffee Producer's Association
AAPPSME	Agro-artisan Association of Producers of Dry Medicinal Plants of Ecuador
AED	Academy for Educational Development
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
APROCAR	Río Verde Cacao Producers Association
APROCASH	Shushufindi Cacao Producers Association
ASOGUABO	Association of Small Banana Producers of Guabo
BCS	Bio Control Systems
BNF	Ecuadorian National Development Bank
BPA	Best Practices Assessment
BPM	Best Manufacturing Practices
CABP	Certification of Agricultural Best Practices
CESA	Ecuadorian Center for Agricultural Services
CFN	National Financial Corporation
CISAS	Center for Agricultural Research and Services of Sucumbíos
COFINA	National Fine Chocolates Company
ECOCACAO	Cacao Small Producer's Association of Esmeraldas
ECOLAC	The Technical University of Loja Dairy Factory
GRUPPO SALINAS	The Salinas Salesian Family Foundation
EPF	Enterprise Partnership Fund
ESCOFFEE	Specialty Coffees of Ecuador
FAPECAFES	Regional Federation of Associations of Small Ecological Coffee Growers of the South
FAST	Financial Alliance for Sustainable Trade
FFS	Farmer Field School
FIELD-Support	Financial Integration, Economic Leveraging, Broad Based Dissemination and Support
FISPDICA	Foundation of Social Initiative for the Development of the Canton of Atacames
ICAM	Italian Chocolate Company
INAGROFA	Freund Arroyo Industrial Agriculture Company
INIAP	Ecuadorian Institute for Agricultural Production
IRS	Internal Revenue Service
ISO	International Organization for Standardization
LWA	Leader with Associates
MAGAP	Ministry of Agriculture, Livestock & Fisheries
ME&R	Monitoring, Evaluation and Reporting System
PRODEL	Ecuador Local Business Development Program
RUNAYUYAI	Quinoa Small Producer's Association of Otavalo
SIGGLO	Local Governments Information and Managing System
UPEC	State Polytechnic University of Carchi
USAID	United States Agency for International Development
UTPL	Technical University of Loja
XASS System	Administrative Systems Series X System

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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.

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 third quarter of Fiscal Year 2009 (April 1–June 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:

- 487 participating PRODEL producers were trained through Farmer Field Schools for a total of 3,066 to date. These producers participating in the farmer field schools demonstrate a high rate of adoption of production improvement techniques.
- 637 hectares were improved through pruning techniques, shade management, fertilization, and pasture aeration, and 247 new hectares of crops were established during this past quarter for a total of 7,838 new and improved hectares to date.
- A total of 422 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 program figure of 5,632 jobs, 141% of the program target.
- The annual income has increased from approximately \$900¹ at program start up to \$1,329 for PRODEL participating families from 20 anchor firms calculated as of June 30, 2009.
- As of June 30, 2009, Enterprise Partnership Fund disbursements for 20 PRODEL anchor firms and their producers totaled \$2,146,517. As of this reporting period, current grants approved and in process of implementation total \$2,476,010, for an 87% expenditure rate to date.
- 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 9 of the 12 participating municipalities for the program. The remaining three municipalities will receive their documents in the final quarter of FY 2009.
- PRODEL has facilitated the provision of credit to 1,064 PRODEL participating producers by 35 separate organizations during the period from March 1, 2008 to June 30, 2009. The National Development Bank (BNF) led the list with more than

¹ All amounts in this report are in US dollars.

60% of the loans being approved by this agriculture sector oriented financial institution.

- 70 representatives from the 20 participating PRODEL anchor firms and producer groups completed a Strategic Business Management course administered by the Monterrey Technological Institute. A graduation ceremony was held in the Dann Carlton Hotel in Quito, during which four of the firms and producer groups were recognized for outstanding performance.
- Representatives from the 20 PRODEL anchor firms and producer groups attended an event on June 18, 2009 to celebrate USAID/Ecuador achievements from 2001-2009. The event received significant media coverage and allowed for PRODEL beneficiaries to present their products to important representatives from the Ecuadorian government, the US Ambassador, USAID personnel in Ecuador and the public.
- PRODEL in-house coffee expert, Jairo Andrade attended the 21st annual Specialty Coffee of America Exhibition held in Atlanta, Georgia from April 16-19, 2009. Mr. Andrade was accompanied by representatives from the Specialty Coffees of Ecuador (ESCOFFEE), Regional Federation of Associations of Small Ecological Coffee Growers of the South (FAPECAFES), and Café Vélez anchor firms for the program. This event resulted in the identification of the need to create an internationally recognized name for Ecuadorian Specialty Coffees and contact has already been made with the Ecuadorian Export Corporation (CORPEI) to coordinate this process in the next phase of PRODEL. In addition, contacts were made by Café Vélez for marketing its products and the identification of a coffee taste testing machine for a laboratory located on the Loja Technical University campus; ESCOFFEE made contact with potential buyers to include Whole Foods and is currently in negotiation to sell its coffee through this distribution channel; and contact was made with a Canadian credit lending institution, the Financial Alliance for Sustainable Trade (FAST), that focuses on associations in the developing world.

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 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 is being reviewed by the PRODEL technical team in coordination with CARE technical representatives. Once the manual has been finalized, it will be provided to the municipalities participating in the program, in addition to USAID.

During the quarter, PRODEL fielded four consultants to visit four PRODEL regions of intervention - Esmeraldas, Amazon Region, Northern Sierra Region, and Southern Region – to meet with municipal representatives and mayors. The work of the consultants led to a diagnosis of the current status of the business registration process at the municipal level which was presented to USAID previously. The consultants determined 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.

1.2 Challenges Encountered and Alternatives Employed

- The main challenge encountered this quarter in the implementation of the business management model has been the national elections which made it difficult to carry out actions to ensure continuity and political validation of the model. As a result, the PRODEL CARE team met with both the current municipal mayor and staff as well as began to meet with newly elected municipal representatives to ensure dissemination of the model to the appropriate stakeholders.
- In addition, as a result of a budget cut to the program some of the municipal strengthening technical assistance activities planned were suspended. The cut to this PRODEL component was partially based on findings that much of the business registration process within the municipality takes place outside of the municipal offices in other governmental entities, for example.

1.3 Activities Planned for Next Quarter

- PRODEL will sponsor an event during which one of the municipal offices receiving the business registration model and the SIGGLO system will present its findings to interested stakeholders. The event has tentatively been scheduled for the second week of August.

2. Development of Anchor Firms

During the third quarter of FY 2009, the PRODEL team worked with 20 participating anchor firms and their producers in the areas of business development, producer - anchor firm relations, and value chain strengthening through planning and capacity-building training workshops conducted by the PRODEL team.

The achievements this past quarter have helped to validate the PRODEL program methodology. Using the market-oriented value chain approach with anchor firms as the entry point strengthens and benefits both anchor firms and producers.

Assistance provided to anchor firms has made them more competitive through improvements in quality, productivity and enhanced business management. In addition, fair and equitable vertical linkages between producers and their anchor firms makes it possible to fulfill the central objective of the PRODEL program, to improve incomes and create jobs for producers in a sustainable way.

2.1 Achievements during the Quarter

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

In addition to the results achieved to date by the PRODEL Program, as presented in tables throughout this document, the program helps to conserve biodiversity and preserve the environment in remote border areas of Ecuador due to the selection of sectors that feature shaded crops, such as cacao and coffee.



Processing coconut from the Atacames Canton of Esmeraldas Province at the Jugo Facil anchor firm factory in Quito.



Growing cacao under shade in Esmeraldas, belonging to a Chachi community.

In order to understand the impact of the PRODEL program on Ecuador's border regions one must consider the current socio-economic context in which members of the value chains are immersed, and the case of the northern Ecuadorian coast is especially

unique and vulnerable.



Natural Reserve, Cayapas River, Eloy Alfaro Canton, Esmeraldas .

Although it is considered the “Emerald” province due to its once abundant forests, today Esmeraldas Province suffers from a high rate of deforestation. Moreover, the economy of northern border provinces like Esmeraldas is increasingly dependent on contraband, including fuel oil smuggled across the border to Colombia, and intensive logging of the forests. It is not uncommon to encounter canoes dragging recently logged

hundred-year-old trees while traveling along the Cayapas River. Unfortunately, years of timber extraction have left very little benefits for the population engaged in this activity. In recent years, there has also been a movement towards the mono-cultivation of African Palm trees to process palm oil as an income-generating alternative. This has effectively accelerated deforestation in areas such as La Tola parish of the Eloy Alfaro canton in Esmeraldas Province, where guanabana growers linked to the Jugo Facil Company are making a concerted effort to stem the tide of environmentally damaging and illegal economic activity that has taken hold in the region.

In an effort to provide income generating alternatives to residents of Esmeraldas Province, PRODEL is working with producers linked to the SKS, Ecuatoriana de Chocolates, Jugo Facil, Gruppo Salinas and the Atacames Cacao Producers Association (APROCA) anchor firms for the program. Hundreds of families from vulnerable areas like La Tola Parish are participating in the PRODEL program.

Other stakeholders and local governments concerned about the environment and the local socio-economic context have joined anchor firms through PRODEL to search for economic alternatives like cacao and fruit production in Esmeraldas Province. For example, the Eloy Alfaro Municipality is assisting fruit value chain



Logging at Punta de Piedra, Borbon Parish, Eloy Alfaro Canton, Esmeraldas.



Vulnerable population of the Maldonado Parish, Eloy Alfaro Canton, linked to the SKS anchor firm.



Vulnerable population of the Atahualpa Parish, Eloy Alfaro Canton, El Encanto Chachi Center, linked to the Ecuatoriana de Chocolates anchor firm.

production efforts, like that of guanabana producers connected to the Jugo Facil anchor firm, by hosting meetings in governmental installations, donating land for crop production and including agricultural issues in development plans for the Canton.

B. Implementation of Business Plans for Selected Anchor Firms

During the quarter, PRODEL carried out activities outlined in the anchor firms' business plans that improved financial, commercial, operational and internal systems, as well as strengthen linkages with producers in order to ensure a supply of raw material while improving quality and productivity. PRODEL anchor firms participated in fairs and events improved their corporate image and increased their access to markets. Several of the firms developed new products and new product presentations, while others dedicated their efforts to developing markets as established in PRODEL generated marketing strategies and plans. These activities and the results achieved are detailed in Table 2.

C. Internally Strengthening the Anchor Firms

The PRODEL program is helping anchor firms strengthen their business with the four-phased business strengthening model: 1) adoption of a business approach, 2) establishment of a business management model, 3) incorporation of an organizational culture, 4) implementation of a management system based on indicators and the measurement of continuous improvement. Most anchor firms are between the first and second stages of development, with a few of the firms moving towards the third phase. The firms have taken important strides toward consolidating their business approach, but progressing to the next development stages is a process that requires capacity-



This mix of aromatic herbs from the AAPPSME Association constitutes a Premium Horchata Product developed with the support of CORPEI and PRODEL.

building, which the PRODEL team will continue facilitating through its team of specialists, as well as advisers and consultants. Activities undertaken during the 3rd quarter of FY 2009 are listed in Table 2.

D. Developing Anchor Firm Competencies

During the 3rd quarter, anchor firm and producer group representatives participated in the final two of the modules for strategic business management at through the Technological Institute of Monterrey. Upon completion, they received diplomas for their achievements over the six month period. By developing business administration skills, anchor firm and producer group members have become more competitive entrepreneurs.

The Monterrey program not only provided business strengthening training, but also helped to forge closer ties among the anchor firms. In fact, initiatives for strengthening horizontal linkages emerged during the modules that include a joint marketing venture between Café Galletti and Jugo Facil, a granola/quinoa and yogurt product developed through an alliance between Mondel and Cereales Andinos, and a joint venture to produce Horchata in liquid form between the Agro-artisan Association of Producers of Dry Medicinal Plants of Ecuador (AAPPSME) and Jugo Facil.

Of the training participants, 25% were anchor firm representative and 75% were producer representatives. The activities contributed directly to increases in productivity and improvements in management performance, thereby enhancing their competitiveness.

The table below lists capacity-building activities for anchor firms carried out during the 3rd quarter of FY 2009:



Closing Ceremony for the Technological Institute of Monterrey Strategic Business Management Diploma Program, Quito.

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

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
APROCA- APROCAR	<ul style="list-style-type: none"> - Customer loyalty in three markets that ensures a set price for Association members - Infrastructure built in Rioverde with USAID funds and leveraged by the Ecuadorian Agricultural Ministry (2 drying structures, an office, bathrooms, septic tank, 1 drying bed, 3 fermentation tanks) - Three technicians participated in the Monterrey Strategic Business Management program - Participation in the organic product fair held in Riobamba from April 17-21 - Improved infrastructure and quality processes at the producer level, including storage/collection centers - Six new community agronomist technicians trained - Periodic review of growth in sales, competitiveness and program indicators and targets
Ecuatoriana De Chocolates	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Training in strategic business management for three anchor firm representatives - Periodic review of the balance sheet and profit and loss statement where the PRODEL team members oriented, monitored and followed up with accounting and finance staff from the anchor firm.
Jugo Fácil	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Staff hired to update company's accounting information - Accounting system updated to become a tool for analysis - Computer and server acquired, network installed and expanded and computers upgraded - Sales and budgeting plans prepared - Customer service plan formed for sales and post-sales - Proper pricing structure designed to attend to all existing sales channels - Steps taken towards achieving RA certification - Skilled staff hired to move forward with pending issues in the development of Quality Control and certifications - Implementation of a cost system related to production orders, to include systems as well as production areas - All documentation reviewed in the interest of continuous improvement - The functions of all personnel were restructured to achieve greater efficiency - Study conducted and process begun to optimize and automate all areas of the plant - Training provided to staff in charge of the accounting system to improve its use - Training provided to marketing specialist, sales staff and commercial manager, in the sales process as well as product use to improve sales efforts - Plant personnel trained within parameters of obtaining Best

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	Manufacturing Practices (BPM) - Sales vs. inventory reviewed to optimize inventory management and improve cash flow
Gruppo Salinas	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Adaptations made to Decision Win accounting systems for reports and annexes to be submitted to the IRS, control of assets, and modules of: inventories, customers, suppliers, budget monitoring and statistics - Training provided to administrators, accountants and accounting assistants on the use of the accounting system - Auditor hired to validate accounting and administrative processes for fiscal year 2009 - Agreements were signed with government institutions to create procedures for managing the El Salinerito brand and franchises - Business tour conducted, including visits to Fair Trade stores in Spain, and meetings held in Italy with Equoland (Florence) and ICAM (Lecco) - Assessment of the production capacity of associations in the Esmeraldas region completed in order to ascertain product supply status - As a result of the business tour, the firm closed a sale of 150 tons of cacao to ICAM in Italy, which will be shipped during the second half of 2009. - 25 MT of domestic conventional ASS cacao sold to Franceschi (Venezuela) - Gruppo Salinas technical datasheets and informational brochure printed, which will make it possible to promote and present products focusing on solidarity-based economics. - Participation in the RIPESS event (Latin American Network for Promoting Solidarity-based and Social Economics), Luxembourg - Contacts made with networks working with Fair Trade stores as a possibility for expanding sales opportunities - Contact made with and samples sent to a Chilean company for the sale of cocoa paste and milk chocolate - Entrepreneurship School established
AACRI Rio Intag	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Independent company established, 76% owned by the Association and 24% owned by local organizations and workers - The company has two production units, one for processing coffee and another for producing beneficial micro-organisms - Marketing Plan established - New Rio Intag coffee product designed called “Selecto”, containing more select coffee

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<ul style="list-style-type: none"> - Two companies which distribute mass consumption products identified - Quality control manual produced - Building for new coffee processing plant completed - Microbiology laboratory built - Equipment acquired for establishing a physical and organoleptic quality control laboratory - Production unit personnel participated in Inventory Management and Control; Best Manufacturing Practices and Coffee Quality training programs - Improved relationship between the organization and local governments - Improved transportation access through the construction of five bridges financed by USAID through the International Organization for Migration in coordination with PRODEL - Established an alliance with the Caravaniers Company of Canada to implement an Agro-tourism and Adventure tourism package
Mondel	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Partnerships formed with institutions like the State Polytechnic University of Carchi (UPEC), the Ministry of Agriculture, Livestock & Fisheries (MAGAP), Agrocalidad (CESA), the Diocese of Tulcan, the Italian-American Fund, the Provincial Council of Carchi, the Fundación Familia Salesiana Salinas (Gruppo Salinas), and Cereales Andinos to strengthen linkages along the value chain - Training in strategic business management for three anchor firm representatives - More than 70 products eliminated from portfolio that were accounting for less than 20% of sales - Analysis of costs and margins carried out - The company defined a quality policy for requirement N-1 of the ISO 9001-2008 quality management system - Catering business unit closed as a result of the PRODEL business analysis that detected a drain on company resources - Rules, responsibilities and functions of all staff redefined - Agreement signed with the Fundación Familia Salesiana Salinas and the El Salinerito company - New sales commission policy established - Motivational and training workshops held for all company personnel
Café Galletti	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Formed the Consortium 8 to offer marketing services to allied businesses - Customer service department consolidated to better serve the clients - Sales and budgeting plan completed for Consortium 8 - Organic certification obtained from BCS - Implementation of flowchart processes to obtain BPM certification - Internet connections set up to link the plant, point of sale and the

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<p>central office</p> <ul style="list-style-type: none"> - Coffee growers received training in coffee tasting - Two staff members in the financial area trained in the use of the Latinium software program - Training provided to sales and marketing staff on all aspects of the coffee business from planting to the cup in order to enhance sales results - Training in strategic business management for three anchor firm representatives
Inagrofa	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Efficient accounting procedures established - Legal obligations to oversight entities like the SRI (Ecuadorian IRS) implemented and updated - Training received by management resulted in better administrative and management performance - Efforts to enter the U.S. market consolidated under the contract for processing different grains, Andean cereals and flour, which has led to increased sales - Sanitary and health registration obtained as well as approval of the self-service program for the new product Quinoa Rice - Potential mass distributors identified in Ecuador interested in the Quinoa Rice product - Additional contacts made for the distribution of the Inaquinoa brand in the southern provinces of Ecuador - Operational management improved through training received by operations staff in the processing plant - Procedures developed to control all industrial processes including industrial safety mechanisms
Cereales Andinos	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Financial analysis of the firm conducted and the financial statement accounts updated, enabling a more objective study of costs. - New accounting system implemented. - Training in strategic business management for two anchor firm representatives - Consultant hired to conduct a market study and develop a marketing plan - The company successfully negotiated with SuperMaxi to change the product presentation for quinoa flakes on its shelves - Accepted as a supplier for Nestlé Ecuador of quinoa flour, morocho flour and toasted quinoa, as raw materials to be used for manufacturing crackers and cookies with an Ecuadorian identity called “The flavors of Ecuador” - Company’s corporate image overhauled through a new web page, updated publicity material, and new product presentations all articulated to conform to one holistic concept. - Participation in fairs and promotional events to include the event to present the results of USAID interventions in Ecuador during the

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	period from 2001-2009 - Sorter and scarification machine to remove saponin acquired to eliminate bottlenecks in manufacturing
Aroma Amazónico	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Accounting software installed in each of the 13 storage/collection centers - Accounting and auditing professional hired to train AA partner organizations - Three training workshops held for 7 associations and 9 storage/collection centers on improving basic accounting and using accounting software - Management advisory assistance provided to strengthen administrative, accounting and financial areas - Internal rules established along with a procedure for managing the rotating commercialization fund - Information system established to house database of suppliers - New cacao benefit system established through agreement with NESTLE Ecuador - 20,000 chocolate bars produced to launch a commercialization plan at the regional, national and possibly international level - Standards, profiles and duties have been defined for key management positions within Aroma Amazónico - Continued research for new markets
Sol De Oriente	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Training in strategic business management - Commercial agreement confirmed with Colombian coffee industry representative - Sales and export possibilities explored with Escoffee and Café Galletti through an agreement with the distribution company - Joint visit made with representatives of ESCOFFEE to the Loreto Canton to gather, process and sell Robusta coffee in a possible commercial agreement between Sol de Oriente and ESCOFFEE
COFINA	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Commitment made to provide direct technical support from the anchor firm in Guayaquil to producers in the Amazon Region to establish quality parameters and improve cacao quality in storage and collection facilities - Firm willing to buy all of the cacao produced from the San Carlos super trees
AAPROCASH	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, and program indicators and targets - Accounting system in place with software installed - Accounting books and records established - Collection and payment policies established - Training in strategic business management for three anchor firm representatives

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<ul style="list-style-type: none"> - Managerial advice provided to the anchor firm - Advice provided to achieve legal status - Database developed to define customers and markets - Negotiation policies established - Developed a positive customer-supplier relationship - The brand now recognized by exporters - Communications and email linkages established - Improvement in credit profile among financial institutions - A manual of human resources roles, responsibilities and job descriptions created - A culture of action focused on results established
Café Velez	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Training in strategic business management for two anchor firm representatives
SKS	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - An accounting system and software restructured according to PRODEL technical staff and consultants hired through the EPF. Personnel standards, manual of responsibilities and regulations established - Brand positioning in Europe and the U.S. - Community tourism promoted among European customers as a marketing strategy - Relationships with customers and distributors strengthened, for example representatives from a Dutch chocolate distributor visited ECOCACAO producers linked to SKS - New products like dried uvilla (gooseberry) launched - Strategic planning process adopted using the Balanced Scorecard tool - Production processes using the BPM and HCCP system launched
AAPPSME	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets - Internal rules, functions and responsibilities established for each department - Potential regional distributors contacted - Administrative, commercial, organizational and production areas of the firm restructured - Processing infrastructure upgraded - Manager of Production received training in new techniques for quality control and process management - Training in strategic business management for four anchor firm representatives
ECOLAC	<ul style="list-style-type: none"> - Training in strategic business management for three anchor firm representatives - Periodic review of growth in sales, competitiveness, strengthening, and program indicators and targets - Inventory management improved - Increased sales in sub-products line (mozzarella cheese, yogurt)

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<ul style="list-style-type: none"> - As part of the Marketing Plan (the school campaign plan), 340 children from four Loja schools visited ECOLAC and were made aware of the importance of consuming healthy and safe food - Advertising jingle for radio and television produced - ECOLAC advertising on local television for first time - Customer service improved as a result of training to points of sale representatives - The most frequent problems in the distribution of ECOLAC products to customers have been identified and ECOLAC has begun measures to meet client requirements and expectations - Geo-reference map of Loja developed with the help of a EPF funded GPS, with 600 points of sale geo-referenced and located on the map - Database of suppliers of specific inputs for flavored milk established - Pre-mixes being produced for flavored milk production tests - Homogenizer purchased to produce flavored milk - The firm has acquired all Ecuadorian standards and technical datasheets related to flavored milk - A database of suppliers by volume of production developed, which has made it possible to learn of supplier requirements for the collection of raw material - 50% of aluminum tanks needed acquired for direct distribution by ECOLAC to producers in the Zamora Chinchipe Province. - Process of obtaining Sanitary Registration underway for flavored milk
ESCOFFEE	<ul style="list-style-type: none"> - Training in strategic business management for three anchor firm representatives - Financial information and flows monitored - Effective and timely use of income helping relations with producers - Escoffee website designed and upgraded - Corporate image enhanced - Technician hired specializing in the quality of coffee production and packaging processes - Production system launched and improved (XASS System) - New line of instant coffee presentations introduced (20g) - Training to administrative personnel on the use of the new accounting system - Training for plant personnel on process management - Training for sales staff on collections and sales techniques - Training for plant employees on productivity, quality, and industrialization - Administrative management of accounts receivable and financial analysis - Training in industrial automation systems

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<ul style="list-style-type: none"> - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets
FAPECAFÉS	<ul style="list-style-type: none"> - Training in strategic business management for three anchor firm representatives - In part, through participation in the SCAA fair in the U.S. in April of this year, sales to that country have increased from \$659,000 in 2008 to approximately \$1,011,000 in 2009. - Commercial alliances established for the local market with Café Velez, Galleti and Escoffee - Participation in the Strategic Business Management course - Workshop with the participation of the technical team on Human Resources and the value of human talent
ASOGUABO	<ul style="list-style-type: none"> - Training in strategic business management for two anchor firm representatives - Assessment performed of the financial-accounting system - Responsibilities of accounting staff redistributed and financial manager appointed - Search for new markets in addition to Agrofair in order to ensure that all fruit processed by members is sold through ASOGUABO - Training begun for technicians who will in turn pass on this knowledge to producers in order to train community promoters - Exchange of experiences with other organizations on biological pest control in Imbabura - Human resources and compensation policy developed - Manual of Job Descriptions, Functions and Procedures developed - Periodic review of growth in sales, competitiveness, strengthening, program indicators and targets

E. Selected Activities

PRODEL anchor firms and producers from the northern border region presented their products to representatives from Ecuadorian government, the US ambassador in Ecuador, Heather Hodges, and USAID personnel during an event organized by the communications firm Imagcom and designed to celebrate USAID Ecuador's accomplishments for the period 2001-2009. The Ecuadorian Minister of Internal and External Security and the Executive Secretary of Plan Ecuador were among the Ecuadorian governmental officials attending the event. Held in Quito, the event attracted a large contingent from the Ecuadorian local and national press.



USAID presented its results to the Ecuadorian government during an event in which PRODEL anchor firms displayed their products.

2.2 Challenges Encountered and Alternatives Employed

The principal difficulties encountered by participating anchor firms during this past quarter consisted primarily of ongoing challenges that face many small enterprises in Ecuador and around the world. PRODEL anchor firms face high fixed costs in their businesses, and lack sufficient access to capital, technology and markets. Through the PRODEL Enterprise Partnership Fund, the firms are making efforts to strengthen their management practices as well as their relationships with producers in an effort to rise above these limitations. As a result of the implementation of the business plans and the Enterprise Partnership Fund (EPF), there have been significant advances during this quarter in capacity development, association and partnership building, improved infrastructure for processing products, the search for credit through financial institutions, the implementation of quality controls and good manufacturing practices, to name a few.

In terms of developing markets, several of the participating firms have tried to penetrate the domestic market in order to sell their products through supermarket chains, or improve inventory rotation in the case of companies which already had a relationship with these chains; nevertheless, in general they have found that the bargaining conditions through

these sales channels are disadvantageous, particularly in terms of sales margins and payment terms. As a result, these firms have had to rethink their objectives and turn to additional strategies to penetrate into new markets and more profitable products that can be differentiated. For example, PRODEL anchor firms have sought horizontal linkages for commercialization strategies through alternative distributors and door-to-door sales.

In addition, the lack of competitive productivity levels has impeded some PRODEL anchor firms from taking advantage of emerging market opportunities. A very positive result is that anchor firms have identified the need to join forces to meet the demand. One clear example of this is the case of Gruppo Salinas who negotiated the sale of 200 tons of cacao during a sales trip to Europe co-financed through the EPF. Upon their return to Ecuador, Gruppo Salinas' representatives contacted fellow cacao sector PRODEL anchor firms to create horizontal linkages to meet the required volumes for this important sale.

2.3 Activities Planned for Next Quarter

The PRODEL technical team plans to implement the following activities during the 4th quarter of FY 2009 in the area of anchor firm development:

- Provide feedback to the firms on current indicators for the program within the guidelines established.
- Guide and advise the anchor firms for the implementation of their development models and management practices.
- Participate in fairs and trade events to gain greater access to markets.
- Continue to foster greater levels of cooperation between anchor firms and their producers through workshops and trainings.
- Training in the area of marketing and market intelligence.

3. Strengthen Horizontal and Vertical Linkages

3.1 Achievements during the Quarter

A. Equitable and Trusting Relationships Among Stakeholders

During this past quarter, PRODEL continued to work to strengthen vertical linkages between producers and PRODEL anchor firms, as was prioritized in the business plans. PRODEL anchor firms have formed binding and sustainable relationships with their producers to include producers with whom they had no direct relationship prior to the program.



Guillermo Tapia, Manager of Cereales Andinos in a quinoa field, Otavalo, Imbabura.

The firms recognize that these new and stronger relationships have helped to improve their competitiveness and at the same time, allowed them to establish quality standards for their products. For example, in the case of SKS and the Cacao Small Producer's Association of Esmeraldas (ECOCACAO), the firm buys consistent quality cacao pulp at \$0.48 per pound from the producer's association, compared to the benchmark price of \$0.32 per pound in the area of influence. Moreover, it buys dry cacao at \$145 per quintal (approximately 45 kilos) which is

above the international commodity price. The two parties consider this pricing structure as direct, binding and fair.

One of the critical success factors in strengthening the relationship with producers has been to assign one anchor firm staff to be in charge with anchor firm-producer relations.

At the SKS anchor firm, that person is Viviana Sanchez. To date, Ms. Sanchez has held a number of producer workshops to improve processes and product quality. Producers received exposure to processes beyond the field level to include taste testing events and post-harvest quality control procedures that allow them to learn of other links in the cacao value chain. These workshops generate a



Chocolate tasting workshop with producers from the Ecocacao Association, Esmeraldas.

great deal of expectations among producers, and receive publicity through local radio stations, where company representatives and ECOCAO leaders offer interviews to highlight PRODEL activities.

B. Resolving the Critical Points along the Value Chains

Through an in-depth analysis of PRODEL value chains, the team has identified lack of productivity as one of the critical constraints to competitiveness for both anchor firms and their producers. At the same time, as a result of comparatively lower volumes, Ecuadorian stakeholders within these chains are attempting to differentiate their production through a focus on organic production. This is particularly true as they move towards targeting the sale of these products in niche markets that appreciate organic and fair trade qualities which has been identified as a potential national Ecuadorian strategy for sales in the international marketplace. One challenge, however, is that organic farming in Ecuador traditionally implies lower productivity levels for farmers due to increased susceptibility to pests and diseases, and the producers lack of viable alternatives for fertilization or pest/disease control that meet organic standards.

Consequently, the PRODEL team worked with the Café Rio Intag anchor firm, which had prior experience with biological control agents through a local university, to seek counterpart financing to construct a beneficial agent and pest control laboratory in the Apuela community of the Cotacachi Canton in Imbabura Province. Rio Intag subsequently negotiated an agreement with the Catalan government of Spain as counterpart to PRODEL EPF financing for the laboratory. This lab also seeks to improve the availability of soil minerals for planting by using micro-organisms under a comprehensive organic production approach called biocatalyzation.



Sharing the biocatalyzation technology with farmers and PRODEL technicians in Apuela, Imbabura.



Inauguration of the AACRI Rio Intag biocatalyzation lab, Apuela, Imbabura.

The Rio Intag laboratory illustrates an initiative unique in Ecuador to addressing problems related to pest and disease control. The firm is making this technology available to other PRODEL anchor firms and producer organizations and plans to become a supplier of pest and disease control products and services. In addition, the laboratory’s biocatalization technology was shared with PRODEL technical staff and representatives from the 20 anchor firms and their producers during an inaugural training event held on May 20-22, 2009. This laboratory will help Ecuadorian farmers increase their productivity through improved methods for disease and pest control. Indeed, several participating farmer groups have already established experimental parcels to test the technology in their regions of influence.

C. Improving Infrastructure and Equipment

A number of construction projects were implemented during the 3rd quarter of 2009 including fermentation bins, solar dryers and storage and collection centers. The new and



Building storage and collection centers and solar dryers

improved infrastructure will help to ensure optimal product quality. The majority of these projects were constructed using labor provided by producers during *mingas* or collective workdays sponsored by members from PRODEL beneficiaries.

To foster cooperation among members of participating associations linked to anchor firms, through the EPF PRODEL provided farmers groups with small-scale equipment that aid in product processing, such as depulpers in the case of coffee, and threshers for quinoa. This equipment, which uses regionally available technology, helps to improve the production quality and efficiency.

Producers then share the equipment among members on a rotating basis, first depulping their individual coffee harvest at the farm level for instance. Subsequently, the depulped product is fermented and dried on drying boards located in farmer association storage and collection centers. A total of 190 depulping machines have been provided to producers participating in the program through the Enterprise Partnership Fund.

Quinoa farmers belonging to the Quinoa Small Producer's Association of Otavalo (Runayuyai) of indigenous farmers located in Otavalo, Imbabura have formed a partnership with the Cereales Andinos anchor firm. This partnership has led to the construction of a fully equipped storage and collection center complete with threshers and additional processing machinery that will greatly improve production efficiency at the producer level. The connection with Cereales Andinos will ensure members of the Runayuyai a market to sell their product and greater volumes and product quality at the same time, for the anchor firm.



Coffee Processing Center for growers linked to the FAPECAFE anchor firm.



Quinoa threshing machine for producers linked to Cereales Andinos, Otavalo, Imbabura.

D. Quality Improvements

The market for cacao has suffered from the effects of the global economic crisis, which has depressed purchasing volumes. Although Ecuador has been affected by the crisis, fine Ecuadorian aroma cacao is still in demand. There has, however, been some concern expressed from market representatives about the mixing of National "Arriba" and CCN51 varieties of Ecuadorian cacao products, in

addition to the existence of residue of elements such as cadmium in exported products. As a result, PRODEL technical assistance efforts have targeted quality improvement efforts in order to satisfy market needs and address the concerns. The SKS anchor firm has held workshops with its producers to talk about the detection of cadmium in its cacao. SKS has taken the process a step further to provide solar flashlights to its producers in order to reduce the consumption of disposable batteries which contain cadmium.



Solar battery campaign organized by SKS for Ecocacao Association producer members, Esmeraldas Province.

E. Improving Productivity

To enhance productivity, the EPF has supported producers through the purchase of tools such as sprayers to administer organic fertilizer, small chain saws for weeding, pruning saws, shovels, rakes and wheelbarrows for crop handling, and quinoa threshing machines. These tools and machines help producers improve crop quality and develop improved varieties. Crop densities are improving with the planting of these crops in the field and areas of production are expanding, which in the medium-term will result in a better product supply. Linked to the National Fine Chocolates Company (COFINA) anchor firm, the San Carlos Association has developed nurseries for cacao “super-trees” described in more detail in Annex I. The selection of this highly productive vegetative material has resulted in dramatic productivity improvements.

F. Training

Using the Farmer Field School methodology, a number of training events have taken place during the 3rd quarter of 2009. Technical assistance provided by the PRODEL team targeted productivity enhancement through crop pruning, grafting, organic farming, the production of *bioles* (organic fertilizers) and quality improvements. Upon the successful completion of the field school, participating producers received certificates and are now expected to replicate the knowledge gained within their respective communities.

G. Workshops in Biocatalyzation

The PRODEL team facilitated a training event for 42 program technicians on May 21 & 22, 2009 in coordination with the anchor firm Río Intag Small Coffee Producer’s Association (AACRI) on the subject of biocatalyzation. Training participants expressed their interest in using the information provided during the event and willingness to share the technology

with their anchor firms and fellow producers. The biocatalyzation of vegetative material helps producers to organically control pests and diseases through beneficial micro-organisms. The laboratory constructed for this purpose will be available to farmers from throughout Ecuador to improve productivity levels for a number of crop varieties.

H. Strengthening Activities to Improve Producer Competitiveness

During this past quarter, PRODEL made significant progress in strengthening farmer producers, product quality, linkages with firms and competitiveness. The table below lists capacity-building activities and results for producers carried out during the quarter.

Table 3: Strengthening Activities and Results for Producers

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
APROCA- APROCAR	<ul style="list-style-type: none"> - Implementation of agro-forestry practices - Improvement of quality processes at the producer level - Management of 100 hectares of cacao in four target cantons (Atacames, Muisne, Rioverde, Quininde) - 50,000 cacao plants grafted in nurseries with INIAP varieties (EET 95 and EET 103) - Traps installed to isolate strains for biocatalyzation - 450 producers and 5 technicians trained in organic farming, grafting, conflict resolution, leadership, accounting, and database management. - 70% of producers implementing or replicating new enhanced productivity practices - Area under cultivation increased by 200 hectares - Super-trees selected as a source of reproductive materials - 10 nurseries established with a capacity of 250,000 plants - The “arm exchange” (<i>Cambio de Brazo</i>) methodology, which entails community work sessions among association members, has been implemented as a strategy for managing plantations
Ecuadoriana de Chocolates	<ul style="list-style-type: none"> - Technical assistance provided by local service provider, Conservación & Desarrollo through Farmer Field Schools to 117 beneficiary families - Training provided by local service provider Conservación & Desarrollo to three Chachi communities in crop maintenance
Jugo Fácil	<ul style="list-style-type: none"> - Materials, tools and equipment delivered for a fruit crop repopulation plan as well as for training events - Three nurseries established, two for the production of passion fruit and one for guanabana plants - Training and technical assistance provided to passion fruit, guanabana, blackberry and naranjilla (gooseberry) producers in two provinces - Organic product fair held in the La Cuarta community, Quininde - Blackberry, naranjilla, guanabana and passion fruit being sold complies with standards required by the company - Regular meetings and trainings held on socio-organizational topics in order to strengthen three producer groups in the province of

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<p>Esmeraldas, and two groups in Imbabura</p> <ul style="list-style-type: none"> - Informational workshop held during which the Manager of the National Development Bank explained various opportunities available to access credit - Provisional board of directors created for the organization of guanabana growers in La Tola - Working agreements and negotiations between the executives of JUGOFACIL, the consultant assigned to provide advice on commercial relationships, the local PRODEL advisor, a local technician and La Tola guanabana producers - Jugo Facil committed to purchasing 3,000 kg of guanabana per week from participating producers - Agreed-upon price of \$0.70 / kg in cash, at the moment of product delivery - Agreement reached with passion fruit farmers to pay \$0.40 / kg - Blackberry (mora) being collected in Imbabura, to be sold at a set price of \$1.32 /kg
Gruppo Salinas	<ul style="list-style-type: none"> - Nursery manager provided 4,770 plants grafted and planted - Two workshops organized on organic and Rainforest Alliance certification - Tools distributed to 57 members of FISPDICA and 107 members of NAAT-E - A list of 130 families in NAAT-E identified and reported, along with 130 families in FISPDICA as of June 30, 2009 - Farmer field schools conducted in FISPDICA and NAAT-E - Physical preparations completed for the installation of solar dryers, and fermentation boxes have been rebuilt - The presence of the Gruppo Salinas technician proved beneficial for strengthening the relationship and building trust between the anchor firm and the producers
AACRI Rio Intag	<ul style="list-style-type: none"> - 38 germinators installed and operating in farms with a capacity of 90,000 plants for 30 new hectares of coffee crops - 9 workshops held on crop management with a total of 173 participants - A new Beneficial Microorganism Unit implemented to improve technical organic production methods - The usage of new alternatives for fertilization and pest and disease control disseminated among members - 10 Hectares of coffee planted - Poultry manure purchased to fertilize parcels and improve productivity - Tanks distributed for producing <i>biol</i> (organic fertilizer) - Materials, depulpers, plastic and mesh fencing provided for the construction of 23 solar dryers - Wider participation in decision-making and improved communication among members and the organization - The members and executives possess the political will to create the company to include three productive units: Coffee Processing and Commercialization, Production and Commercialization of Beneficial Microorganisms, and Agrotourism - 5 professionals and 2 assistants joined the technical team

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<ul style="list-style-type: none"> - 8 community promoters trained to support the installation and operation of Coffee Agrosystems and Forest Conservation - Workshops held to structure the organizational chart of the AACRI Rio Intag company. - The Board of Directors of AACRI held working meetings to formulate, review and approve the Company's By-Laws - The Board of Directors and the General Assembly approved the creation of the AACRI Rio Intag Production Company
Mondel	<ul style="list-style-type: none"> - Milk production improved, both in quality and quantity, thanks to the training provided through the farmer field school and the successful animal deparasitation campaign - A goat rescue plan was successfully carried out and resulted in animals recovering and increasing their weight by an average of 40% - The price per liter of milk paid to producers, which previously fluctuated between \$0.22 and \$0.26 per liter, is now between \$0.32 and \$0.35 with Mondel. - Four goat raising communities now legally established as Pre-Associations - The communities have been encouraged to organize themselves and obtain legal status, seek sources of financing, improve their living conditions and strengthen their commercial linkages in the future with MONDEL.
Café Galletti	<ul style="list-style-type: none"> - 154 coffee growing families linked to CAFÉ GALLETTI in Las Aradas Parish of Loja Province and 100 families registered in El Airo parish of the Espíndola Canton of Loja Province - 11 farmer field school groups formed - 150 hectares of coffee planted - Nursery inputs delivered for 153,000 plants - 7,000 banana trees planted provide shade to coffee plantations - The Coffee Growers Association of the Sparrow Cloudforest established
Inagrofa	<ul style="list-style-type: none"> - 140 hectares of quinoa established - Services for improving productivity strengthened with the purchase of new irrigation equipment - New experimental crops developed - Quinoa producers strengthened through workshops attended by technicians and motivational speeches by management
Cereales Andinos	<ul style="list-style-type: none"> - Storage & collection center built and equipped - Thresher installed for use on behalf of participating producers - Project beneficiaries received training in quinoa planting techniques, fertilization, phyto-sanitary control, harvest and post-harvest management - Organic crop school established that includes an experimental farm where techniques from the AACRI Rio Intag biocatalyzation laboratory will be applied - Productivity of 20 quintals per hectare achieved in first harvests - Formal agreement reached on price of \$55 per quintal, and the company is paying up to \$60 per quintal for top quality product - The anchor firm maintained a close relationship with quinoa producers

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<p>and has met 100% of its commitments established in the Strategic Alliance Agreement</p> <ul style="list-style-type: none"> - Farmers possess confidence in the institutional support being provided by PRODEL and Cereales Andinos and have strengthened their organization - The anchor firm provided quinoa seeds to producers and supports RUNAYUYAI quinoa association organizational efforts, training and promotion through the media
Aroma Amazónico	<ul style="list-style-type: none"> - 125,000 plants acquired from the domestic cacao clones - Training provided to buyers of each member organization on new fertilization methods proposed by NESTLE to improve the organoleptic quality of the bean - Traceability standards were applied for certified cacao - In all of the storage and collection centers, accounting and commercial records are being kept and operating and maintenance manuals for the centers constructed - Cacao fermentation system improved by adapting a new system for draining the pulp - The fermentation modules were walled off with cement and plastic in order to provide better technical conditions for the cacao fermentation process - Bathrooms remodeled in 10 storage/collection centers; the bathroom construction complies with certification standards - Security systems installed in 10 storage/collection centers
Sol de Oriente	<ul style="list-style-type: none"> - Coffee crop improved with 45 working groups established - 800 manual pumps distributed for fumigation, of which 500 given to CISAS as part of the agreement - To date, 1.1 million coffee plants planted on 1,000 hectares within the project's area of influence - Training workshops held to improve coffee quality - Plastic acquired for the construction of 300 solar dryers
COFINA	<ul style="list-style-type: none"> - 200 producers trained in crop and postharvest management, both at the individual farm level as well as at storage and collection centers - Nursery installed to reproduce 30,000 super-tree seedlings - Product processed in storage/collection centers complies with quality standards and parameters
AAPROCASH	<ul style="list-style-type: none"> - Theoretical and practical training provided to 125 families through farmer field schools - 200 hectares upgraded, and 25 new fields with an average of 2 ha each planted - Farmer field schools and technical farm visits conducted in coordination with the new Farmer Technical Support Center - Growers committed to organic farming techniques - Productivity enhancement tools distributed to producers - Association members satisfied with their organization, believe in and trust the board of directors and organization leadership - Anchor firm maintains very good relations with both members and additional cacao producers who supply product to whom services are provided without any distinction

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
Café Velez	<ul style="list-style-type: none"> - Relationships strengthened with 350 coffee producers - Training and technical assistance provided to producers through a sub-contract with local provider, Conservación & Desarrollo
SKS	<ul style="list-style-type: none"> - 400 producers trained through the farmer field school methodology - Initiatives developed to strengthen the Ecocacao organization and train its leaders - The construction of the storage and collection center for the Ecacacao association began in the Tonchigue community - Training on topics related to cacao production and quality provided to participants made up of 73% men and 27% women - Two training workshops held on improving quality in order to generate high-value cacao
AAPPSME	<ul style="list-style-type: none"> - Caps, aprons and tools distributed to three storage and collection centers to improve the Best Practices Assessment (BPA) during harvest and postharvest - Community work days held to train members in farm organization techniques - A new storage and collection center opened in Chantaco in May 2009 - Training provided on BPA for harvest and post-harvest, organic fertilizer and pest and disease control
ECOLAC	<ul style="list-style-type: none"> - 15% increase in milk production per cow - Nutrition supplements and vitamins provided to producers for cows - The presence of clinical mastitis reduced on various farms by up to 50% thanks to treatments using long-acting antibiotics - Regular visits on behalf of ECOLAC technicians to storage/collection centers and dairy farms with sanitary problems have improved commercial relations between the anchor firm and its suppliers - Database developed with information on each supplier - 100% of soil samples analyzed for pasture management efforts - 70% of suppliers received training on improving pasture quality - Milk from 75% of dairy suppliers analyzed
ESCOFFEE	<ul style="list-style-type: none"> - Technical training provided to farmers in crop, harvest and post-harvest management techniques - New coffee trees provided to producers to plant new hectares of coffee with the borbon, caturra, typical and salchimorro varieties - Training provided on the proper use of equipment (manual depulpers) in order to depulp without damaging the product. - The 24 de mayo association strengthened and a storage and collection center for Robusta coffee updated. This will be the first production center to produce washed Robusta coffee in the Ecuadorian Amazon. - Depulpers and materials for coffee drying and depulping distributed - Meetings held with farmers to establish agreements on conditions for purchasing washed Robusta coffee in Loreto
FAPECAFÉ	<ul style="list-style-type: none"> - Significant increase in harvest and delivery of coffee among 469 suppliers compared to last year. Last year the average sold was 4 quintals / supplier and this year the projection is 10 quintals / supplier - 167 growers benefited from the fertilizer program, which has translated to a 60% increase in coffee yields in the field - Commitment made with 30 suppliers to carry out seed selection and

COMPANY	STRENGTHENING ACTIVITIES AND RESULTS
	<p>provide fertilizer and substrate to install agro-forestry nurseries</p> <ul style="list-style-type: none"> - Agreement reached with 15 suppliers to use water sources to implement irrigation systems - 58 soil analyses carried out on soil from producer farms within the pilot program for Organic Fertilization - 21 training workshops held on crop yields and quality attended by 226 participants - Farm visits made to 257 coffee growers to check on harvest and post-harvest processes - 5 training events in business and community management, with the participation of 84 leaders, promoters and administrative members from partner organizations - Efforts made to include new partners in the Associations and achieve recognition by the Ecuadorian Ministry of Industries and Competitiveness - Technical, administrative, executive personnel and other providers from the Associations coordinating and communicating through the communication network set up for the four FAPECAFE associations - 7 promoters coordinating and supporting timely communications efforts for training events and regular meetings between leaders and growers
ASOGUABO	<ul style="list-style-type: none"> - Model community farm operational - The first course on quality-related issues held for technicians to be replicated by producers in their respective communities - Internal coordination improved among the ASOGUABO technical department, PROMESA, and export and finance, which is helping farmers to comply with organizational requirements

I. Horizontal Linkages

During the 3rd quarter of FY 2009, PRODEL anchor firms and their producers explored and established connections with their program stakeholders to develop horizontal linkages along value chains. One creative linkage involves a leadership council, dubbed the Consortium 8, which was formed to increase sales for member entities through the hire of a joint sales manager. The Technological Institute of Monterrey Director for Latin America, Francisco Meza, has been named as President for the Consortium. Other achievements during the quarter include:

- AAPPSME and Jugo Facil team up to produce and market Horchata in bottled liquid form to be offered in the domestic Ecuadorian marketplace.
- Through its biocatalyzation laboratory, AACRI Rio Intag supports productivity improvements for fellow anchor firms and value chain members through organic pest and disease control technology.
- A commercial alliance among Café Velez, Café Galletti and ESCOFFEE was formed to develop local and potential export market activities.
- Sol De Oriente and ESCOFFEE signed a commercial agreement for the joint storage, processing and sale of Robusta coffee.
- Contacts have been made for distributing the Inaquinua brand of Freund Arroyo Industrial Agriculture Company (Inagrofa) in the southern border region of Ecuador through support from the AAPPSME marketing director.
- PRODEL dairy anchor firm Mondel established alliances with value chain stakeholders to include the State Polytechnic University of Carchi (UPEC), the Ministry of Agriculture, Livestock & Fisheries (MAGAP), Ecuadorian Center for Agricultural Services (CESA), the Diocese of Tulcan, the Italian –Ecuadorian Fund, the Carchi Provincial Council, the Salinas Salesian Family Foundation (Gruppo Salinsa), and Cereales Andinos to strengthen sector linkages among the various organizations.
- A solidarity-based alliance was developed among Gruppo Salinas, Mondel and the Salesian Family Foundation to work in rural community economic development initiatives related to the dairy industry.

J. Financial Services

The activities in the area of financial services are designed to lay the foundation for establishing mechanisms that allow the anchor firms and small producers to sustainably access lines of financing in Ecuador. To date, this has entailed facilitating a direct connection among financial institutions and producers and anchor firms. The PRODEL team has searched for alternative sources of credit that represent the best financial conditions

that are adapted to both crop and business cycles. Many obstacles exist in Ecuador in the area of credit, most notably the lack of financial institutions with credit products adapted to the reality of the agricultural sector, the poor or absent financial culture among small businesses and producers, and the lack of financial information generated by the anchor firms.

In response to the dynamics of the financial system and the requirements of comprehensive risk management, PRODEL has assisted anchor firms improve their financial, administrative, and accounting position, and formalizing their planning processes, on which their access to credit depends. In the case of producers, PRODEL has provided training on how to access and manage credit.

During this past quarter, the PRODEL Financial Specialist worked to provide solutions to the obstacles facing producers and anchor firms, primarily focusing on the following activities:

- PRODEL financial team members visited the Aroma Amazónico and AAPROCASH anchor firms to provide advice on accounting and tax issues, how to keep inventory records, financial accounts planning and account reconciliation. These tools will allow the anchor firms to make sound business decisions based on organized and reliable financial information.
- The financial tracking and monitoring tool used during this period allowed PRODEL to keep track of the monthly evolution of main financial indicators for each anchor firm. Based on this analysis, the firms were given recommendations on how to improve their accounting systems, achieve greater consistency in the preparation of financial information, and how to improve their business indicators.
- The Mondel anchor firm received support to prepare a loan application for the National Financial Corporation CFN, which will be used to evaluate the company's creditworthiness. This loan is expected to be disbursed in July 2009.
- Support was provided to the Sol De Oriente anchor firm by facilitating contact with the CFN to apply for a loan to finance the transportation of coffee and to acquire fixed assets. The documentation will be submitted in July 2009 to the CFN for analysis and approval.
- In response to a request made from Café Velez, PRODEL provided assistance in the area of financial simulations for decision-making purposes that will allow it to determine the possibility to open up new sales and marketing channels for the company.

The table below presents commercial financing obtained by PRODEL anchor firms during the last twelve months as a result of PRODEL assistance during the PRODEL period of implementation:

Table 4: Commercial Financing Obtained by PRODEL Anchor Firms

SOURCE OF FINANCING	NO. OF ANCHOR FIRMS WHO HAVE ACCESSED	CAPITAL (IN US\$)	COMMENTS
Produbanco	3	39,390	
Corporación Financiera Nacional (<i>National Financial Corporation</i>)	5	3,500,000	1 firm has already received a loan, loan applications from 3 other firms are being processed and 1 firm withdrew its application because it did not meet the requirements.
Familia	1	36,000	
Banco Pichincha	2	20,000	1 firm has received a loan; 1 loan is currently being processed
Oikocredit	1		In process
Amaznor	1	200,000	
Root Capital	1	300,000	
Banco Nacional De Fomento (<i>National Development Bank</i>)	1		In process
FUNORSAL - Fundación De Organizaciones Campesinas De Salinas (<i>Foundation of Rural Organizations of Salinas</i>)	1	7,000	
Cooperativa De Ahorro Y Crédito Salinas (<i>Salinas Savings And Loan Cooperative</i>)	1	20,000	
TOTAL FINANCING RECEIVED		4,122,390	

Support provided to the producers during this quarter focused on linking producers and the National Development Bank (BNF), the National Financial Corporation (CFN), and local Savings and Loan Cooperatives. Specific activities included the following:

- 71 credit applications for producers linked to the APROCA anchor firm were delivered to the Esmeraldas Manager of the National Development Bank and the Regional Director for MAGAP.
- PRODEL team members made follow-up and coordination visits to PRODEL producer associations who had attended BNF presentations during the previous

quarter. These visits were designed to coordinate the completion of credit applications. Trained association leadership will take on this responsibility in the future to make this a sustainable process and to provide an initial filter to prevent over-indebtedness.

- Contact was made with the Canadian lending institution, Financial Alliance for Sustainable Trade (FAST) as a potential source of financing for small businesses and associative enterprises. Becoming a FAST member enables associations to gain access to a number of financing institutions for free. The FAPECAFES anchor firm is currently considering joining FAST.
- PRODEL coordinated the submittal of 35 credit applications of coffee growers from the Puyango and Chaguarpamba municipalities to the National Financial Corporation in the Loja Province of Loja. The bank is currently reviewing these.
- A total of 12 credit information workshops were held in coordination with BNF attracting 368 PRODEL producers during this past quarter, bringing the total BNF workshops to 36 and the number of producers assisted to 1,374.



Event marking the submittal of credit applications to the National Development Bank from APROCA Association producers in Atacames.

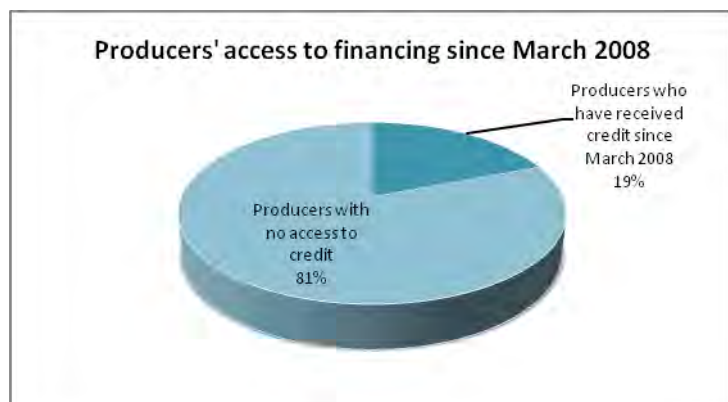


Coordination workshop on access to financing with cacao growers in the Estero de Platano community of Esmeraldas Province

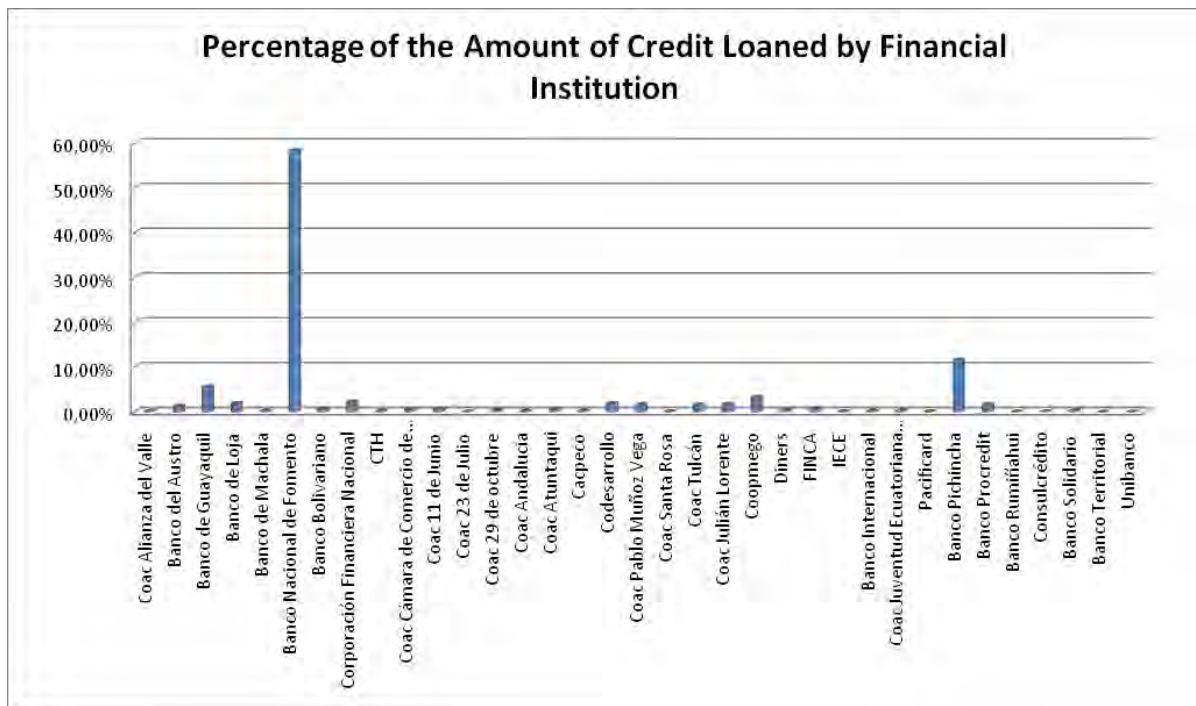
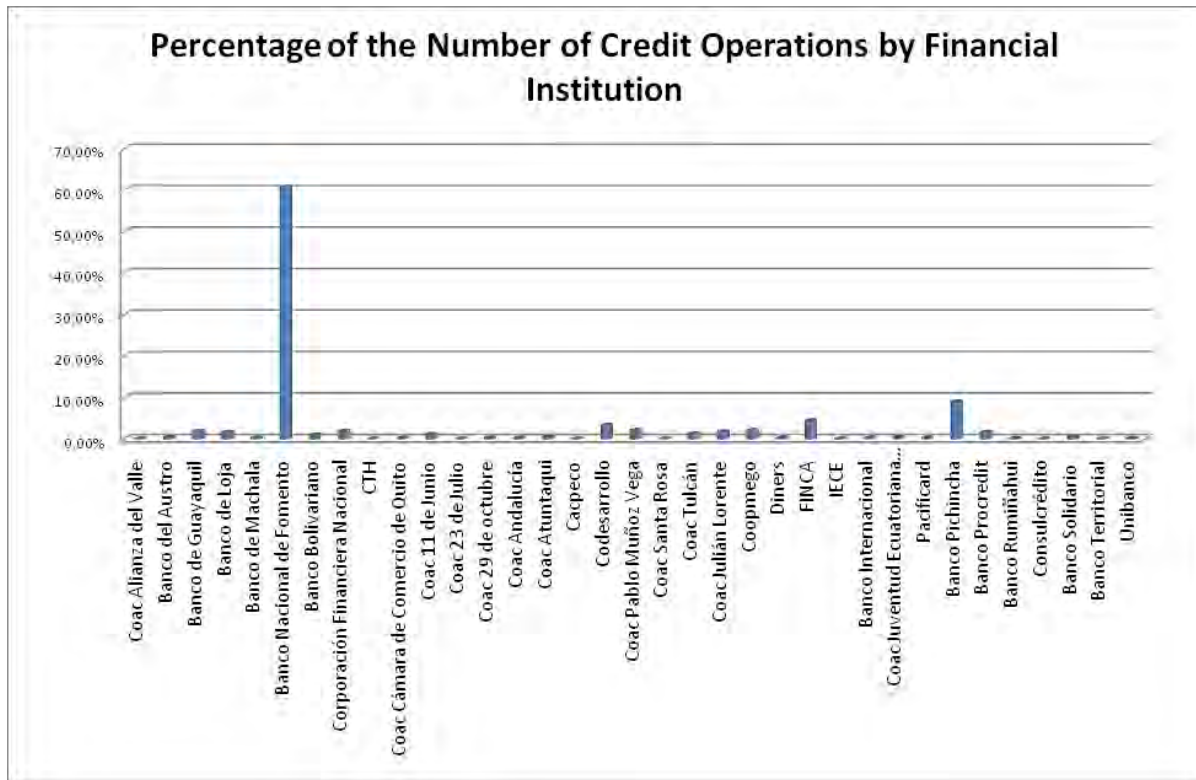
Table 5: BNF Workshop Participants, by Anchor Firm and Producer Group

ANCHOR FIRM	ASSOCIATIONS	NUMBER OF PARTICIPANTS
SKS	NAAT - E	48
	ECOCACAO	31
Gruppo Salinas	FIPSDICA	61
Jugo Fácil	Passion Fruit Producers Of Quinindé	37
Aroma Amazónico	Dorado Amanecer	25
Café Galletti	Coffee Producers Of San Juan De Hachas	42
COFINA	Enokanki Producers	15
	San Carlos	21
	3 de Noviembre Producers	27
	Sacha Producers	40
	San Sebastian del Coca Producers	6
	Unión Milagreña Producers	15
TOTAL		368

To date, 1,064 PRODEL producers have received credit with assistance from the program. The total amount of capital provided by financial institutions to these producers was \$5,115,844, with an average loan size of \$4,808. Financing for these producers has come from 35 financial institutions, including banks, savings and loan cooperatives, and credit card companies.



BNF, the financial entity with the greatest presence in the agricultural sector in Ecuador, provided 60% of these loans; Banco del Pichincha provided 11.64%; the Banco de Guayaquil 5.64%; and Coopmeqo 3.28%.



3.2 Challenges Encountered and Alternatives Employed

Perhaps the main challenge faced by Ecuadorian producers to greater productivity levels is the dearth of technological development in terms of crop management, quality and the development of healthy, productive and disease resistant plant material at the farm level. On the whole, farmers lack access to disease and pest resistant vegetative material that can survive the adverse climate conditions often experienced in Ecuador. As a result, Ecuadorian producers regularly lose significant crop amounts to weather-related phenomena and pests. In an effort to improve crop productivity, anchor firms like APROCA have teamed with local institutions like the Ecuadorian Institute for Agricultural Production (INIAP) and MAGAP to gain access to improved plant material that will help improve crop quality at the farm level.

3.3 Activities Planned for Next Quarter

- Farmer Field School workshops will be implemented in the southern region of Ecuador to introduce this methodology to extension agents working with anchor firms and producer groups in the south.
- Continue follow up visits to producer associations that received informational workshops from the National Development Bank.
- Organize a meeting among anchor firm representatives and credit agency Oikocredit to facilitate the link to potential financing.
- PRODEL team and the National Development Bank will evaluate the results of workshops held to date with participating producers to determine the possibility of additional events.
- Support anchor firms to implement their business plans as a management tool and strengthen financial analysis abilities and accounting systems through the tools provided through PRODEL in selected anchor firms and producer groups.

4. PULLING IN LOCAL SERVICES PROVIDERS

4.1 Achievements during the Quarter

Through the Enterprise Partnership Fund, PRODEL team members hired consultants and experts in the areas of certification, accounting, business development, and sector-specific technical assistance during the 3th quarter of FY 2009. The PRODEL sub-contracts and grants team members contracted these services almost exclusively through local service providers. During this quarter, the PRODEL team has analyzed, qualified and completed a database to organize the large number of potential providers for the program. A total of 191 potential providers have been entered in this database.

4.2 Activities Planned for Next Quarter

Systematize and update the database in an effort to share the information gathered with potential users of these services to include PRODEL anchor firms, producers, service providers, and partner USAID projects.

5. Providing Municipal Services to Businesses

5.1 Achievements during the Quarter

The proposed Management Model for Improving the Business Climate at the municipal level developed in coordination with municipal office personnel was formally submitted and follow up was provided to promote its implementation with newly elected officials as well as current officeholders who will remain in office until August 4, 2009 in participating PRODEL municipalities. Below is a summary of the activities undertaken by municipality during the 3rd quarter of FY 2009.

NORTHERN SIERRA REGION

Mira - Meetings were held with the re-elected mayor, during which the following actions were agreed upon:

- 1) The PRODEL management model will be incorporated into the new local government structure.
- 2) The municipality is interested in signing an agreement with the Mondel anchor firm in the area of local economic development.

- 3) A local development council, CODEL, will be created and installed during the first week of August, once the authorities from the parish boards and the municipality have taken office.

Cotacachi - Current elected officials have not shown the political will to implement the proposed management model. However, in light of the fact that new officials will take office in August in this municipality, the PRODEL team was able to present the model to the official in charge of restructuring the municipal government and to elected council members and interested citizens. The decisions made and elements that will contribute to the sustainability of the Management Model for Improving the Business Climate process in Cotacachi are:

- 1) The local government plans to establish a link with PROIMBABURA, which constitutes the Economic Development Agency (ADE) from the Imbabura Province. In addition, the newly elected authorities are committed to developing a municipal-level ADE to foster development, an initiative that is included within this administration's four-year work plan.
- 2) In order to provide sustainability to the process, the local Cotacachi Municipal Government and CARE plan to sign an agreement the day the new administration takes office that will provide the framework for other local funding to take over the implementation of the management model in the future.

Pimampiro - The Management Model document was submitted to current authorities on June 9, 2009 and will be delivered to the newly elected authorities during the 4th quarter of FY 2009.

ESMERALDAS REGION

The Management Model for Improving the Business Climate document was delivered and explained to municipal officials in each of the Atacames, Rioverde and Eloy Alfaro municipalities. The PRODEL CARE team has plans to follow up with the officials in these three municipalities during the 4th quarter of FY 2009 to search for sustainability mechanisms for the model.

SOUTHERN REGION

PRODEL representatives proposed that the Management Model in the southern region of Ecuador link the municipalities of Chaguarpamba and Puyango to the Loja Agency for

Economic Development (ADE). Stakeholders from each of these municipalities have agreed to the implementation of this model.

Chaguarpamba - PRODEL CARE team members delivered the management model document to the mayor of this municipality on June 29, 2009.

Puyango - PRODEL CARE team members delivered the management model document to the mayor of this municipality on June 30, 2009.

Loja ADE - The Management Model document was delivered to the Loja ADE on June 29, 2009. The model was received with a positive reaction from municipal officials that plan to provide sustainability to the process through a macro-economic development project for the productive sector in the Loja Province through the Loja ADE.

AMAZON REGION

None of the mayors from the Amazon Region municipalities were reelected and as a result, the PRODEL CARE team decided to wait until the newly elected officials take office in early August to discuss with them the Management Models.

5.2 Challenges Encountered and Alternatives Employed

The elections and their results released at the end of May delayed work in this component until June 2009. For the most part, the strategy for establishing contacts with local municipal officials depended on the results of the elections. With the election results announced and new officials taking office in August, the PRODEL Management Model for can be socialized and validated at the municipal level.

5.3 Activities Planned for Next Quarter

- Follow-up visits to the participating municipalities are planned to ensure continuity and sustainability
- Facilitate the signing of agreements between selected ADES and the corresponding local governments, primarily in the southern region of Ecuador
- Validate and provide follow up to the proposals for the management model in the municipalities of Atacames, Rioverde and Eloy Alfaro

6. Monitoring and Evaluation

6.1 Achievements during the Quarter

Achievements during the quarter and cumulative results can be found in the tables below.

Highlights include:

- 20 anchor firms are tracking the progress of their companies against key sales and management indicators.
- A total of 8,002 families have been trained and are applying the knowledge gained in the production of agricultural goods. The sectors involved in these trainings to date include: coffee, cacao, herbs, grains (quinoa), dairy products and fruits.
- A total of 6,327 hectares have been improved through pruning techniques, shade management, fertilization, and pasture aeration.
- A total of 1,511 new hectares of crops have been established principally in the quinoa and cacao sectors.
- 315,000 cacao plants have been planted in group and individual nurseries.
- Participating producers are implementing organic certification processes on 1,257 hectares.
- 640,000 Arabica coffee plants have been produced for approximately 250 new hectares of coffee. These plants are being grown in community and individual nurseries. The Robusta coffee planting season ended in May at which time a total of 941 new hectares of this variety of coffee were established.
- A total of 5,632 jobs have been created as a result of improved farm management techniques for existing plantations in addition to the creation of new ones.
- PRODEL anchor firm sales have increased on average by 30% as of December 31, 2008, representing 60% of the planned target established for December 2009 (corresponding to the end of the fiscal year in Ecuador).
- The annual income is currently \$1,329 for PRODEL participating families from 20 anchor firms calculated as of June 30, 2009.

Table 6: Achievements to Date on PRODEL Indicators

INDICATOR	BASELINE ⁽¹⁾	LIFE OF PROJECT TARGETS	3rd QUARTER FY09 PROGRESS	CUMULATIVE PROGRESS TO JUNE 2009	% OF FY09 TARGET ACHIEVED
Number of families linked to anchor firms receiving PRODEL assistance	2,295	8,000	1,279	8,002	100%
Hectares of licit crops cultivated by producer families supplying PRODEL anchor firms	2,296	4,000	884	7,838	196%
Number of new full time equivalent jobs for producers linked with PRODEL anchor firms	1,032	4,000	422	5,632	140%
Increase in anchor firms sales (\$) ⁽²⁾	43,025,058	51,762,500	44,305,245	44,305,245	60% achieved over a projected goal to be measured as of Dec. 31, 2009
		50%	30%	30%	
Number of small and medium enterprises (anchor firms) assisted by the PRODEL program	0	20	8	20	100%
Number of Municipalities assisted and that contributed to improve the business environment	0	10	8	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; see details in the subsequent table.

Table 7: 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	400	50	350
AACRI Rio Intag	268	47	221
Sol De Oriente	1,156	941	215
ESCOFFEE	176	67	109
FAPECAFES	500		500
APROCA	416		416
Ecuatoriana De Chocolates	180		180
SKS	544		544
Aroma Amazónico	1,465		1,465
COFINA	300		300
Gruppo Salinas	255	55	200
AAPROCASH	219		219
Mondel	200	60	140
ECOLAC	164		164
AAPPSME	13	4	9
Cereales Andinos	71	71	
Inagrofa	135	40	95
ASOGUABO	880		880
Jugo Facil	98		98
TOTAL	7,838	1,511	6,327

Table 8: 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 Velez	\$ 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 Facil	\$ 1,408,010	\$ 1,600,000	14%	\$ 1,223,464	-13%
Average			64%		30%

*This indicator is measured on an annual basis from January to December, in accordance with the Ecuadorian fiscal year.

Table 9: Average Family Annual Revenue from Sales to Anchor Firms to Date

ANCHOR FIRM	AVERAGE SALES REVENUE (\$)
Café Galletti	1,400
Café Velez	2,739
AACRI Rio Intag	403
Sol De Oriente*	417
ESCOFFEE	854
FAPECAFES	1,993
APROCA	434
Ec. Chocolates	326
SKS	586
Aroma Amazónico	539
COFINA	568
Gruppo Salinas	403
AAPROCASH	323
Mondel	3,200
ECOLAC	2,313
AAPPSME	242
Cereales Andinos**	60
INAGROFA**	60
ASOGUABO	9,287
Jugo Facil	437
Average	1,329

* Harvest season for Robusta coffee starts in July

**Due to the quinoa harvest season cycle starting in July these values reflect baseline information only for these firms.

Table 10: Number of New Full Time Equivalent Jobs to Date

ANCHOR FIRM	FULL TIME EQUIVALENT JOBS
Café Galletti	239
Café Velez	240
AACRI Rio Intag	161
Sol De Oriente*	694
ESCOFFEE	106
FAPECAFES	300
APROCA	250
Ec. Chocolates	108
SKS	326
Aroma Amazónico	879
COFINA	180
Gruppo Salinas	153
AAPROCASH	131
Mondel	100
ECOLAC	82
AAPPSME	272
Cereales Andinos**	21
Inagrofa**	41
ASOQUABO	1,320
Jugo Facil	29
TOTAL	5,632

Table 11: Cumulative Number of Families that have Received Training to Date, Classified by Gender, Ethnic Group and Disability

ANCHOR FIRM	FAMILIES TRAINED			ETHNIC GROUP			DISABLED
		MALE HEAD OF HOUSEHOLD	FEMALE HEAD OF HOUSEHOLD	INDIGENOUS	AFROECU.	MESTIZO	
Café Galletti	367	262	105	0	31	336	0
Café Velez	209	159	50	0	0	209	0
AACRI Rio Intag	408	328	80	5	9	394	6
Sol De Oriente*	986	747	239	234	0	752	3
ESCOFFEE	418	365	53	123	0	295	0
FAPECAFES	618	532	86	37	0	581	0
APROCA	462	359	103	0	118	344	4
Ec. Chocolates	252	188	64	132	1	119	1
SKS	182	145	37	0	89	93	2
Aroma Amazónico	1,804	1386	418	597	8	1,199	0
COFINA	265	204	61	57	3	205	0
Gruppo Salinas	281	210	71	2	0	279	0
AAPROCASH	256	196	60	24	0	232	0
Mondel	402	233	169	0	48	354	0
ECOLAC	184	123	61	1	0	183	0
AAPPSME	306	80	226	6	0	300	0
Cereales Andinos**	100	67	33	96	0	4	0
Inagrofa**	179	144	35	90	0	89	2
ASOGUABO	225	186	39	0	0	225	0
Jugo Facil	98	76	22	0	26	72	0
TOTAL	8,002	5,990	2,012	1,404	333	6,265	18

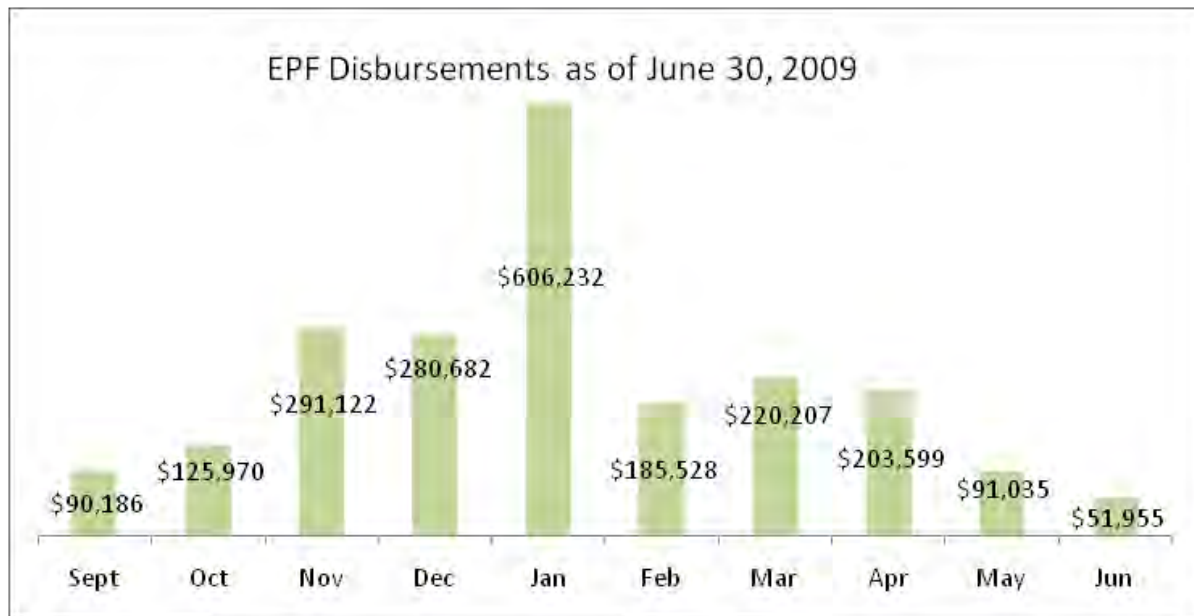
6.2 Activities Planned for Next Quarter

- The USAID Latin American Regional Office will carry out a review of the Monitoring, Evaluation and Reporting System (ME&R) System and its supporting documentation.
- 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 team focused on the following activities during this past quarter: (1) Allocating resources through the grants for 20 anchor firms; (2) Supporting the implementation and documentation of milestones for the grants; (3) Monitoring and evaluating field activities related to subcontracts and grants; and (4) Supporting the process of planning the subcontracts process for the Certification of Agricultural Best Practices (CABP) component.



To date, 58 field technicians, 8 business strengthening specialists, 12 accounting advisors, 17 business advisors, 30 marketing specialists, 11 certification advisers and 56 construction technicians have been financed through the Enterprise Partnership Fund (EPF) to strengthen participating anchor firms and producer groups.

Highlights from the EPF include:

- To date, 20 EPF grant proposals have been approved in six value chains for a total of \$2,476,010.
- A total of \$2,146,517 was disbursed to the 20 anchor firms as of June 30, 2009.
- \$1,722,487 (80.2% of the resources allocated) has been invested in activities that directly benefit the producers and producer groups participating in PRODEL. See Table 12 below for details.

- As of June 30, 2009, participating PRODEL anchor firms and producer groups have pledged to contribute \$3,125,226 in counterpart funds toward the implementation of the program. See Table 13 for details.

Table 12: Enterprise Partnership Funds to Benefit Producers

ANCHOR FIRM	RESULT	ITEM	TOTAL
APROCA	Improved productivity	Technical Assistance (3 experts), tools	\$34,465
	Improved competitiveness	Certification, marketing, fairs, equipment	\$19,835
	Improved quality processes	Collection center equipment	\$40,358
	Provide plant material	Nursery inputs, payment to grafters	\$56,406
	Crop maintenance	Crop management tools	\$10,810
	Training	Business Strengthening (MONTERREY TECH)	\$7,771
A. Amazónico	Improved productivity	Technical assistance (4 experts)	\$35,100
	Improved competitiveness	Business consultancy, marketing, equipment	\$36,017
	Improved quality processes	Collection center and equipment	\$17,133
	Training	Business Strengthening	\$4,771
Ecuadoriana De Chocolates	Improved productivity	Technical assistance (2 experts)	\$ 24,930
	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 Farms	Improved productivity	Technical assistance (2 experts)	\$ 24,930
	Improved competitiveness	Accounting, business consultancy, certification	\$22,600
	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 (2 experts)	\$ 15,840
	Improved competitiveness	Containers, business consultant, certification	\$26,920
	Improved quality processes	Solar dryers, depulpers, laboratory	\$45,762
	Provide plant material	Nursery inputs	\$1,200
	Crop maintenance	Tools, bio tanks	\$4,100
	Training	Business strengthening (MONTERREY TECH), brochures	\$9,536
Sol de	Improved productivity	Technical assistance (2 experts)	\$ 24,930

ANCHOR FIRM	RESULT	ITEM	TOTAL
	Improved competitiveness	Marketing and promotional tours	\$5,500
	Improved quality processes	Solar dryers, drying areas, equipment	\$48,122
	Provide plant material	Nursery inputs, nursery operator	\$15,000
	Crop maintenance	Crop management equipment	\$15,000
Café Galletti	Improved productivity	Technical assistance (2 experts, 1 promoter)	\$ 28,930
	Improved competitiveness	Certification, personalized packaging	\$39,000
	Improved quality processes	Solar dryers, laboratory, depulping machines	\$27,887
	Provide plant material	Nursery inputs	\$17,000
Café Velez	Improved productivity	Technical assistance (2 experts)	\$ 24,930
	Improved competitiveness	Organic certification	\$5,000
	Improved quality processes	Solar dryers, depulping machines, Coffee Taste Testing Facility	\$57,655
	Provide plant material	Nursery tools	\$20,000
	Crop maintenance	Crop management tools	\$6,000
AAPPSME	Improved productivity	Technical assistance (1 expert)	\$ 12,000
	Improved competitiveness	Management, marketing consultant, equipment	\$29,460
	Improved quality processes	Improvements and equipment for collection center	\$53,770
	Training	Business strengthening (MONTERREY TECH), brochures	\$4,591
Mondel	Improved productivity	Technical assistance (2 experts), goats and breeders	\$ 49,000
	Improved competitiveness	Marketing advisor	\$36,500
	Improved quality processes	Collection center, producer equipment	\$23,000
FAPECAFES	Improved productivity	Technical assistance (2 experts, 7 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 to producers	\$7,052
AAPROCASH	Improved productivity	Technical assistance (2 experts)	\$ 8,438
	Improved competitiveness	Business, legal and accounting consultant, marketing	\$19,226
	Improved quality processes	Fermentation boxes	\$4,999
	Crop maintenance	Crop management tools	\$7,855
	Training	Business strengthening (MONTERREY TECH), workshops in organic agriculture	\$7,381
Cer. Andinos	Improved productivity	Technical assistance (1 expert)	\$ 9,000

ANCHOR FIRM	RESULT	ITEM	TOTAL
	Improved competitiveness	Organic certification	\$4,000
	Improved quality processes	Quinoa storage /collection center, equipment	\$34,000
COFINA	Improved productivity	Technical assistance (4 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
	Training	Business strengthening (MONTERREY TECH)	\$4,032
ECOLAC	Improved productivity	Technical assistance (1 expert)	\$ 5,000
	Improved competitiveness	Advertising campaign	\$ 8,860
	Improved quality processes	Quality training, equipment	\$10,900
	Crop maintenance	Tools, soil sampling (analysis)	\$12,440
	Training	Business strengthening (MONTERREY TECH), soil management, workshop materials	\$14,232
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 coffee processing module improvements	\$41,089
	Provide plant material	Plant production materials	\$ 6,000
Inagrofa	Improved productivity	Technical assistance (2 experts)	\$27,000
	Improved quality processes	Warehouse, drying area and work uniforms	\$24,697
	Training	Producer trainings, materials	\$6,000
ASOGUABO	Improved productivity	Technical expert trainings, demonstration plots	\$35,000
	Improved competitiveness	Business consultant	\$10,000
	Training	Business strengthening (MONTERREY TECH)	\$4,032
Jugo Facil	Improved productivity	Technical assistance (2 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 (2 experts)	\$23,760
	Improved competitiveness	Organic certification	\$7,886
	Improved quality processes	Solar dryers, fermentation boxes, equipment	\$15,485
	Provide plant material	Nursery operator and grafters	\$7,920
	Crop maintenance	Farm management tools	\$9,000
	Training	Business strengthening (MONTERREY TECH)	\$4,632
TOTAL (June 30, 2009)			\$ 1,722,487

Table 13: Contribution from Anchor Firms

ANCHOR FIRM	VALUE CHAIN	PRODEL FUNDS	ANCHOR FIRM CONTRIBUTION TO DATE
APROCA	Cacao	\$199,650	\$265,600
Aroma Amazónico	Coffee	\$149,650	\$274,900
Ecuatoriana De Chocolates	Chocolate	\$188,100	\$199,540
SKS Farms	Dark chocolate	\$177,900	\$262,800
AACRI Rio Intag	Arabica Coffee	\$104,290	\$131,680
Sol De Oriente	Robusta coffee	\$170,191	\$232,283
Café Galletti	Arabica coffee	\$183,000	\$210,000
Café Vélez	Arabica Coffee	\$177,200	\$217,300
AAPPSME	Medicinal herbs	\$120,200	\$122,952
Mondel	Dairy products	\$182,750	\$225,800
FAPECAFES	Coffee	\$109,800	\$126,401
APROCASH	Cacao	\$65,715	\$63,200
Cereales Andinos	Grains	\$67,500	\$75,340
COFINA	Cacao	\$81,500	\$83,000
ECOLAC	Dairy products	\$78,000	\$68,580
ESCOFFEE	Coffee	\$109,854	\$202,900
Inagrofa	Grains	\$105,300	\$112,150
ASOGUABO	Fruits	\$50,000	\$72,400
Jugo Fácil	Fruits	\$75,410	\$81,100
Gruppo Salinas	Cacao	\$80,000	\$97,300
TOTAL		\$ 2,476,010	\$ 3,125,226

Table 14: Total EPF Funds Disbursed to Anchor Firms and Producers to Date

ANCHOR FIRM	VALUE CHAIN	EPF FUNDS	TOTAL DISBURSED TO DATE
APROCA	Cacao	\$199,650	\$ 169,466
Aroma Amazónico	Coffee	\$149,650	\$ 93,021
Ecuatoriana De Chocolates	Chocolate	\$188,100	\$ 160,753
SKS Farms	Dark chocolate	\$177,900	\$ 143,834
AACRI Rio Intag	Arabica Coffee	\$104,290	\$ 103,359
Sol De Oriente	Robusta coffee	\$170,191	\$ 146,085
Café Galletti	Arabica coffee	\$183,000	\$ 151,408
Café Vélez	Arabica Coffee	\$177,200	\$ 158,865
AAPPSME	Medicinal herbs	\$120,200	\$ 99,822
Mondel	Dairy products	\$182,750	\$ 168,341
FAPECAFES	Coffee	\$109,800	\$ 108,832
APROCASH	Cacao	\$65,715	\$ 47,900
Cereales Andinos	Grains	\$67,500	\$ 66,532
COFINA	Cacao	\$81,500	\$ 71,035
ECOLAC	Dairy products	\$78,000	\$ 77,021
ESCOFFEE	Coffee	\$109,854	\$ 108,865
Inagrofa	Grains	\$105,300	\$ 87,329
ASOGUABO	Fruits	\$50,000	\$ 49,032
Jugo Fácil	Fruits	\$75,410	\$ 56,160
Gruppo Salinas	Cacao	\$80,000	\$ 78,683
TOTAL			\$ 2,146,517

7.2 Challenges Encountered and Alternatives Employed

Budget cuts to the Enterprise Partnership Fund required the suspension of some planned activities and investments, which is likely to have an impact on sales and production. The team is making every effort to minimize the impact and has made the cuts where the effects will have the least impact.

7.3 Activities Planned for Next Quarter

The sub-contracts and grants department will prioritize the following activities during the 4th quarter of FY 2009:

- Carry out field visits to verify the delivery of items and to check on the progress of on-site activities financed with resources from the Enterprise Partnership Fund.

- Oversee the completion of ongoing storage and collection center construction projects and coordinate events to inaugurate them.
- Confirm in writing with affected anchor firms and producers groups which budget items will be cut by the Program as a result of the budget reduction.

8. Integrating Cross Cutting Themes

8.1 Achievements during the Quarter in the Area of Gender

PRODEL partner CARE carried out trainings with women producers connected with 12 of the PRODEL anchor firms. The trainings focused on enhancing the self-esteem and leadership capacity of the participants in addition to basic business and value chain concepts. The trainings were attended by women community leaders who are expected to disseminate knowledge gained to members of their producer groups.

The third module of the gender trainings took place in the northern region of Ecuador on April 23 - 24, 2009 in the San Miguel Hosteria of Yaguarcocha, in the Imbabura Province and in the southern region on April 21 - 22, 2009 in the El Arenal Hosteria, in the Zamora Chinchipe Province.

Table 15: Gender Trainings - Southern Region

PROVINCE	CANTON	ANCHOR FIRM	NO. PARTICIPANTS	TOPICS ADDRESSED	DATE	TASKS ASSIGNED
El Oro	El Guabo Pasaje	ASOGUABO	6	Self-esteem	April 21 - 22	Module 3 – Entrepreneurship and Proposal preparation
Loja	Chuquiribamba	APPSSME	4	Leadership Communication		
	Quilanga	FAPECAFES	4			
Zamora	El Pangui Nangaritza Centinela del Cóndor	FAPECAFES	2	Gender and equality Value chain		
	Zumbi	ECOLAC	1			
TOTAL			17			

Table 16: Gender Trainings - Northern Region

PROVINCE	CANTON	ANCHOR FIRM/ PROD. GROUP	NO. PARTICIPANTS	TOPICS ADDRESSED	DATE	TASKS ASSIGNED
Carchi	Tulcán	Com. Casa Grande and La Gruta	4	Self-esteem	April 23-24	Module 3 – Entrepreneurship and Proposal preparation
	Mira	Mascarilla and Tambatú	6	Leadership		
		Coffee growers	4	Communication		
Imbabura	Cotacachi	AACRI	4	Gender and equality		
	Pimampiro	Groups of women from Pimampiro and the Mariano Acosta community	2	Value chain		
	Otavalo	Quinoa Producers – Cereales Andinos	4			
TOTAL			24			

The results of the gender events included a proposal on behalf of participating leaders to translate the topics covered in the workshops into concrete community goals and activities. These proposals featured the following themes:

- 1) Gender equity as a base for social and business development in the Association of Small Banana Producers of Guabo (ASOGUABO).
- 2) Building the socio-organizational and production capacities of the Agro-Artisan Association of Producers of Dry Medicinal Plants of Ecuador (AAPPSME).
- 3) Organizational strengthening of the Centinela del Condor Women’s Artisan Association.
- 4) Organizational strengthening of FAPECAFES that includes a gender focus.
- 5) Improving goat milk production in the Chota Valley and the Mira River basin.
- 6) Improving bovine genetics and the socio-economic quality of life for farmer families.
- 7) Develop plan to strengthen the socio-organizational and productive capacities of APROCA to improve raw material and organic cacao.
- 8) Educate teenage parents in business development, Foundation Ternura.
- 9) Strengthen productive development for “Women and Wood”, 4 de marzo Women’s Association.
- 10) Strengthen the Runayuyai Association in quinoa, fig and corn production.



Ecuadorian businesswomen attend a gender workshop focused on leadership capacity and their role in the value chain for selected PRODEL products.

8.3 Achievements during the Quarter in the Area of Environment

During the quarter, the PRODEL team undertook the following activities.

- PRODEL team members inaugurated the AACRI Rio Intag Laboratory for organic disease and pest control on May 22, 2009.
- AACRI Rio Intag established a model Arabica coffee parcel to demonstrate the effect of associating beneficial micro-organisms with plant growth promoting bacteria. This technology will help control diseases and pests that plague farmers and their crops in Ecuador.

- The PRODEL technician hired to coordinate the implementation of the biocatalyzation laboratory in AACRI Rio Intag conducted the workshops to educate users in the benefits and the proper use of the new facility. See table 17 below for detail.

Table 17: Beneficial Micro-organism Workshops

WORKSHOP	MEN	WOMEN	TOTAL	DATE
Use of bio-agents in Organic Agriculture	12	1	13	April 6, 2009
Confection of microbe traps (fungus and bacteria)	9	1	10	April 7, 2009
Evaluation of the experimental field	4	2	6	April 17, 2009
Effect of organic inputs and microbe co-inoculations	11	3	14	April 18, 2009
How to use bio-agents in coffee production	39	11	50	April 18, 2009
Bio-fertilization Interaction between soil microbes and organic materials	4	4	8	April 19, 2009
Biological alternatives to prevent diseases and pests affecting coffee plants	7	14	21	April 20, 2009
Importance of organic matter in soil-based microbial interactions	10	0	10	April 29, 2009
Simple isolation methods of soil micro-organisms	14	0	14	April 30, 2009
Organic management of coffee using bio-agents and plant growth promoting rizhobacteria and the biocatalization process	6	12	18	May 6, 2009
Use of bio-agents in sustainable management of coffee production	25	13	38	May 18, 2009
Production of bio-agents to include: Trichoderma harzianum Gliocladium virens Lecanicillium lecanii and plant growth promoting rizhobacteria	5	5	10	May 19, 2009
Biocatalization processes using soil-based microbes for ASOQUABO	9	1	10	June 29-30, 2009
TOTAL	155	67	222	

8.5 Challenges Encountered and Alternatives Employed in the Area of Environment

The biocatalyzation laboratory in AACRI Rio Intag will provide important solutions to the disease and pest control problems that have historically plagued farmers in Ecuador. The trainings conducted and the laboratory itself will help organizations like AACRI Rio Intag and others to improve their crop management practices that have been traditionally poor, starting with the nursery phase and running all the way through to the post harvest treatment of the crops.

8.6 Activities Planned for Next Quarter in the Area of Environment

- Production of a business plan for the laboratory.
- Systematization of the biocatalyzation laboratory experience in AACRI Rio Intag.

9. Certification of Agricultural Best Practices

Members of the Certification of Agricultural Best Practices (CABP) project team began their field activities in the early part of the 3rd quarter of FY 2009. As indicated in the CABP project work plan, the Certification and Pest Control Coordinators began their activities during this quarter by visiting PRODEL coffee and cacao anchor firms and producer groups in the field in an effort to construct an implementation strategy in direct coordination with program beneficiaries. From these visits, the team produced an initial assessment of the target population to meet the main goals for CABP to include 500 fully certified hectares of cacao and coffee and another 1,500 hectares with certification processes in progress.

After initial assessments with producers, the CABP technical team has focused its efforts on developing Internal Control Systems for cacao and coffee producers that will allow participating farmers to achieve the goal of certification.

The Rainforest Alliance certification program representative in Ecuador, C&D was awarded the contract to perform assessment audits, certification audits and training workshops for the CABP component of PRODEL. The implementation of the C&D work plan will be supervised and coordinated with the CABP team during the 4th quarter of FY 2009. In addition, the CABP team selected Bio Control Systems (BCS) OKO-Garantie to perform organic certification activities with cacao and coffee producers. The BCS contract is expected to be signed within the first two weeks of the 4th quarter of FY 2009.

9.1 Achievements during the Quarter

- The CABP team developed its work plan in coordination with PRODEL coffee and cacao sector producer groups and anchor firms.

- The CABP team developed and distributed Certification Internal Control System tools among participating producer groups. In addition, leaders from each group were identified as the responsible party to ensure project implementation goals are met.
- Three informational workshops for PRODEL producers covering Rainforest Alliance and organic certifications were implemented in Esmeraldas, Loja and the Ecuadorian Amazon Region.
- Three workshops directed to anchor firm technical staff focusing on Control Systems for Rainforest Alliance and Organic certification norms were carried out.
- The CABP team contracted the Cretosfera Company to design and produce signage for participating program beneficiaries that meets Rainforest Alliance and organic certification requirements.

Table 18: Certification Activities for Anchor Firms and Producers

	ANCHOR FIRM	CERTIFICATION ACTIVITY
1	AACRI Rio Intag	<ul style="list-style-type: none"> - Visit to assess the situation in AACRI Rio Intag to identify certification needs. - 64 AACRI producers are involved in the Internal Control System to achieve organic certification; internal audits are underway through July 2009. - The CABP team participated in the inauguration of the microbiological laboratory for pest and disease control.
2	FAPECAFES	<ul style="list-style-type: none"> - A current assessment was conducted concerning the status of certifications with this anchor firm. - Training conducted regarding internal audits with technical personnel from FAPECAFES. - Internal Control System training visit to APECAEL (FAPECAFES Member Association). - Internal Control System training visit to APECAM, (Association located in Chaguarpamba). - 104 producers added to FAPECAFES' Internal Control System to achieve Organic Certification. - Coordination for the establishment of coffee nurseries in coordination with FAPECAFES.
3	Café Velez	<ul style="list-style-type: none"> - Certification information workshop held in Changaimina with coffee producers. - Certification information workshop held in Cariamanga with coffee producers.
4	Café Galletti	<ul style="list-style-type: none"> - Assessment of the current situation of Café Galletti compliance with certification standards - Visit to Las Aradas, to conduct internal audit trainings with technical personnel - 88 new coffee producers working to implement organic certification

	ANCHOR FIRM	CERTIFICATION ACTIVITY
		standards
5	ESCOFFEE	- Participation in Fair Trade Workshop in Olmedo, Loja Province and contact made with local representative
6	Sol De Oriente	- Current assessment conducted regarding certification issues. Decision made not to proceed with this anchor firm pertaining to certification activities in the short to medium term due to the fact that stakeholders do not see this as an important issue for current sales and price increases.
7	APROCA	- Current assessment conducted and 64 producers identified for organic certification - Coordination for the establishment of coffee nurseries in coordination with APROCA
8	SKS	- Current assessment conducted covering organic and Rainforest Alliance certification processes held in coordination with the ECOCAO producers association - Training conducted for Internal Audits for Organic certification - Certification board responsible for the certification process formed - Potential for 117 cacao producers to join the certification process
9	Gruppo Salinas	- Current assessment conducted regarding Rainforest Alliance and organic certification processes with producers from FISPDICA (Cacao group linked to Gruppo Salinas) - Training conducted for Internal Audits for Organic certification - Certification board responsible for the certification process formed - Potential for 200 cacao producers to join the certification process.
10	Aroma Amazónico	- Aroma Amazónico possesses an Internal Control System for certifications and actively promotes certification to its members. A meeting was held with members of the Aroma technical staff and CABP team members agreed to participate in the Aroma certification process by including its staff in CABP workshops and supporting their internal auditing system.
11	COFINA	- Cofina works with the San Carlos cacao growers association, which has experience working with certification processes and possesses an Internal Control System. The CABP team met with San Carlos staff and agreed to support their internal and external auditing needs and invite them to participate to upcoming CABP workshops.
12	AAPROCASH	- A current assessment of this anchor firm revealed the need for a consultant to assist the group to reach its certification goals within the time frame of the CABP project.

Table 19: CABP Key Progress Indicators and Targets

INDICATOR	LIFE OF PROJECT TARGET	BASE LINE	CUMULATIVE PROGRESS TO JUNE 30, 2009
No. of hectares for which certification process has been initiated (combined cacao and coffee).	1,500	0	140
No. of hectares certified (combined cacao and coffee).	500	0	100
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	144
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 has hit the ground running on this project and due to its relatively short time frame, has felt the need to divide responsibilities between the Certification and Pest Control coordinators early on in the implementation process. PRODEL chose experienced coordinators with direct hands on experience in the area of influence for the project. This has allowed for each coordinator to

develop activities in coordination with one another but on an individual basis in the field.

9.3 Activities Planned for Next Quarter

- Implement Internal Control System for six producer groups
- Conduct Rainforest Alliance Certification norm inspections for 10 producer groups and produce a report for each group.
- 317 internal audits to acquire organic certification within three producer groups. Internal Control Systems will be established as a result.
- Establish 40 native species reforestation nurseries in coordination with selected producer groups.
- Initiate the process to produce rapid wildlife inventories.

10. Management

10.1 Achievements during the Quarter

Municipal development and gender consultants were hired for PRODEL through CARE completed their assignments and submitted their final progress reports for review by the PRODEL CARE technical team.

10.2 Challenges Encountered and Alternatives Employed

PRODEL budget cuts required time to realign activities and postpone the implementation of certain activities and investments financed through the Enterprise Partnership Fund. The team made every effort to minimize delays.

ANNEX 1

Outstanding Achievements in Value Chain Development

Since the start of PRODEL, several anchor firms and producer organizations have gone above and beyond their planned activities, paving the way for sustainable economic development in the value chain and in their communities. The PRODEL team wished to publicly recognize at the Monterrey Technological Institute graduation ceremony these achievements that were particularly innovative, replicable, had a significant impact on producers, or were socially responsible. Awards were given to four beneficiary groups in the areas of vertical linkages, support services, innovation and productivity.



VERTICAL LINKAGES - ESCOFFEE

Prior to its involvement with PRODEL, ESCOFFEE had developed a contractual relationship with its producers, and the affiliation was not solely based on a commercial arrangement but included additional benefits to producers such as company-provided organic fertilizer.

In addition, ESCOFFEE has adopted as part of its branding strategy, a corporate image that focused on the link from farmer to market. PRODEL strengthened this connection that ESCOFFEE had previously initiated. Through the Enterprise Partnership Fund, PRODEL provided producers linked to ESCOFFEE with technical assistance in best practices for coffee maintenance and post-harvest production techniques, expanded nursery capacity at the farm level, provided pruning implements, and helped improve product quality and volumes through the purchase of depulping equipment. The PRODEL team sees ESCOFFEE as a company that



not only sells specialty coffees in markets like Ecuador and the United States, but as a committed and socially responsible institution that has created a win-win connection at every link along its value chain. This synergy among the actors increases competitiveness and validates the PRODEL value chain methodology.

ESCOFFEE has distinguished itself through tours that bring end market buyers and stakeholders to Ecuador to visit the coffee farms and experience firsthand the production processes in the field. These farm visits on behalf of industry representatives create loyalty and fidelity to the ESCOFFEE brand and its international image. ESCOFFEE uses this socially responsible image to benefit its producers as well as solidify the relationship necessary for successful negotiations with prospective buyers in the global marketplace. This is unique in the specialty coffee industry in Ecuador and as a result, it was chosen for recognition before its peers by the PRODEL team.

SUPPORT SERVICES - CAFÉ VELEZ

In response to a pressing need to improve the quality of Ecuadorian Specialty Coffees, PRODEL anchor firm Café Velez teamed up with the Technical University of Loja (UTPL) to develop a specialty coffee taste testing laboratory to be housed on the UTPL campus in southern Ecuador. The laboratory will serve as a center for training and taste testing in the region from where the best quality specialty coffee in Ecuador originates. The laboratory will be available to producers and other coffee industry stakeholders who share the vision of promoting a high quality coffee culture in Ecuador and making a name for Ecuador on the international stage. The decision to locate the laboratory on the UTPL campus helped in large measure to convince the National Association of Coffee Exporters (Anecafé) to name Loja as the host city for its 2009 Ecuadorian Golden Cup Specialty Coffee Taste Testing event.

(See Annex 2 for an expanded Success Story)

PRODUCTIVITY - THE SAN CARLOS CACAO GROWER'S ASSOCIATION

During the past six years, San Carlos Association members, with support from USAID, developed nine clones of “super trees”, named for their high productivity levels of more than 30 quintals per hectare vs. the average of 4-5 quintals per hectare as official data indicates from the region.



From these nine varieties, San Carlos selected a highly productive and disease-resistant clone with superior physical and

organoleptic cacao bean qualities to benefit producers throughout its area of influence. PRODEL has assisted San Carlos in its efforts to improve the quality and productivity of its cacao through the USAID funded development expansion of a 30,000 specially selected plant nursery. This nursery is providing highly productive grafted vegetative material that is making San Carlos a reference point for high quality cacao plants in the Amazon Region of Ecuador. This is expected to lead to clonal nurseries that will be necessary for the successful implementation of the second phase of PRODEL. Producers throughout the region have expressed their keen interest in the purchase of the San Carlos varieties of cacao.

The Association is making grafted trees available for a competitive rate to cacao growers. The high yields from these trees will significantly improve productivity in the region, which is now considered one of the most critical elements to the success of the cacao value chain in Ecuador. PRODEL has facilitated the key linkage to the COFINA anchor firm located in Guayaquil that has expressed interest to purchase the entire San Carlos super tree cacao produced by association members due to its superior quality and characteristics.

INNOVATION - CAFÉ RIO INTAG

Many Ecuadorian cacao and coffee industry representatives have identified a high demand for environmental conservation, organic farming and fair trade quality products in export markets in North America and Europe. To penetrate this market, a number of cacao and coffee companies in Ecuador have sought to distinguish their product by obtaining organic and other certifications from internationally recognized certifiers like Rainforest Alliance and Bio Control Systems (BCS). In many cases, however, producers mistake organic production to mean the mere discontinuation of pesticides, or the application of compost or organic fertilizers. In reality, organic farming is not so simple, involving the use of a series of tools and a well-developed understanding of the entire

ecosystem as a balance of nature. This natural balance exists where all pathogens or pests encounter predators. In an effort to introduce these organic concepts to the Ecuadorian agricultural community and at the same generate income for the association, anchor firm AACRI Rio Intag developed a PRODEL funded commercial biocatalyzation laboratory located in the Apuela Parish of the Cotacachi Canton. This lab is designed to produce natural enemies of pests that cause disease to Ecuadorian crops through the use of beneficial micro-organisms. The use of such beneficial agents has the potential to save Ecuadorian farmers millions of dollars from crop losses. This cutting-edge technology is unique in Ecuador and, with support from USAID through the PRODEL EPF and from the Catalan Government, has now been placed within reach of farmers.

These four awards represent the many outstanding achievements that are contributing to PRODEL's objective to sustainably improve incomes and create jobs for producers that live in the northern and southern border regions of Ecuador.



ANNEX 2

SUCCESS STORY



Café Vélez Constructs the First Specialty Coffee Taste Testing Laboratory in Ecuador

In response to a pressing need to improve the quality of Ecuadorian Specialty Coffees, PRODEL anchor firm Café Velez teamed up with the Technical University of Loja (UTPL) to develop a specialty coffee taste testing laboratory to be housed on the UTPL campus in southern Ecuador. The laboratory will serve as a center for training and taste testing in the region from where the best quality specialty coffee in Ecuador originates. The laboratory will be available to producers and other coffee industry stakeholders who share the vision of promoting a high quality coffee culture in Ecuador and making a name for Ecuador on the international stage. The decision to locate the laboratory on the UTPL campus housed in the Center for Technological Studies and Agro-industrial Investigation (CETTIA) helped in large measure to convince the National Association of Coffee Exporters (Anecafé) to name Loja as the host city for its 2009 Ecuadorian Golden Cup Specialty Coffee Taste Testing event.

As an expression of commitment to the cooperative effort that made the laboratory a reality, the UTPL contributed approximately \$10,000 in leveraged funds to complete the project and USAID PRODEL contributed a similar amount. The laboratory is expected to become a center for coffee taste testing investigation serving the entire nation and has already signed up its first international event to conduct taste testing of both Ecuadorian and Peruvian specialty coffees. The bi-national event will feature the participation of coffee taste testers and industry experts to include 15 participants from Ecuador and 15 from Peru.

The annual Golden Cup event, co-sponsored by USAID PRODEL in 2008 is expected to draw upwards of 100 specialty coffee experts to Loja from around Ecuador and beyond. This event in addition to efforts like those of Café Vélez to construct a world class coffee taste testing laboratory on the campus of the Technical University of Loja will help create a specialty coffee consumer culture that is lacking on a national basis in Ecuador.

The laboratory will be open to specialty coffee producers from around Ecuador that are interested in learning additional aspects of the coffee value chain such as the taste of their product once it ends up in a cup at the consumer level. This will help tie the value chain actors together in an effort to improve the quality from the specialty coffee farm gate all the way to the kitchen tables of coffee consumers around the world.



During PRODEL, Nicolás Vélez, owner of Café Vélez has seen his business grow in sales by 196%. As an anchor firm dedicated to leading the efforts of an entire coffee value chain, Café Vélez is creating jobs and increasing incomes for 450 producers located throughout the Loja Province of southern Ecuador.

ANNEX 3

Analysis of Project Expenses by Geographical Area

PROVINCE	Imbabura	Carchi	Esmeraldas	Orellana	Napo	Sucumbíos	El Oro	Loja	Zamora Chinchi
Expenses by Province	\$309,328	\$442,093	\$586,295	\$202,699	\$67,252	\$463,153	\$198,274	\$557,202	\$195,261
ZONE	SIERRA NORTE		ESMERALDAS	AMAZONIA			SOUTH		
Expenses by Zone	\$751,421		\$586,295	\$733,104			\$950,737		
TOTAL									\$ 3,021,557