

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

ECUADOR

**COMPETITIVENESS SUPPORT FOR MSMEs
IN OTAVALO**

(EC-M1023)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Bibiana Vásquez (MIF/OPS, Project Team Leader); Rosa Matilde Guerrero (COF/CEC); Carla Bueso (MIF/DEU); Ma. Bernardete Buchsbaum (LEG/OPR3); and Natalia Laguyás (MIF/OPS).

CONTENTS

EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE	1
A.	The municipality of Otavalo and the modernization process	1
B.	The crafts sector in Otavalo	1
C.	The tourism sector in Otavalo	2
D.	Other problems affecting the competitiveness of MSMEs in Otavalo.....	3
E.	Progress in the process of streamlining procedures for businesses	3
F.	Rationale and project focus	4
G.	Strategy of the MIF and the Bank	4
II.	PROJECT DESCRIPTION	4
A.	Objectives	4
B.	Description and components	5
	Component I: Establishment of the one-stop window (OSW) for business formalization	5
	Component II: Support for business formalization and integration of business owners in the partnership-building project.....	7
	Component III: Support for partnership-building in the crafts and tourism sectors.....	8
	Component IV: Promotion of best practices and dissemination of the model..	10
III.	COSTS AND FINANCING	10
A.	Costs	10
B.	Project sustainability	11
IV.	EXECUTION MECHANISM	11
A.	Executing agency	11
B.	Execution mechanism	12
C.	Project readiness.....	12
D.	Execution and disbursement timetable	13
E.	Procurement and contracting.....	13
V.	MONITORING AND EVALUATION.....	13
A.	Monitoring.....	13
B.	Evaluations	13
VI.	RATIONALE AND RISKS	14
VII.	ENVIRONMENT AND SOCIAL REVIEW	15

ANNEXES

Annex I	Logical framework
Annex II	Itemized budget
Annex III	Projects related to “streamlining regulations” and other MIF projects.

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE MIF TECHNICAL FILES

- Procurement plan
- Approved project profile and MIF eligibility memorandum
- Operating Regulations, including terms of reference for principal consultants
- MPPMR
- Approval of counterpart contribution by the Otavalo Municipal Council
- Consulting assignment document with detailed information on standards and procedures for the tourism and crafts sectors.

ABBREVIATIONS

MPPMR	MIF Project Performance Monitoring Report
MSMEs	Micro, small, and medium-sized enterprises
OSW	One-stop window
PCR	Project completion report
PEU	Project execution unit
SC	Superintendencia de Compañías [Superintendent of Businesses]

COMPETITIVENESS SUPPORT FOR MSMEs IN OTAVALO

(EC-M1023)

EXECUTIVE SUMMARY

Executing agency:	Municipality of Otavalo	
Beneficiaries:	The project will directly benefit approximately 10,000 micro, small, medium-sized, and large enterprises, including industrial, commercial, and crafts enterprises, professionals, and new businesses.	
Financing:	Modality	Nonreimbursable
	MIF Window I:	US\$ 829,000 (70%)
	Local counterpart:	<u>US\$ 332,230 (30%)¹</u>
	Total:	US\$1,161,230 (100%)
Execution timetable:	Execution period:	36 months
	Disbursement period:	42 months
Objectives:	The project's general objective is to help improve the competitiveness of micro, small, and medium-sized enterprises (MSMEs) in the Otavalo canton of Ecuador. The specific purpose is to implement a demand-driven, public-private participation model that will promote formalization, market access, business opportunities, and strengthening of MSME marketing networks in the tourism and crafts sectors.	
Description:	The project is comprised of four components: (i) Establishment of a one-stop window (OSW) for business formalization; (ii) Support for business formalization and integration of business owners into the partnership model; (iii) Support for partnership-building in the crafts and tourism sectors; and (iv) Promotion of best practices and dissemination of the model.	
Special contractual clauses:	The conditions precedent to the first disbursement are as follows: (i) establishment of the Technical Committee and the Intersector Committee (paragraph 4.4); (ii) selection of project execution unit personnel as indicated in paragraph 4.3; (iii) approval of the Operating Regulations by the Intersector Committee and their entry into force; (iv) operations, administration, financial, and procurement manual; (v) project execution plan (PEP) and annual work plan (AWP); and (vi) execution of the agreement for the OSW between the Municipio	

¹ These percentages do not include the MIF's contribution of US\$30,000 for activities in the reducing regulatory burdens cluster.

and the Superintendencia de Compañías [Superintendent of Businesses] (SC) (paragraph 4.5).

**Exceptions to
Bank policy:**

Expenditures up to US\$8,000 made by the executing agency after 15 May 2006 for consulting services to support the annual work plan will be recognized against the counterpart contribution in cash. The respective terms of reference were duly approved by the project team.

**Environmental
and social
review:**

The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract at its 10 May 2006 meeting and recommended that a gender dimension be incorporated. This was addressed under training of officials and network coordinators (paragraphs 2.11 and 2.17), and compliance is verified in the project evaluations (paragraphs 5.2.v and 5.3.vi).

**Coordination
with other
donors:**

N/A.

I. BACKGROUND AND RATIONALE

A. The municipality of Otavalo and the modernization process

- 1.1 The municipio of Otavalo has approximately 100,000 inhabitants, 35% of whom live in the urban area, 65% in the rural area, 65% of whom are indigenous. Otavalo's annual municipally-generated income is in the range of US\$3 million, and its general budget for 2005 is US\$10.65 million. The primary economic activities in the canton are tourism, crafts, agriculture, livestock raising, trade, and services.
- 1.2 Although Otavalo has potential as a tourist destination, it is home to micro, small- and medium-sized enterprises engaged primarily in producing and marketing crafts and providing a wide range of tourist services, in a quasi-formal or informal environment. Accordingly, municipal authorities have been implementing policies and measures to promote economic activity and create a favorable climate for investment. They intend to reduce obstacles to business formalization and supplement that effort with activities to promote business partnerships.

B. The crafts sector in Otavalo

- 1.3 The most important activity in the Otavalo canton is the production and marketing of garments made of hand-woven textiles, a key attraction in the context of tourism-related activities, specializing in textile products, hats, baskets, musical instruments, and jewelry.
- 1.4 There are approximately 6,000 indigenous micro and small textile weaving businesses in the canton¹ comprised of individuals or family units, highlighting the export experience of many craft workers. The export process is well known and poses no difficulties, putting these craft workers at a relative advantage because production is closely linked to trade. This facilitates forward vertical integration and provides information on the national and international markets in which the Otavaleños participate. Certain exports take place through informal channels.
- 1.5 In this sector, a large number of individual craft workers are contracted by businesses to enable the latter to fill production orders. Companies have a given number of workers and a nearly equal number of piece workers with whom they maintain ongoing outsourcing relationships. In light of this situation, the technical assistance and training provided to businesses of the partnership network should be extended to individual producers contracted by the businesses in the network.
- 1.6 The process of setting up a business within the crafts sector requires, in addition to the general formalities, the completion of four other procedures involving a

¹ Data from a 2003 study conducted by the Institute of Socioeconomic and Technology Research (INSOTEC) and financed by the Bank's Norwegian Fund.

minimum of four different national or local offices or institutions, with close to 10 types of dual or different requirements. In 2005, the municipio had 2,465 registration records and 2,076 new or renewed business licenses. In addition to problems common to all businesses, the crafts sector faces additional obstacles relating to procedures specific to them: (i) the principal benefits derive from obtaining the designation of “skilled artisan,” a process that takes an average of six months; (ii) the methods for renewal of permits or registrations generate replicated procedures and costs; (iii) the process of collecting permits to sell on public thoroughfares is entirely manual, resulting in stress on the responsible employee and needless duplicative processing.

C. The tourism sector in Otavalo

- 1.7 The Ministry of Tourism estimates that 250,000 visitors come to Otavalo each year (between 15 and 20% of the total number of foreign tourists who visit Ecuador annually). Despite its significant contribution to the local economy, tourism has been stagnant for several years, impacting related activities. Because of its proximity to Quito, a supply of hotel accommodations has not developed and efforts to diversify tourist offerings have been lacking. Business owners and their chamber of commerce lack the tools to develop attractive tourist products that would also enable businesses to specialize. The main attraction is the weekend craft market, cited as the largest in South America. Many craft workers are also involved in catering to tourists, with limitations on growth and competitiveness due to lack of specialization in the business. Also, tourist service providers are not affiliated with agencies either in Quito or outside the country. In addition, many business owners in the sector are not registered and therefore do not meet the minimum quality standards for providing tourist services.
- 1.8 Businesses in this sector face legal paperwork problems: the Office of Tourism processes 10 tourism licenses per month and registers 150 licensed tourist activities. The tourism sector faces additional obstacles concerning paperwork specific to the sector: in addition to procedures required by the Municipality, a minimum of seven additional processes must be completed with five different entities, involving delays of two to three months. The following problems are also present: (i) centralization of the National Tourism Registry, entailing three-month delays; (ii) the local tourist registration process is subject to the tourist activity classification approved by the Ministry, and that delay becomes a “bottleneck” for the municipal processes; (iii) lack of coordination in the process: despite being managed by a municipal office, there is no connectivity with systems, databases or municipal collection applications, requiring travel on the part of the entrepreneur; (iv) the normal process of filling out forms and administering files; and (v) the heavy tax burden: a tourist establishment is subject to a minimum of 11 simultaneous taxes and/or payments when it formalizes its status.

D. Other problems affecting the competitiveness of MSMEs in Otavalo

- 1.9 The specific problems the MSMEs must overcome relate particularly to: (i) lack of formalization, which has limited their opportunities for business development and hindered their access to the formal credit and services markets; (ii) the low degree of specialization, which detracts from the quality of products and services; (iii) the lack of inclination toward joint efforts: while the cultural aspect of craft work is a favorable factor for businesses, the production volumes of micro, small, and medium-sized enterprises cannot approach the standards of productivity that would enable them to compete in the open market unless they join forces; (iv) the lack of coordination among MSMEs of the tourism and/or crafts sector, which has prevented them from taking full advantage of economies of scale, limited the availability of information on market conditions, and increased the presence of intermediaries; (v) the lack of efforts to promote coordination within the chain—tourism and crafts sectors (textiles and clothing, wool and knit goods, etc.)—much less to increase the competitiveness of the value chain, which reduces productivity at each phase as well as the chain’s overall competitiveness; and (iv) the lack of close communication between local authorities, boards, associations, and business owners. No supply of services has emerged that focuses on the needs of businesses.
- 1.10 The key problems specifically associated with formalization of businesses can be summarized as follows: (a) the excessive paperwork, regulations, and economic burdens involved in formalizing a new goods-producing activity stem from national regulations, which are modifiable; (b) the basic paperwork process to be completed by a business owner to establish a company involve costs ranging from US\$200 to US\$1,000; (c) formalization requirements are integrated with tax obligations in the business startup phase, creating a disincentive to formalization; (d) processes at the national, provincial, and local levels are fragmented: the current process involves over 10 branches of municipal government and as many branches with separate locations at the provincial and national levels, and there is no point of intersection between the three levels of government. This costs business owners time and money by requiring them to travel to the national and provincial capitals; (e) lack of information systems and standardized coding within the municipality: the municipality currently processes 69,000 street vendor permits, 3,082 registrations, 2,595 informal business licenses, and 659 business licenses per year on incompatible computer platforms; and (f) lack of clear guidance on regulations for business owners due to the excessiveness and fragmentation of the processes described above.

E. Progress in the process of streamlining procedures for businesses

- 1.11 The Superintendent of Businesses (SC), which has offices in Ecuador’s major cities, has instituted a process of creating one-stop windows (OSWs), and has implemented the process in seven municipios including Quito and Guayaquil. As part of this process, the SC has already established participation agreements with

central government entities that work with local governments on streamlining formalities for creating companies. The initial support from the SC through its experience in establishing OSWs will take the form of a pilot plan to be executed at the beginning of the project, subject to agreement on the model to be implemented.

F. Rationale and project focus

- 1.12 Although Otavalo has a vigorous business sector with the capacity and experience to export its products and services, it lacks business sector support mechanisms to strengthen the capacities of the public and private actors. This project will complement the canton's economic development strategy, initiated with the creation of a local development department that will promote the formalization and startup of micro, small, and medium-sized enterprises by supporting the mechanisms provided by the municipality for the development of professional, goods-producing, and trade activities. By the end of project execution, there would be an efficient, transparent processing system of services provided by the municipality to the business sector and a support mechanism through partnership-building with sustainable enterprises and businesses. Partnership-building is an effective means of increasing production volumes and generating the economies of scale to justify incorporating more efficient production technologies and processes.

G. Strategy of the MIF and the Bank

- 1.13 The project is consistent with the Bank's strategy with Ecuador since it supports improving the business climate in a region of growing entrepreneurial activity, promoting efficiency on the part of the public sector as a facilitator of private-sector entrepreneurial and production-related activities.
- 1.14 While the project combines activities from different MIF clusters, it is included under the streamlining regulations cluster because it is the process through which the municipality offers support to the business sector. It takes into account lessons learned from projects in execution relating to: (i) providing for mechanisms to ensure the commitment of the public and private sectors; (ii) establishing permanent mechanisms for public-private cooperation to create the synergies that facilitate the processes and activities involved in starting businesses in the country; and (iii) defining the results indicators for project objectives in terms of scope, cost, and time.

II. PROJECT DESCRIPTION

A. Objectives

- 2.1 The project's general objective is to help improve the competitiveness of micro, small, and medium-sized enterprises (MSMEs) in the Otavalo canton of Ecuador. The specific purpose is to implement a demand-driven, public-private participation

model that will promote formalization, market access, business opportunities, and strengthening of MSME marketing networks in the tourism and crafts sectors.

B. Description and components

- 2.2 The project will be implemented through four components: (i) establishment of a one-stop window (OSW) for business formalization; (ii) support for business formalization and integration of business owners into the partnership project; (iii) support for partnership-building in the crafts and tourism sectors; and (iv) promotion of best practices and dissemination of the model.
- 2.3 The project will begin with preparation of the baseline and technical studies to map the procedures, regulations, and processes associated with formalizing and opening businesses in Otavalo canton, including national, provincial, and local requirements. A baseline will also be developed for the partnership-building component, based on identification of the potential groups to be supported in the crafts and tourism sector. These efforts will serve as the basis for the conceptual (which considers the locality's cultural diversity) and technical design of the model OSW for the Municipality of Otavalo and the selection of partner groups to be brought together by the project.

Component I: Establishment of the one-stop window (OSW) for business formalization (MIF: US\$215,950; Counterpart: US\$135,040)

- 2.4 This component seeks to set up an OSW to manage the procedures for formalization and registration of businesses, combining national, provincial, and municipal requirements. Two subcomponents are planned:
- 2.5 **Subcomponent I.1: Definition of an action plan for OSW implementation (MIF: US\$61,800; Counterpart: US\$9,600).** The purpose is to develop the conceptual and technical streamlining proposal for Otavalo in accordance with the canton's institutional, legal, technical, and cultural situation, and to develop a conceptual OSW model in light of options for national, provincial, and local integration and technical and infrastructure conditions.
- 2.6 The activities included are as follows: (i) identification of baseline procedures, costs, and timeframes; (ii) compilation of an inventory of national, provincial, and local laws and provisions governing the current process of formalization with regard to starting a business and procedures specific to the tourism and crafts sector. This consulting assignment will incorporate the technical and legal recommendations from the equivalent consulting assignment procured for the Cuenca private-sector services project (ATN/MT-9591-EC); (iii) a technical streamlining study and action plan for the OSW design/model, followed by the proposed simplified technical structure, including the steps and requirements for formalizing businesses in Otavalo. It will determine the physical and technological

- infrastructure requirements. This action plan should integrate and coordinate the results of the legal consulting assignment provided for in the preceding item; and (iv) the action plan will include technical studies to determine the feasibility of incorporating the SC's simplified national procedures and negotiations to integrate them into the municipal OSW model so as to provide business owners with a comprehensive set of streamlined measures. It also includes an initial fee proposal for the OSW.
- 2.7 The desired outcomes of this subcomponent are: (i) identified, quantified baselines; (ii) proposal for simplifying procedures for starting businesses in general and for tourism- and crafts-related procedures in particular, combined with proposals for eliminating, optimizing, and integrating them into the OSW operations model; (iii) the action plan for implementation of the OSW, including a timeline for each discipline (procedural, technological, legal, and architectural) with associated costs; (iv) pilot implementation of the OSW format by the SC between months 6 and 12 of project execution with the modifications and adjustments necessary to harmonize it with the OSW model defined for Otavalo based on recommendations from the various consulting assignments.
- 2.8 **Subcomponent I.2: Implementation of the streamlining action plan and of the OSW model (MIF: US\$154,150; Counterpart: US\$125,440).** The purpose of this subcomponent is to implement the OSW model ultimately selected by the Municipio of Otavalo, which will integrate those municipal and national procedures for starting a tourism- or crafts-sector business determined by the technical studies to be applicable to the proposed OSW streamlining. The implementation will be subject to the action plan established in subcomponent I.1.
- 2.9 The resources for this subcomponent will be used for the following activities: (i) consulting assignment for implementation of the OSW action plan, to provide comprehensive support to the project execution unit (PEU) for the activities in the action plan for each discipline (procedural, architectural, legal, technological); (ii) training programs for 30 municipal officials in topics relating to managing the new streamlined procedures and customer service, based on a cross-cultural approach and one of non-discrimination on the basis of gender, operation of new technologies incorporated into the procedures, and others; (iii) remodeling, refurbishing preparation and architectural services for the OSW; (iv) installation of networks, computer hardware and software, conductivity, licenses, and other items required to establish an effective platform to support the streamlined OSW processes, including computer training; and (v) consulting assignment to design the model for OSW administration, with a view to defining the optimal management model, organizational structure, and financial sustainability proposal for the OSW over the medium and long terms. Proposing an appropriate fee schedule for the model adopted will be part of the consulting assignment.

- 2.10 The desired outcome of this subcomponent is an operational OSW in Otavalo, including architectural, technological, and procedural components, which will gradually incorporate the streamlined processes associated with national and municipal registration and specialized procedures for the tourism and crafts sector. The fulfillment of all national and municipal requirements for setting up and registering a business will take a maximum of 10 days, reduce processing costs to the business owner by a minimum of 50%, increase the number of municipal registrations by 30%, and receive a customer satisfaction rating of over 85% after year three of operation. In addition, a new model for oversight and inspection of businesses will be in operation and the groundwork for adopting the OSW management model will be laid.

Component II: Support for business formalization and integration of business owners in the partnership-building project (MIF: US\$26,200; Counterpart: US\$25,235)

- 2.11 The purpose of this component is to generate demand for the streamlined processes in Otavalo's business community in general and in the canton's informal, tourism, and crafts sectors in particular, through extensive promotion and dissemination in Quechua and Spanish of the OSW's services, creating a new culture of self-directed legality within the business sector. It is also intended to promote formalization of goods-producing activities by creating incentives to adopt the partnership-building practices addressed in Component III.
- 2.12 The activities to be financed in this component are: (i) a local promotion and dissemination campaign for the model OSW and partnership-building program, including designing and printing the respective promotional materials in Quechua and Spanish; (ii) mainstreaming the concept and its advantages among municipal officials; (iii) workshops to promote partnership-building among business and trade associations and officials from the municipio, organizations, and universities; (iv) presentation of seminars on formalization and partnership-building in order to generate demand from the informal and business sectors through a decentralization strategy incorporating a mobile OSW unit operating in the canton's nine parishes; (v) a Web portal; and (vi) exchange with other process streamlining experiences in the region.
- 2.13 The expected outcomes of this component are: (i) the generation of demand for the streamlined and virtual services implemented by the program; (ii) 50% of the 300 businesses of the tourism (50) and crafts (100) sectors involved in the marketing strategy become formalized through the streamlined process; (iii) reduction of informality rates by 10% through awareness of the positive implications of business legalization and involvement with the parishes; and (iv) 300 MSMEs are aware of and interested in receiving support in forming groups, formalizing their status, and developing their businesses.

Component III: Support for partnership-building in the crafts and tourism sectors (MIF US\$345,000; Counterpart US\$45,400)

- 2.14 **Subcomponent III.1: Training for coordinators and selection of networks (MIF: US\$6,000; Counterpart: US\$14,730).** The purpose of this component is to strengthen the culture of cooperation among suppliers, producers, and sellers in the crafts and tourism sectors and the institutions that support them. The project is expected to generate basic capacities within the chains to carry out the rest of the activities planned, including promotion of the benefits of business formalization.
- 2.15 The following activities and outputs will be financed: (i) selection of networks to be supported: information on the networks will be recorded on the forms prepared for this purpose and evaluated by the selection committee; and (ii) selection and training of coordinators in production integration and territorial development, including considerations such as the environment, occupational safety, and gender.
- 2.16 The expected outcomes of this subcomponent are: (i) 100 MSMEs from the crafts sector and 50 MSMEs from the tourism sector are selected by the PEU to participate in Component III activities; (ii) 20 coordinators are trained; and (iii) at least 10 letters of commitment from potential networks are signed by 150 of their members.
- 2.17 **Subcomponent III.2: Strengthening of horizontal and/or vertical networks of MSMEs of the tourism and crafts sectors (MIF: US\$295,400; Counterpart: US\$20,650).** The objective of this subcomponent is to provide training and support for the development of partnership-building strategies to improve productivity and competitiveness in the crafts and tourism sectors and strengthen networks of MSMEs to improve their market access.
- 2.18 Technical assistance and training activities will be financed for: (i) market intelligence support; (ii) technical assistance in the efficient use of production processes by crafts and goods-producing MSMEs; (iii) preparation and implementation of sales and marketing business plans addressing, at a minimum: (a) image-building and development of presentation, packaging, and advertising materials, (b) design of sales and distribution channels, and (c) negotiation with financial institutions for support in securing alternative sources of financing; (iv) technical assistance to improve administrative procedures, and pricing; (v) the formation of a public-private enterprise to promote partnership-building and develop market intelligence in Otavalo canton; and (vi) training of micro, small, and medium-sized business owners in environmentally sustainable methods of producing goods and services.
- 2.19 The expected outcomes of this subcomponent are: (i) at least 10 partnership networks are created in the crafts and tourism sectors (five tourism sector networks with an average of 10 participants each, and five crafts sector networks with

20 participants); (ii) at least 15 trained and experienced coordinators; (iii) technical assistance resulting in actual benefits for businesses within the networks (in areas such as reduced costs and waste, improved quality and productivity, etc.); (iv) at least two professionals trained in technical areas to provide support in improving the efficiency of production processes; and two professionals trained in administrative, financing and pricing areas, to be hired by the PEU; (v) introduction of tools to improve the production system, business management, marketing, and market access for at least 150 MSMEs (100 in the crafts sector and 50 in tourism) and completion of a market intelligence study; design of distribution channels; design of network image and business plan for each network; and (vi) a joint public-private enterprise formed to market craft and tourist products.

- 2.20 **Subcomponent III.3: Training in local development policy-making (MIF: US\$43,600; Counterpart: US\$10,020).** The objective of this subcomponent is to support the local government in offering services to the goods-producing sectors; establishing policies to promote productive sector development; and designing a training process for local development agents, e.g., the Municipality, support agencies, universities, and craft- and tourism-related trade associations.
- 2.21 The following activities will be financed: (i) consulting assignment for the design of local productive development policies; (ii) training for officials of the Municipality, support agencies, the university, and craft- and tourism-related trade associations on topics concerning productive development and formulation of related policies; and (iii) support in project execution from a specialized consultant for the duration for the project.
- 2.22 The project will provide training in areas relating to partnership-building strategies, promotion of technical services to be offered to productive sectors, and incentives for research and development centers to encourage innovation in products based on cultural identity. All of these elements will help support the tourism and crafts sectors' development in regard to all these aspects.
- 2.23 The expected outcomes of these activities are: (i) at least 30 trained municipal officials; (ii) 10 partnership networks established and conducting partnership-building activities and projects in the crafts and tourism sectors (five networks in the tourism sector with an average of 10 participants and five in the crafts sector with 20 participants); (iii) productive policies implemented in Otavalo canton relating to training for MSMEs, technological development and innovation by MSMEs, and support for partnership-building strategies; and (iv) at least 30 officials from support agencies, universities, and trade associations trained in creating local competitive development programs.

Component IV: Promotion of best practices and dissemination of the model (MIF US\$6,000; Counterpart US\$1,100)

- 2.24 The objective of this component is to systematize and disseminate lessons learned from the model developed during the project, which will promote formalization, market access, and business opportunities for MSMEs primarily in the tourism and crafts sectors. The component includes the following activities: (i) systematizing the experience, which will be disseminated to other local business owners and productive sectors; and (ii) holding a closing and dissemination workshop.
- 2.25 The expected outcomes are: (i) a document that systematizes the experiences; and (ii) a national project closing and dissemination event.

III. COSTS AND FINANCING

A. Costs

- 3.1 The project's total budget is US\$1,161,230, of which US\$829,000 (70%) will be contributed by the MIF and US\$332,230 (30%) will represent the local counterpart, 50% of which will be provided in cash according to the following budget.

	Total	MIF	Municipio	%
Component I: OSW	350,990	215,950	135,040	30.2%
Subcomponent I.1: OSW action plan	71,400	61,800	9,600	6.1%
Subcomponent I.2: Implementation of the OSW action plan	279,590	154,150	125,440	24.1%
Component II: Promotion of formalization and partnership-building	51,435	26,200	25,235	4.4%
Component III: Partnership-building	390,400	345,000	45,400	33.6%
Subcomponent III.1: Training of coordinators and selection of networks	20,730	6,000	14,730	1.8%
Subcomponent III.2: Strengthening of MSME networks	316,050	295,400	20,650	27.2%
Subcomponent III.3: Training in local development policy-making	53,620	43,600	10,020	4.6%
Component IV: Promotion of best practices and dissemination of model	7,100	6,000	1,100	0.6%
PEU	325,535	200,080	125,455	28.0%
Contingencies	5,770	5,770	-	0.5%
MIF Cluster	30,000	30,000	-	2.6%
TOTAL	1,161,230	829,000	332,230	100%

- 3.2 The US\$8,000 incurred by the executing agency starting 15 May 2006 for the consulting assignment in support of the annual work plan (AWP) will be considered part of the cash counterpart. The respective terms of reference were duly approved by the project team.
- 3.3 The US\$30,000 for monitoring the MIF cluster will be administered by the Bank to conduct activities relating to the “streamlining administrative procedures” group of projects, in accordance with document MIF/GA-14-1 (paragraph 3.14). This amount will be deducted from the amount of the contribution as of the effective date of the Technical Cooperation Letter of Agreement for this project without requiring a disbursement request from the executing agency.

B. Project sustainability

- 3.4 Once the OSW enters its definitive operational phase, it will be financed exclusively with municipal resources based on a study of fees for services to be provided by the OSW. The OSW’s operating costs will be covered by a user fee collected by the managing entity in an amount to be determined by a study on transferring the OSW’s management to a private entity. The consulting firm hired to study the possibility of outsourcing the OSW will submit a report identifying the criteria for selecting the private administrator and the corresponding contractual terms and conditions.
- 3.5 In addition, the sustainability of the partnership-building model is based on the following factors: (i) businesses in the crafts and tourism sectors will have increased their receipts from sales, which will have a demonstration effect on businesses in those sectors and others, which will be willing to form marketing partnerships and pay for the joint services they receive; (ii) businesses will pay for a portion of the technical assistance and training they receive under Component III; (iii) business owners and personnel from the public and private support agencies will be trained to provide their customers with appropriate services within the framework of business clusters; (iv) public policies will be developed to help improve the competitiveness of Otavalo’s MSMEs relative to their peers in other regions.

IV. EXECUTION MECHANISM

A. Executing agency

- 4.1 The PEU will be the Municipality of Otavalo, an autonomous local government established in 1557, which has the legal, administrative, and financial capacity to carry out the activities contemplated for the project. The Municipality has expressed its willingness and commitment to involve representatives of the private sector and other public agencies in the process of designing, implementing, and

managing the OSW. Municipal funding required as local counterpart for this project has been approved.

B. Execution mechanism

- 4.2 A PEU will be set up in the Municipality of Otavalo to execute the project. In addition to other functions specified in the Operating Regulations, the PEU's primary functions will be to: (i) manage project activities; (ii) coordinate the activities of institutions participating in the process; (iii) promote the program and raise awareness of the various stakeholders; (iv) monitor and evaluate the activities conducted to ensure compliance with established agreements.
- 4.3 The PEU staff will consist of four people: a Principal Coordinator, who will also be the coordinator of the OSW component, appointed by the Intersector Committee and financed by the Bank; the coordinator for the partnership-building component, appointed and financed by the Municipality; a financial, accounting, and administrative assistant and a procurement specialist. This team will be supported by the legal specialists and a specialist in administrative and information technology procedures from the Municipality who are working on implementation of Component I. The terms of reference are included in the Operating Regulations.
- 4.4 Two committees will be established to support and facilitate the work to be done in the context of the project activities; (i) a *Technical Coordination Committee*, whose members will be drawn from the areas directly involved in reforms relating to the OSW (mayor's office, treasury, revenue, administration, local development, legal, planning, and tourism). This committee will be responsible for approving the technical proposals received from the various consulting assignments and specialized studies and for the enforceability of municipal commitments and actions arising under the action plan produced under Component I of the project. The specific functions of this committee will be detailed in the Operations Manual; (ii) an *Intersector Committee* consisting of delegates from the municipal and provincial governments and the national government if possible; and representatives of chambers, trade and other associations, business owners, and public or citizens' oversight groups, which can serve as monitors of the process. This committee will be a standing committee, and the Municipio of Otavalo will ensure that it remains in existence in the years following the project's completion. The Municipality's attorneys will review the legal form adopted by this Committee by no later than the last year of project execution.

C. Project readiness

- 4.5 The project is ready for implementation, as the contracting of consulting services needed during the first year of the work plan has already begun. The Municipal Council has allocated the respective funding and a master agreement has been drafted for cooperation between the SC and the Municipio of Otavalo. The

execution of that agreement is a condition precedent to the first disbursement. A database is being compiled from primary and secondary information on the MSMEs operating in the canton: initial capital, location, size (assets and number of employees), production volume, location of suppliers and market (local, regional, national, international), and financial and administrative situation.

D. Execution and disbursement timetable

- 4.6 The project will be executed over a period of 36 months with disbursements over 42 months. The Bank will establish a revolving fund for a maximum of 10% of the MIF contribution, which will be managed in a separate account.

E. Procurement and contracting

- 4.7 **Procurement of goods and consulting services** The procedures to be followed by the Municipality of Otavalo to procure goods and services to be financed by the project will comply with the policies established by the Bank for this purpose (documents GN-2349-7 and GN-2350-7). The Bank will conduct post reviews of selection and contracting procedures for contracts involving amounts below US\$50,000 with the exception of the first three procurements, which will be subject to prior review. The contracting processes must be transparent and competitive and result in the lowest costs. Procurements of goods will use the shopping method. The Municipality of Otavalo will submit a contracting plan for approval by the Bank. The proposed contracting plan is included in Annex IV.

V. MONITORING AND EVALUATION

A. Monitoring

- 5.1 The Municipality of Otavalo will: (i) directly supervised progress on the project; (ii) compile and analyze the information required to continually monitor the indicators identified in the Logical Framework (Annex I); and (iii) submit semiannual status reports in accordance with the Bank's standard reporting requirements. The Bank's Country Office in Ecuador will be responsible for supervision and control for monitoring compliance with contractual clauses, for processing disbursement requests, and for receiving the audited financial statements. At the close of project execution, a **Closing Workshop** will be held to evaluate the outcomes obtained and actions required to enhance the project's impact.

B. Evaluations

- 5.2 The project provides for the establishment of baselines to serve as benchmarks in evaluating project outcomes in the midterm and final evaluations and the development of a monitoring methodology. The midterm evaluation will be

- commissioned by the Bank when 50% of the MIF contribution has been disbursed, and will consider: (i) the status of the indicators in the Logical Framework (Annex I); (ii) progress in the execution by each group supported by the project, and in particular the extent to which the SC's OSW model matches the model proposed by the project consultants; (iii) the institutional capacity of the executing agency and other institutions involved in the project; (iv) compliance with the counterpart's *pari passu* in accordance with the budget and the Operating Regulations; and (v) the businesses' compliance with environmental and occupational safety regulations and project cross-cultural policies and those regarding equal treatment of women. Based on the recommendations received from the evaluator, the Bank and the executing agency will agree on the corrective actions to be taken to ensure effective project execution.
- 5.3 When 95% of the Bank's funds have been disbursed, the Bank will hire an independent consultant to conduct the final program evaluation. The evaluation will consider: (i) the impact on the beneficiaries and participants in the program, taking the Logical Framework's indicators into consideration; (ii) statistics on the number of procedures required to complete business registrations and the cost of registration in terms of time and money; (iii) sales volumes of the businesses supported; (iv) user satisfaction, based on a survey of participating businesses; (v) progress on the transfer of the OSW's management to the private sector or to a co-manager; (vi) issues of possible discrimination against women, the indigenous population, or other minorities; (vii) lessons learned and best practices; and (viii) the level of sustainability of program-supported activities after the final MIF contribution, including the businesses' compliance with environmental and occupational safety standards.

VI. RATIONALE AND RISKS

- 6.1 **Beneficiaries.** The project will directly benefit approximately 10,000 micro, small, medium-sized, and large industrial, commercial, and crafts enterprises, professionals, and new businesses, in addition to 6,000 entrepreneurs in the tourism and crafts sectors involved in meeting their specific licensing, permit, registration, and other procedures. This same universe of business owners will benefit from the increased transparency of the process and the reduction in time, costs and steps involved. Essentially, they will have more capital available to develop their businesses because initial fees are reduced and shifted to the operational phase of the business, creating a more equitable business environment based on clear rules for conducting business under equal conditions of formality applicable to all businesses. In addition, 150 business owners from the tourism and crafts sectors are expected to be involved in the partnership-building activities of Component III and receive the corresponding benefits of leveraging their strengthened businesses after formalization.

- 6.2 The municipal government, in turn, will see increased revenue from greater formalization and the resultant increase in tax receipts. This will lower its cost of processing applications and business inspections and reduce the risk of corruption while improving the reliability, transparency, and legitimacy of municipal actions in the eyes of business owners and the community in general.
- 6.3 **Risks.** The project faces four principal risks: (i) the first relates to the potential difficulty of coordinating the efforts of the various entities participating in the OSW, which could result in a long incubation period for the planned changes, particularly as regards the SC; (ii) the second risk for timely execution is the possible delay of administrative actions required to be completed by the Municipality to eliminate and streamline rules and procedures that hold up the process of business registration; (iii) the third risk involves how to ensure active participation by the private sector and short-term results from each phase so as to maintain their commitment; and (iv) the fourth risk relates to the creation of local capacities to ensure program sustainability.
- 6.4 The *first risk* is mitigated by the training to be provided to officials throughout the project's execution. In addition, the SC already has experience in implementing a OSW and has negotiated with the various entities concerning the model for participation, which will be complemented by municipal processes. There will also be an Intersector Committee to validate proposed bottom-up reforms, with support from the SC itself. The *second risk* is mitigated by the contracting of consultants and attorneys with expertise in reviewing executive orders and resolutions and identifying critical steps in the process. The project also provides for the active participation of municipal officials in reviewing those rules and procedures. Training activities are also included for legislators as well as seminars and workshops for the public and private sectors to highlight the potential benefits from the reforms. The *third risk* is mitigated by the technical assistance planned for Component III, which should produce actual short-term results for businesses' sales based on market intelligence activities. These activities are simultaneously supplemented by assistance in production and other aspects of the business. To eliminate the *fourth risk*, the specialists and professionals to be trained in the various disciplines must be carefully selected in order that their capacities and commitment vis-à-vis local business owners can be relied upon in the task of improving production processes and the competitiveness of local businesses.

VII. ENVIRONMENT AND SOCIAL REVIEW

- 7.1 The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract at its 10 May 2006 meeting and suggested that a gender dimension be incorporated to prevent discrimination and encourage participation by women. These issues are addressed under training of officials and network coordinators (paragraphs 2.11 and 2.17), and compliance is verified in the project

evaluations (paragraphs 5.2.v and 5.3.vi). Given the cultural diversity in Otavalo canton, it is important that a cross-cultural approach be included, to effectively communicate with the 60% of the population (indigenous persons) that will also benefit. This issue was addressed under training of officials and network coordinators (paragraphs 2.11 and 2.17), promotion campaigns and dissemination of the services, and implementation of the OSW. Compliance will be verified in the project evaluations (paragraphs 5.2.v y 5.3.vi).

**COMPETITIVENESS SUPPORT FOR MSMEs IN OTAVALO (EC-M1023)
LOGICAL FRAMEWORK**

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
To help improve the competitiveness of MSMEs in the Otavalo canton of Ecuador.	Three years after conclusion of project execution: - The number of businesses registered with the Municipality has increased by 30% and the informality rate in Otavalo has declined by 10%.	OSW records User survey Baseline Ex post evaluation	No disincentives are created by national or provincial policies. The Municipality continues to provide funding and accord priority to project implementation.
PURPOSE			
To implement a demand-driven, public-private partnership model that will promote formalization, market access, business opportunities, and strengthening of MSME marketing networks, primarily in the tourism and crafts sectors.	By the end of project execution, relative to the baseline: - The Municipality's own revenues from taxes on new businesses has increased 5%. - Sales of business owners in the crafts and tourism sector have increased 30%. - The OSW will enable a business to be created in a maximum of five days (in terms of municipal procedures) and a maximum of 10 days (including national procedures); reduction of costs by a minimum of 50%.	Baseline Midterm and final evaluations MPPMR and PCR Inspection visits Semiannual reports and final report from the executing agency Project indicators OSW records and statistics on monitoring and performance Reports of the municipal Treasurer on tax receipts, fees, duties, and assessments on commercial activities Report of new businesses formalized and incorporated into business networks	Support from the project and services to promote partnership-building encourages the formalization of MSMEs. The regulatory and procedural reforms necessary to implement the OSW are approved.

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENTS/OUTPUTS			
Component I: Establishment of the OSW for formalizing businesses			
Subcomponent I.1: Definition of OSW action plan	<p>Four months after the first disbursement: baseline on business registration procedures.</p> <p>Ten months after the first disbursement:</p> <ul style="list-style-type: none"> - A proposal is developed for streamlined procedures (including technical, architectural, and technological prototype) to create businesses in general and for tourism- and crafts-related procedures in particular, together with a proposal for eliminating, optimizing, and integrating those procedures into the OSW operations model. - The action plan for implementation of the OSW has been developed and approved. <p>Between months 6 and 12 of execution:</p> <ul style="list-style-type: none"> - the Superintendent of Businesses (SC) model OSW is implemented based on technical recommendations from the various consulting assignments and the project execution unit. 	<p>Baseline</p> <p>Reports of consulting assignments</p> <p>OSW action plan</p> <p>Cooperation agreement with the SC</p> <hr/> <p>For all components</p> <p>Baseline</p> <p>Midterm and final evaluations</p> <p>MPPMR and PCR</p> <p>Inspection visits</p> <p>Semiannual reports and final report</p> <p>Project indicators</p>	<p>The institutions involved at the municipal, provincial, and national levels are willing to implement the new rules and regulations.</p> <p>There is interest on the part of informal business owners in the formalization sessions.</p>
Subcomponent I.2: Implementation of the OSW	<p>By the end of month 18 of OSW operations:</p> <ul style="list-style-type: none"> - the average time required to fulfill all national and municipal requirements for establishing and registering a business is reduced from 60/90 to 30 days, and to five days by the end of year 3. - the total cost of the combined national and municipal business establishment and registration process is reduced by 30%, and by 50% by the end of year 3. 	<p>Report of consulting assignment</p> <p>Amended ordinances and resolutions</p> <p>Works supervision reports</p> <p>Manuals</p> <p>Training reports</p>	<p>The City Council is willing to discuss and approve initiatives.</p> <p>The institutions involved at the municipal, provincial and national levels are willing to implement the new rules and regulations.</p>

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>By the end of one year of OSW operations: the customer satisfaction rating is above 50%, and above 85% by the end of year 3.</p>		
Component II: Support for business formalization and integration of business owners into the partnership-building project			
	<ul style="list-style-type: none"> - By month 12 of execution, 300 MSMEs are informed of and interested in receiving support for forming groups, formalizing, and developing their businesses, through training/information workshops. <p>At month 18 of execution:</p> <ul style="list-style-type: none"> - between 40% and 50% of businesses in the target groups understand the advantages of formalization and generate demand for the virtual streamlined services implemented by the program. - 50% of the 300 business owners from the tourism (50) and crafts sector (100) involved in the marketing strategy become formalized through the streamlined process. - between 70% and 80% of businesses in the target groups relative to the baseline are aware of the new business registration system. 	<p>Participant lists from informational/training workshops</p> <p>Promotional materials</p> <p>Radio and television announcements</p> <p>Web portal</p>	<p>The project generates interest on the part of businesses based on informational and training programs suited to their needs.</p> <p>Political will to undertake streamlining of municipal and cantonal regulations is maintained.</p> <p>The promotional campaign generates recognition and demand for services.</p>
Component III: Support for partnership-building in the crafts and tourism sectors			
<p>Subcomponent III.1: Training for coordinators and selection of networks</p>	<p>At month 6 of execution:</p> <ul style="list-style-type: none"> - Baseline of business groups in the tourism and crafts sectors, including sales volumes, staffing, and competitive aspects. <p>At month 13 of execution:</p> <ul style="list-style-type: none"> - 100 crafts-sector MSMEs and 50 MSMEs in the tourism sector selected to receive technical assistance and training under Component III,; 	<p>Committee records on the selection of businesses</p> <p>Networks established with partnership-building efforts under way</p> <p>Selection of coordinators</p> <p>Records from coordination and assistance courses</p> <p>Network letters of commitment</p>	<p>There is direct support from trade associations in the crafts and tourism sectors.</p> <p>There is support from the Municipality.</p> <p>The local capacity exists to provide technical assistance for the transfer of technological know-how.</p>

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> - 20 coordinators trained in Otavalo canton. - at least 10 letters of commitment from potential networks, signed by 150 of their members. 	<p>Blueprint and corporate charter of joint public-private marketing enterprise</p>	<p>The trained coordinators remain throughout the execution period.</p>
<p>Subcomponent III.2: Strengthening of horizontal and/or vertical networks of MSMEs in the tourism and crafts sectors</p>	<p>Beginning in month 18 of execution:</p> <ul style="list-style-type: none"> - market studies and sales strategies are available for the products of 10 partnership networks created in the crafts and tourism sectors (5 in the tourism sector with an average of 10 participants and 5 in the crafts sector with 20 participants). - At month 27, each network has its own business plan to be implemented. - Beginning in month 20, the networks show reductions in costs and waste, improvements in quality and productivity, etc. - at 22 months, two local professionals receive technical training to provide support to improve efficiency in production processes, and two local professionals are trained in administration, finance, and pricing. - At month 27, 150 MSMEs (100 from the crafts sector and 50 from tourism) have introduced tools to improve production system, business management, marketing and market access, taking the environment and sustainability into consideration, and are provided with a market intelligence study; distribution channels and a network image and business plan for each network are designed. <p>At month 36 of execution:</p> <ul style="list-style-type: none"> - the public-private enterprise is established to market craft and tourism products. 	<p>Technical assistance and training contracts</p> <p>Business owners' evaluation of consulting assignments</p> <p>Business plans for each network</p> <p>Market studies</p> <p>Sales volumes</p> <p>Networks are consolidated with partnership-building projects under way</p>	<p>MSMEs are interested in receiving technical assistance and training services and establishing networks.</p> <p>MSMEs are willing to pay for services received.</p> <p>Local professionals are available to be trained and support the project.</p> <p>Otavalo remains a tourist destination.</p>

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Subcomponent III.3: Training in local development policy-making	<ul style="list-style-type: none"> - At month 25, 30 municipal officials trained - At month 25, 30 officials from support entities, universities and trade associations trained - At month 30, production-related policies have been implemented in Otavalo canton relating to training, technological development, and innovation of MSMEs and promotion of partnership-building strategies. 	<ul style="list-style-type: none"> List of officials selected for training Attendance records from training courses for municipal officials Proposed production-related policies for Otavalo canton Drafts of municipal ordinances to promote production 	Support agencies have the capacity and interest to work on local development in the municipio.
Component IV: Promotion of best practices and dissemination of model			
	At month 36 of execution: <ul style="list-style-type: none"> - document systematizing experiences; - a project dissemination workshop. - a national closing workshop. 	<ul style="list-style-type: none"> Minutes of the closing workshop Document on lessons learned 	Capacity exists on the part of the executing agency to systematize the experience with the support of the specialized consultant.
ACTIVITIES			
Component I: Establishment of the OSW for formalizing businesses			
Subcomponent I.1: Definition of OSW action plan Baseline study (legal basis and process mapping). Contracting of a firm to provide consulting services on the legal framework with support from the attorneys from the Municipality. Contracting of a consulting firm to: <ul style="list-style-type: none"> - identify processes that can be easily eliminated 	MIF: US\$ 61,800 Counterpart: US\$ 9,600 <ul style="list-style-type: none"> - At month 3, baseline developed for legal framework as well as processes. - 3-month legal consulting assignment contracted by month 4 of operation. - Consulting firm specializing in processes contracted by month 6 of operation. <ul style="list-style-type: none"> - Easily eliminated processes by month 8 - Final report on processes and action plan for implementation of basic municipal model for establishing businesses by month 10. 	<ul style="list-style-type: none"> Legal report on proposed legal and regulatory changes to be deliberated by the City Council Resolution of the City Council Implementation of legal and regulatory changes Operations and functional manuals For all activities: <ul style="list-style-type: none"> Baseline Midterm and final evaluations MPPMR and PCR 	<ul style="list-style-type: none"> - Disbursements are timely and adequate. - Consulting firms and consultants with the desired qualifications are available. - Interest exists on the part of officials of the Municipality, the national and provincial agencies, and Otavalo in helping to implement the project.

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> - identify general processes and procedures that can be reduced/streamlined. - identify processes and procedures specific to the tourism and crafts sectors that can be reduced/streamlined. <p>Development of action plan for creating the OSW, including legal aspects.</p>	<ul style="list-style-type: none"> - Final report on processes and action plan for implementation of processes specific to the tourism and crafts sectors by month 12. - Integration of final action plan, including legal component, and negotiation of the plan by month 12. 	<p>Inspection visits</p> <p>Semiannual reports</p> <p>Project indicators</p> <p>Consultants' reports</p>	
<p>Subcomponent I.2: Implementation of the OSW</p> <p>Consulting assignment to support the project execution unit (PEU) in implementing the action plan.</p> <p>Implementation of municipal OSW</p> <p>Site preparation and fit-out for the OSW office.</p> <p>Training for 30 municipal officials in streamlined procedures, customer service and new technologies.</p> <p>Information technology: Purchase of hardware, networks and connectivity; software development</p> <p>Implementation of crafts- and tourism-specific procedures</p> <p>Consulting assignment to define the model for future OSW administration.</p>	<p>MIF: US\$ 154,150</p> <p>Counterpart: US\$ 125,440</p> <p>Consultants hired no later than month 6 from the first disbursement.</p> <p>Determination of the minimum physical space needed by month 6 and execution of construction work no later than month 11.</p> <p>Preliminary drafts of amending ordinances and resolutions recommended by the commissioned study submitted to the respective authorities by month 8.</p> <p>Training plan executed from month 6 to month 30.</p> <p>Computer hardware purchased and installed no later than month 10.</p> <p>Computer system is available from month 10 for basic processing.</p> <p>Testing conducted between months 10 and 12.</p> <p>Municipal OSW in operation no later than month 12 performing basic municipal registration processes.</p> <p>Platform for specialized procedures available from month 18, with 2 months of testing.</p>	<p>Consultants' report</p> <p>Amended ordinances and resolutions</p> <p>Work supervision reports</p> <p>Manuals</p> <p>Training reports</p>	<ul style="list-style-type: none"> - Disbursements are timely and adequate. - Consulting firms and consultants with the desired qualifications are available. - Officials of the Municipality, the national and provincial agencies, and Otavalo are interested in helping to implement the project.

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>Incorporation of streamlined crafts and tourism procedures into the OSW model from month 18 and up to month 24.</p> <p>Expert hired no later than month 8 and administration model no later than month 18.</p>		
Component II: Support for business formalization and integration of business owners in the partnership-building project			
<p>Promotional and dissemination campaign.</p> <p>Mainstreaming of the concept among municipal officials.</p> <p>Informational workshops for MSMEs, trade associations, municipal officials, and parish boards of the canton.</p> <p>Formalization seminars for informal sector.</p> <p>Web page.</p> <p>Exchange of other procedural streamlining and partnership-building experiences in the region.</p>	<p>MIF: US\$26,200</p> <p>Counterpart: US\$25,235</p> <p>Agency contracted no later than month 8 and strategy ready for unveiling in month 12.</p> <p>Materials published by month 10 and ready for distribution in month 12. By the end of the fourth quarter of the first year, a dissemination and promotional plan has been designed and implemented to support the awareness-raising process.</p> <p>Seminars held in parishes every three months beginning in month 12 for the remaining 24 months.</p> <p>300 people have participated in awareness-raising workshops and training sessions on coordinating production: 17 will have been held by the end of the first quarter of the first year;</p> <p>Informational and transactional web site in operation no later than month 12.</p> <p>Business trips within the first 4 months of the project.</p>	<p>Consultants' reports</p> <p>Report of advertising agency</p> <p>Reports of parish visits</p> <p>Reports of new municipal registrations</p> <p>Materials from events held</p> <p>Number of people reached by communications media, according to agency report</p> <p>Records from awareness-raising workshops</p>	<p>- The awareness-raising campaign generates interest in participating in the project among MSMEs, trade unions and municipal officials.</p>
Component III: Support for partnership-building in the crafts and tourism sectors			
<p>Subcomponent III.1: Training of coordinators and selection of networks</p> <p>Selection process for six crafts networks and five tourism networks, to be evaluated in terms of compliance with minimum</p>	<p>MIF: US\$6,000</p> <p>Counterpart: US\$14,730</p> <p>- Baseline of business owner groups by month 6.</p>	<p>Workshop attendance list</p> <p>Workshops held and attendees.</p> <p>Selection and monitoring committee in operation</p>	<p>- Disbursements are timely and adequate.</p> <p>- Consulting firms and consultants with the desired qualifications are available.</p>

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>criteria for MSMEs (defined in the Operating Regulations);</p> <p>Selection and training of coordinators.</p> <p>Development of monitoring system and preparation of baseline.</p>	<p>By the end of the second quarter of the first year, at least five networks have been selected in the crafts sector with an average of 20 MSMEs, and at least five networks in the tourism sector with an average of 10 MSMEs;</p> <p>By the end of the second quarter of the first year, at least 10 letters of commitment from the networks have been signed by 150 MSMEs (100 crafts and 50 tourism).</p> <p>By the end of the third quarter of the first year:</p> <ul style="list-style-type: none"> - at least 20 coordinators have been trained and selected in three workshops. - Signed letters of commitment from the networks signed by 150 MSMEs at month 13. - Monitoring system in effect and operating. 	<p>Basic MSME records</p> <p>Evaluation process</p> <p>Selection rules</p> <p>Identification of potential or active MSMEs and networks selected</p> <p>Selection of at least 30 potential coordinators to be trained</p> <p>Identification of 20 coordinators to work with networks</p> <p>Commitment of business owners</p> <p>Project reporting, monitoring, and systematization</p>	<ul style="list-style-type: none"> - Officials of the Municipality, the national and provincial agencies, and Otavalo are interested in helping to implement the project.
<p>Subcomponent III.2: Strengthening of horizontal and/or vertical networks of MSMEs in the tourism and crafts sectors</p> <p>Support in market intelligence</p> <p>Technical assistance on efficient use of production processes by crafts and producer MSMEs.</p> <p>Preparation and implementation of business plans for sales and marketing addressing, at a minimum:</p> <ul style="list-style-type: none"> - Image-building and development of presentation, packaging, and advertising materials - Design of marketing and distribution channels 	<p>MIF: US\$295,400</p> <p>Counterpart: US\$20,650</p> <p>By the end of the second quarter of the third year, at least one market product identified for each of the five crafts networks and five tourism networks;</p> <p>By the end of the fourth quarter of the second year, 150 MSMEs have received assistance in the efficient use of production processes</p> <p>At least six local specialists affiliated with trade associations or universities have been trained in technical aspects of the production process; administration, finance, and pricing; and sales and marketing (2 per subject area).</p> <p>By the end of the first quarter of the third year, 10 networks of at least 150 MSMEs are established with business plans for sales and marketing;</p>	<p>Studies conducted in market intelligence, image-building, distribution channels and business plans</p> <p>Practical and theoretical training sessions</p> <p>Local specialists trained</p> <p>Market intelligence studies</p> <p>Three new businesses undertaken by networks based on market intelligence</p> <p>Image design</p> <p>Business plans</p> <p>At least six new businesses operating based on business plans</p> <p>Baseline records showing improvement in businesses' liquidity</p>	<ul style="list-style-type: none"> - MSMEs are interested in and willing to pay for the technical assistance and training services and to form networks.

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>- Negotiation with financial institutions for support in securing alternative sources of financing.</p> <p>Technical assistance to improve administrative and pricing processes.</p> <p>Creation of the public-private enterprise to promote partnership building and develop market intelligence for Otavalo canton.</p> <p>Training of MSME business owners in environmentally sustainable methods of producing goods and services.</p>	<p>By the end of the third quarter of the second year, 150 MSMEs have received assistance in improving administration and pricing processes.</p> <p>By the end of the fourth quarter of the third year, the public-private enterprise is created and in operation.</p> <p>By the end of the fourth quarter of the second year, 150 MSMEs have received assistance in environmentally sustainable methods of producing goods and services.</p>	<p>Bylaws of public-private enterprise and administrative structure operation</p> <p>Records from environmental management workshop</p> <p>Improvements in environmental performance of selected businesses in Otavalo relative to baseline results</p>	
<p>Subcomponent III.3: Training in local development policy-making</p> <p>Consulting assignment for the design of local policies for productive development (senior consultant)</p> <p>Training for officials of the Municipality, support agencies, the university, and crafts- and tourism-related trade associations by a senior consultant.</p> <p>Specialized outside consultant to support project execution throughout the project.</p>	<p>MIF: US\$ 43,600</p> <p>Counterpart: US\$ 10,020</p> <p>By the end of the second quarter of the third year, local industrial development policies have been prepared and approved by the City Council.</p> <p>At month 25 of execution, 30 municipal officials, 30 support agency officials, 10 university officials, and 20 trade association members have participated in three workshops/16 hours.</p> <p>Consultant has been hired by the end of the second quarter of the first year.</p>	<p>Municipality strengthened</p> <p>Officials trained</p> <p>Studies of legal issues and design of municipal structure</p> <p>Resolution of the City Council on municipal restructuring</p> <p>Municipal structure approved</p> <p>Municipal structure improved</p> <p>Forum for dialogue among stakeholders operational</p> <p>Range of productive development policies formulated and adopted</p>	<ul style="list-style-type: none"> - Disbursements are timely and adequate. - Consulting firms and consultants with the desired qualifications are available. - Officials of the municipality, the national and provincial agencies, and Otavalo are interested in helping to implement the project.

NARRATIVE SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Component IV: Promotion of best practices and dissemination of model			
<p>Work in connection with systematizing the experience.</p> <p>Closing and dissemination workshop.</p>	<p>MIF: US\$6,000</p> <p>Counterpart: US\$1,100</p> <p>By the end of the fourth quarter of the first year, a database of business and financial information has been created on the crafts- and tourism-sector MSMEs participating in the program.</p> <p>By the end of the program, a document systematizing experiences and best practices has been prepared.</p> <p>By the end of the program, a dissemination and closing event has been held.</p>	<p>Baseline and systematization documents</p> <p>Records of experiences and monitoring system</p> <p>Record of quarterly outcomes for follow-up and monitoring and availability of means of verification or correction</p>	<p>- The closing workshop and dissemination of outcomes generate interest in and demand for services among MSMEs that did not take part in the project.</p>

**COMPETITIVENESS SUPPORT FOR MSMEs IN OTAVALO (EC-M1023)
ITEMIZED BUDGET**

	DESCRIPTION	TOTAL	MIF	MUNICIPIO	%
I	COMPONENT I: ONE-STOP WINDOW (OSW)				
I.1	I.1: OSW ACTION PLAN				
I.1.1	Baseline study	9,600	9,600	0	0.8%
I.1.1.1	Consultant for design of baseline and process mapping	9,600	9,600	0	0.8%
I.1.2	Consulting assignment - legal framework	12,600	9,000	3,600	1.1%
I.1.2.1	Attorneys, local counterpart	3,600	0	3,600	0.3%
I.1.2.2	Attorneys (consultants)	9,000	9,000	0	0.8%
I.1.3	Process consulting assignment	49,200	43,200	6,000	4.2%
I.1.3.1	Officials, local counterpart	6,000	0	6,000	0.5%
I.1.3.2	Consulting firm, processes + action plan	36,000	36,000	0	3.1%
I.1.3.3	20% overhead	7,200	7,200	0	0.6%
	SUBCOMPONENT I.1 SUBTOTAL	71,400	61,800	9,600	6.1%
I.2	SUBCOMPONENT I.2: IMPLEMENTATION OF OSW ACTION PLAN				
I.2.1	Consulting assignment - implementation	50,200	50,200	0	4.3%
I.2.2	OSW implementation plan	220,530	96,750	123,780	19.0%
I.2.2.1	Refurbishing of OSW site	43,580	0	43,580	3.8%
I.2.2.2	Training	21,150	13,950	7,200	1.8%
I.2.2.3	IT system implementation and equipment	155,800	82,800	73,000	13.4%
I.2.3	IT Training	2,860	1,200	1,660	0.2%
I.2.4	Consulting assignment, OSW administration model	6,000	6,000	0	0.5%
	SUBCOMPONENT I.2 SUBTOTAL	279,590	154,150	125,440	24.1%
	COMPONENT I SUBTOTAL	350,990	215,950	135,040	30.2%
II	COMPONENT II: SUPPORT FOR FORMALIZATION AND PARTNERSHIP-BUILDING				
II.1	Promotional and dissemination campaign	19,250	8,000	11,250	1.7%
II.1.1	Design of project promotional and dissemination campaign	8,000	8,000	0	0.7%
II.1.2	Printed materials	8,000	0	8,000	0.7%
II.1.3	Printing (1,000 training brochures)	1,000	0	1,000	0.1%
II.1.4	Printing (2,000 promotional posters)	1,000	0	1,000	0.1%
II.1.6	Radio spot advertisement	1,250	0	1,250	0.1%
II.2	Mainstreaming among municipal officials	5,700	5,700	0	0.5%
II.2.1	Internal campaign design	2,000	2,000	0	0.2%
II.2.2	Dissemination, general	2,200	2,200	0	0.2%
II.2.3	Dissemination, officials directly involved	1,500	1,500	0	0.1%

	DESCRIPTION	TOTAL	MIF	MUNICIPIO	%
II.3	Informational workshops for MSMEs, trade associations, municipal officials, and parish boards in the canton	8,700	4,500	4,200	0.7%
II.3.1	Consultant's fees 30 workshops to raise awareness among public, trade and business association officials	4,500	4,500	0	0.4%
II.3.2	Materials	3,000	0	3,000	0.3%
II.3.3	Assembly hall rental and refreshments	1,200	0	1,200	0.1%
II.4	Formalization seminars for informal sector	9,000	2,400	6,600	0.8%
II.5	Web portal	3,500	3,500	0	0.3%
II.6	Sharing of procedural simplification experiences with others in the region	5,285	2,100	3,185	0.5%
II.6.1	Travel for 3 people financed at 100%	2,100	2,100	0	0.2%
II.6.2	Travel for 7 people financed at 70%	3,185	0	3,185	0.3%
	COMPONENT II SUBTOTAL	51,435	26,200	25,235	4.4%
III.1	SUBCOMPONENT III.1: TRAINING FOR COORDINATORS AND SELECTION OF NETWORKS				
III.1.1	Baseline consultant - business networks	7,200	0	7,200	0.6%
III.1.2	Training for coordinators	13,530	6,000	7,530	1.2%
	SUBCOMPONENT III.1 SUBTOTAL	20,730	6,000	14,730	1.8%
III.2	SUBCOMPONENT III.2: STRENGTHENING OF MSME NETWORKS IN THE TOURISM AND CRAFTS SECTOR				
III.2.1	Market intelligence support	61,300	61,000	300	5.3%
III.2.1.1	International consultant on markets	11,000	11,000	0	0.9%
III.2.1.2	Contracting of consultants (1 study for 10 networks) 25 days 10 networks	50,000	50,000	0	4.3%
III.2.1.3	Printing of studies (10)	300	0	300	0.0%
III.2.2	Technical assistance into efficient use of production processes by crafts and goods-producing MSMEs	170,000	170,000	0	14.6%
III.2.2.1	Consultants' fees technical assistance design	35,000	35,000	0	3.0%
III.2.2.2	Consultants' fees technical assistance production	135,000	135,000	0	11.6%
III.2.3	Preparation and implementation of business plans for sales and marketing	41,200	40,800	400	3.5%
III.2.3.1	Consultant's fees (10 plans for 10 days each) ¹	40,000	40,000	0	3.4%
III.2.3.2	Workshops for validating plans (10 workshops - 160 participants in total)	800	800	0	0.1%
III.2.3.3	Workshop site	100	0	100	0.0%
III.2.3.4	Printing of studies (10)	300	0	300	0.0%
III.2.4	Technical assistance to improve administrative procedures and pricing	32,000	20,000	12,000	2.8%
III.2.4.1	Consultant's fees (10 workshops at 2 days each + 20 days' follow-up)	8,000	8,000	0	0.7%
III.2.4.2	Interns	24,000	12,000	12,000	2.1%

¹ This item will use inputs from the work of facilitators trained in Component I.

	DESCRIPTION	TOTAL	MIF	MUNICIPIO	%
III.2.5	Creation of public-private enterprise to promote partnership-building and develop market intelligence for Otavalo canton	7,000	0	7,000	0.6%
III.2.5.1	Legal consulting assignment	3,000	0	3,000	0.3%
III.2.5.2	Administrative consulting assignment	4,000	0	4,000	0.3%
III.2.6	Training for MSME owners in environmentally sustainable management of goods and services production process	4,550	3,600	950	0.4%
III.2.6.1	Consultant (10 workshops, 3 days each)	3,600	3,600	0	0.3%
III.2.6.2	Site for workshop	100	0	100	0.0%
III.2.6.3	Meals for workshop participants (170 participants)	850	0	850	0.1%
	SUBCOMPONENT III.2 SUBTOTAL	316,050	295,400	20,650	27.2%
III.3	SUBCOMPONENT III.3: TRAINING IN LOCAL DEVELOPMENT POLICY-MAKING				
III.3.1	Consulting assignments for design of local policies for productive development	9,000	0	9,000	0.8%
III.3.1.1	Contracting of 1 consultant	9,000	0	9,000	0.8%
III.3.2	Training of officials from the Municipality, supporting agencies, the university and crafts- and tourism-related trade associations	8,220	7,200	1,020	0.7%
III.3.2.1	Contracting of 1 international consultant*	7,200	7,200	0	0.6%
III.3.2.2	Refreshments for workshops (6 workshops, two days each - 90 participants in total)	900	0	900	0.1%
III.3.2.3	Site for workshop	120	0	120	0.0%
III.3.3	International consultant to support project execution	36,400	36,400	0	3.1%
III.3.3.1	Fees (8 visits)	24,000	24,000	0	2.1%
III.3.3.2	Per diem	6,000	6,000	0	0.5%
III.3.3.3	Travel	6,400	6,400	0	0.6%
	SUBCOMPONENT III.3 SUBTOTAL	53,620	43,600	10,020	4.6%
	SUBTOTAL COMPONENT III	390,400	345,000	45,400	33.6%
IV	COMPONENT IV: PROMOTION OF BEST PRACTICES AND DISSEMINATION OF MODEL				
	Preparation of report systematizing experiences and best practices. Consultant fees	6,000	6,000	0	0.5%
	Site for closing / dissemination workshop	100	0	100	0.0%
	Meals for closing workshop participants (220 participants)	1,000	0	1,000	0.1%
	SUBTOTAL COMPONENT IV	7,100	6,000	1,100	0.6%
	PROJECT EXECUTION UNIT (PEU)				
	General administration	268,280	171,080	97,200	23.1%
	Principal coordinator and OSW subcomponent coordinator	90,000	90,000	0	7.8%
	Coordinator, partnership-building subcomponent	54,000	0	54,000	4.7%
	Administrative-financial specialist	43,200	0	43,200	3.7%
	Procurement specialist (half-time)	43,200	43,200	0	3.7%
	Transportation/per diem monitoring coordinator	2,880	2,880	0	0.2%
	OSW monitoring and follow-up system	20,000	20,000	0	1.7%

	DESCRIPTION	TOTAL	MIF	MUNICIPIO	%
	Network monitoring and follow-up system	15,000	15,000	0	1.3%
	Equipment and furnishings	20,255	0	20,255	1.7%
	Program evaluation	37,000	29,000	8,000	3.2%
	Consultant, support in meeting conditions precedent (days)	8,000	0	8,000	0.7%
	Midterm and final evaluations	14,000	14,000	0	1.2%
	Audit	9,000	9,000	0	0.8%
	Partnership-building coordinator's participation in MIF workshops	3,000	3,000	0	0.3%
	OSW coordinator's participation in MIF workshops	3,000	3,000	0	0.3%
	Contingencies	5,770	5,770	0	0.5%
	Contingencies	5,770	5,770	0	0.5%
	Total PEU	331,305	205,850	125,455	28.5%
	MIF Cluster	30,000	30,000	0	2.6%
	TOTAL COMPONENTS I + II + III + IV + PEU	1,161,230	829,000	332,230	100.0%
			70%	30%	

SIMILAR AND RELATED PROJECTS
ECUADOR: COMPETITIVENESS SUPPORT FOR MSMES IN OTAVALO (EC-M1023)

A. Similar or related MIF projects in Ecuador

Project number and approval date	Project title, executing agency, and amount	Date of signature, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-7300-EC 22 Dec 2000	E-commerce pilot project for small-scale artisanal and agricultural producer groups CAMARI (FEPP marketing agency) US\$409,920	30 Mar 2001 48 months 0 months	100%	The websites of each of the organizations and the e-commerce systems have been implemented and are in operation, as are the Camari institutional website and a system to monitor and provide technical support to the organizations.
ATN/MH-8542-EC 10 Dec 2003	Job competencies certification system in the tourism sector Federación Nacional de Cámaras Provinciales de Turismo [National Federation of Provincial Chambers of Tourism] US\$778,385	02 Apr 2004 42 months 0 months	20%	Progress has been made in executing Component 1, "Customize standards," and Component 4, "Raise awareness and publicize outcomes," while execution of Components 2 and 3 is planned for the project's second and third year, respectively.

B. Similar or related Bank projects in Ecuador

Project number	Project title, executing agency, and amount	Approval date and disbursement period	Objective
EC-L1023	<p>Nature Tourism in Ecuador</p> <p>Ministry of Tourism</p> <p>US\$15 million</p>	In preparation	To advance sustainable tourism in Ecuador as an engine of economic growth by promoting ecotourist, ethnotourist, and cultural tourist activities in a manner compatible with conservation of the natural and cultural assets of the different regions of the country. The program will have nationwide coverage in phases. The first phase will focus on Ecuador's southern region (the provinces of El Oro, Loja, Zamora, Chinchipe, and Morona Santiago). The program will support the development of: (i) sustainable management of nature and community tourism; (ii) local capacity, mechanisms, and infrastructure for tourism; and (iii) the backdrop for attracting private investment in nature and community tourism and in conservation of the natural and cultural resources on which tourism is based.

C. Projects in the reducing regulatory burdens cluster

Project number and approval date	Project title, executing agency, and amount	Date of signature, disbursement period, and extension in months	Amount disbursed	Comments
<p>ATN/ME-9520-BO</p> <p>18 Nov 2005</p>	<p>Support for formalizing micro and small enterprises (MSEs)</p> <p>Cámara de Comercio y Servicios de Cochabamba [Cochabamba Chamber of Commerce]</p> <p>US\$92,900</p>	<p>02 Mar 2006</p> <p>24 months</p> <p>0 months</p>	0%	The agreement was signed on 2 March, but execution has not begun because the conditions precedent are still being met.
<p>ATN/MT-7979-BO</p> <p>07 Aug 2002</p>	<p>Program to modernize the business registry service</p> <p>CAINCO – FUNDEMPRESA</p> <p>US\$914,000</p>	<p>07 Oct 2002</p> <p>42 months</p> <p>12 months</p>	67%	Progress on program execution is satisfactory. FUNDEMPRESA has completed execution of three components and is implementing the procedure simplification strategy that was developed.

Project number and approval date	Project title, executing agency, and amount	Date of signature, disbursement period, and extension in months	Amount disbursed	Comments
ATN/MT-7186-CO 10 Oct 2000	Procedure simplification program for the business sector Bogota Chamber of Commerce US\$1.9 million	12 June 2001 36 months 0 months	100%	The project was executed and achieved all the expected outcomes.
ATN/MT-7408-CR 25 Apr 2001	One-stop shop for microenterprise and small business formalization PROEMPRESA US\$660,000	01 Aug 2001 53 months 8 months	87%	There were initial delays due to disagreements among the institutions, but implementation is considered satisfactory as the interagency agreement has been signed and the participating entities have made the corresponding budget commitments.
ATN/MT-9591-EC 14 Dec 2005	One-stop window for private sector services in the Municipality of Cuenca Municipality of Cuenca US\$700,000	13 Apr 2006 48 months 0 months	10%	The agreement with the executing agency was recently signed, and execution is commencing.
ATN/MT-6952-ES 31 May 2000	Support for microenterprise and small business development in El Salvador ¹ Comisión Nacional de la Micro y Pequeña Empresa [National Microenterprise and Small Business Commission] US\$850,000	31 May 2000 30 months 29 months	100%	Component 1.b. Simplification of administrative procedures: the One-Stop Window is operating, and a promotional campaign was financed with program funds.

¹ Only one component of this project relates to streamlining business formalization processes.

Project number and approval date	Project title, executing agency, and amount	Date of signature, disbursement period, and extension in months	Amount disbursed	Comments
ATN/MT-8457-NI 1 Oct 2003	Simplified business registration system Ministry of Development, Industry, and Trade (MIFIC) US\$980,000	29 Jan 2004 40 months 0 months	52%	<p>Significant progress has been made on the project. The decree establishing the One-stop Investment Service has been approved by the Executive Branch and is currently being reviewed by the Supreme Court of Justice and the Municipal Government of Managua.</p> <p>The program has the necessary resources, and there is strong commitment and interest on the part of the government and all the beneficiary institutions in the implementation and operation of a unified, efficient simplified procedural system.</p>
ATN/MT-8083-PR 05 Dec 2002	Program to streamline export procedures Ministry of Industry and Trade US\$640,000	12 Dec 2002 45 months 0 months	76%	<p>Progress in program execution is satisfactory. Progress has been made on the final design of the single export window and as of 1 September 2005 the single export window system was technically operational and tests of the simplified procedures had been conducted in accordance with the pilot plan.</p> <p>Because legal adjustments were required for effective operation of the single export window system, the decree establishing the single export window was prepared and adopted.</p>
ATN/MT-8030-VE 25 Sep 2002	Integrated services program for citizen entrepreneurs in the state of Zulia Foundation for Integrated Services for Citizen Entrepreneurs (SIACE) US\$800,000	09 July 2003 30 months 24 months	28%	<p>Yellow flag. Unsatisfactory progress in execution. Project execution is delayed by start-up problems for the project execution unit attributable to political differences between regional, local, and national governmental authorities.</p> <p>There were delays in designating counterparts in the Venezuelan institutions participating in the project.</p> <p>The Country Office in Venezuela granted a 24-month extension to allow completion of planned project activities.</p>

D. Projects in the productive integration and strategic alliances cluster

Project number and approval date	Project title, executing agency, and amount	Signature date, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-8112-AR 20 Nov 2002	<p>Supply chain development in the province of Córdoba</p> <p>Agencia de Desarrollo Económico de la Ciudad de Córdoba [City of Cordoba Economic Development Agency] (ADEC)</p> <p>US\$1,082,640</p>	<p>27 Mar 2003</p> <p>42 months</p> <p>12 months</p>	62%	The project has already exceeded the targets established for many activities but needs more time to fulfill others. A one-year extension was granted, and it is expected that this will suffice to achieve the project's goals.
ATN/ME-7927-BR 26 June 2002	<p>Program for the development of industrial districts</p> <p>Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Microenterprise and Small Business Support Service] (SEBRAE)</p> <p>US\$2,075,000</p>	<p>10 Sep 2002</p> <p>36 months</p> <p>15 months</p>	54%	<p>The program continues to make significant progress on all components. The company established by SEBRAE and the Agency of the Milan Chamber of Commerce (PROMOS), to design and internationalize small companies, has proved quite effective and had equally positive outcomes.</p> <p>The 2005 assessment of the program's impact in industrial districts indicated positive and promising outcomes in terms of increases in: (i) entrepreneurs' participation in collective organizations; (ii) the number of collective organizations; (iii) the ratio of formal to informal workers; (iv) production and sales volumes and productivity; and (v) the number of companies that have adopted technological innovations.</p>
ATN/ME-7468-CH 27 June 2001	<p>Integrating microenterprise production</p> <p>SERCAL Foundation</p> <p>US\$1,092,000</p>	<p>09 Aug 2001</p> <p>42 months</p> <p>9 months</p>	100%	It took eight months to fulfill the conditions precedent. The final project evaluation was conducted in 2005 and was generally positive. Notable on the negative side was the weak institutional capacity of the execution unit.
ATN/ME-7203-CO 1 Nov 2000	<p>Isabella grape agribusiness project</p> <p>Fundación Carvajal [Carvajal Foundation]</p> <p>US\$1,111,947</p>	<p>16 Feb 2001</p> <p>42 months</p> <p>21 months</p>	100%	The project performed satisfactorily and provided important lessons in establishing trust between business clusters for future projects.

Project number and approval date	Project title, executing agency, and amount	Signature date, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-8797-CO 4 Aug 2004	Supporting clusters competitiveness University of the Andes US\$3.45 million	03 Dec 2004 54 months 0 months	10%	FOMIPYME's slow approval of the counterpart caused delays. The competition was held and exceeded expectations. Project execution is expected to continue without further delays.
ATN/ME-6751-CR 10 Nov 1999	Development of suppliers for high technology multinationals Fundación Centro Alta Tecnología (FUNCENAT) US\$900,000	13 Dec 1999 42 months 24 months	100%	The majority of the assumptions were fulfilled and project activities were carried out in an organized manner. Multinational high-tech enterprises' (MHTEs) continued presence in the country is ensured in part by the tax incentives under the policy for attracting foreign direct investment, which continues until 2008. In addition, the government is working on improvements in the environment that will lead to their continued presence and permit greater national purchasing.
ATN/ME-8456-DR 1 Oct 2003	Increasing the competitiveness of micro, small, and medium-sized enterprises in Santiago de los Caballeros Northern Region Industrial Association (AIREN) US\$566,000	16 Oct 2003 39 months 0 months	59%	The clusters have found new niches for placement of their products in the national and international markets. Combined sales for the furniture sector have increased 100% over the baseline. Individual sales by furniture manufacturers within the cluster increased an overall average of 15% from June 2004 to February 2006. In the textile cluster, sales rose 50% in 34% of the plants.
ATN/ME-9271-EC 30 June 2005	Cooperative SME operations in the floriculture value chain Asociación de Productores y Exportadores de Flores del Ecuador [Ecuadorian Association of Flower Producers and Exporters] (EXPOFLORES) US\$1,643,628	24 Oct 2005 48 months 0 months	10%	Project execution started recently.

Project number and approval date	Project title, executing agency, and amount	Signature date, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-9413-EC 21 Sep 2005	Competitiveness strategy for Ecuador's fine aroma cocoa chain Ecuadorian Export and Investment Promotion Corporation (CORPEI) US\$827,000	10 Feb 2006 48 months 0 months	10%	The agreement between the executing agency and the Bank was recently signed.
ATN/ME-9592-JA 14 Dec 2005	Productive integration of microenterprises in Jamaica Jamaica Business Development Centre US\$419,000	09 May 2006 42 months 0 months	0%	The stakeholders have already begun executing certain activities. The work plan is expected to be submitted in the coming weeks.
ATN/ME-8432-ME 10 Sep 2003	Development of production chains to promote export-oriented microenterprises and small and medium-sized businesses in Guanajuato Coordinadora de Fomento al Comercio Exterior [Foreign Trade Promotion Coordinator] (COFOCE) US\$1 million	01 Dec 2003 41 months 0 months	28%	The project is performing satisfactorily and is providing important lessons learned in establishing trust between business clusters for future projects.
ATN/ME-8616-PE 21 Jan 2004	Development of business networks in garment-making and tourism clusters of Peru Comisión de Promoción de la Pequeña y Micro Empresa [Small Business and Microenterprise Development Commission] (PROMPYME) US\$970,000	23 Mar 2004 42 months 0 months	20%	In December 2005, PROMPYME achieved the target of establishing a total of 27 business networks in the two sectors. The mechanism designed to provide technical assistance and training services is expected to prove nimble and effective, which will help consolidate the business networks' development.

Project number and approval date	Project title, executing agency, and amount	Signature date, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-8291-RG 30 Apr 2003	Learning from business alliances Central American Institute for Business Administration (INCAE) US\$5 million	17 June 2003 54 months 0 months	20%	<p>Yellow flag. Execution is slow for two main reasons: first, the preparation of proposals with financing from other donors; and second, the internal project management capacity of the subexecuting agencies.</p> <p>Because the funding is not completely administered by INCAE and individual projects must be adapted to the interests of other donors, INCAE may be perceived as playing a smaller role as program executing agency than planned and expected in overseeing and directing individual projects.</p>
ATN/ME-9212-RG 25 May 2005	Integration of Central American microproducers into international value chains Nicaraguan Association of Producers and Exporters of Nontraditional Products (APENN) US\$1.12 million	21 July 2005 42 months 0 months	20%	<p>Formal project startup occurred only recently but the willingness of the executing agency and associated businesses to carry out the project was previously noted. Conditions in the environment (CAFTA and CA integration) are favorable. Three exporting businesses in Guatemala, Nicaragua, and Honduras are working to position Central American products in the North American market.</p>
ATN/ME-8541-UR 10 Dec 2003	Development of business networks in the wine and grape-growing sector Asociación de Bodegas Exportadoras [Association of Uruguayan Wine Exporters] (ABE) US\$500,000	23 Dec 2003 42 months 0 months	68%	<p>The project is proceeding satisfactorily with good results in terms of partnership-building and support for exports. Weak support from the National Wine and Grape-Growing Institute (INAVI) was the only issue reported.</p> <p>The collective actions contemplated by the program have had significant effects, particularly for their focus on exportation and influence on individual business management, which has significantly transformed the management practices prevalent among members of the chain up to this point. New bodegas have begun to gain an international foothold.</p>

Project number and approval date	Project title, executing agency, and amount	Signature date, original disbursement period, and extension in months	Amount disbursed	Comments
ATN/ME-8601-UR 8 Jan 2004	Strengthening of the nandu production chain Uruguayan Association of Nandu Farmers (A.U.CRI.ÑA.) US\$463,000	16 Apr 2004 42 months 0 months	56%	After initial delays, the project is proceeding satisfactorily. The anticipated opening of the European Union market occurred on 22 November 2005, creating optimism for the future of nandu production in Uruguay. Up to that point, the program had been conducting activities to coordinate all actors in the chain in order to have suitable products available when the market opened.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Ecuador. Nonreimbursable Technical Cooperation ATN/MT-____-EC
Competitiveness support for MSMEs in Otavalo

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreement or agreements as may be necessary with the Municipalidad de Otavalo, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-____ with respect to technical cooperation for competitiveness support for MSMEs in Otavalo.
2. That up to the amount of US\$829,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

LEGIII/777438-06
EC-M1023