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MULTILATERAL INVESTMENT FUND

COSTA RICA

**ALAJUELA RETAIL MARKET AS AN ENGINE OF ECONOMIC
GROWTH AND SOCIAL REVITALIZATION**

(CR-M1013)

DONORS MEMORANDUM

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ABBREVIATIONS

ASIMA	Asociación de Inquilinos del Mercado Alajuela [Alajuela Market Stallholders Association]
PIMA	Programa Integral de Mercadeo Agropecuario [Comprehensive Agricultural Marketing Program]
PMU	Project management unit
PSR	Project status report

ALAJUELA RETAIL MARKET AS AN ENGINE OF ECONOMIC GROWTH AND SOCIAL REVITALIZATION (CR-M1013)

EXECUTIVE SUMMARY

Beneficiary/executing agency:	Municipality of Alajuela
Beneficiaries:	Some 250 microenterprises and small businesses in the municipal market and the surrounding business area, 1,500 people who work directly in the market, the customers who use their services, and the municipality.
Financing:	<div>MIF (nonreimbursable): US\$ 673,000 (67%)</div> <div>Counterpart: <u>US\$ 327,000 (33%)</u></div> <div>Total: US\$1,000,000 (100%)</div>
Project objectives:	The <i>goal</i> of the project is to help revitalize economic activity in downtown Alajuela, strengthening synergies between commercial activities and tourism, cultural, and social services. The <i>purpose</i> is to make business and operating improvements and upgrades to the Alajuela market, based on processes that boost the competitiveness of microentrepreneurs and the market as a business unit.
Execution and disbursement periods:	36 months for execution and 42 for disbursement.
Special contractual conditions:	As a condition precedent to the first disbursement of the MIF contribution, the Municipality of Alajuela must present evidence of the following: (i) the appointment of the project director; (ii) the entry into force of the project Operating Regulations; (iii) the interagency cooperation agreement signed by the Municipality and the Programa Integral de Mercadeo Agropecuario [Comprehensive Agricultural Marketing Program] (PIMA); and (iv) the interagency agreement signed by the Municipality and the Asociación de Inquilinos del Mercado Alajuela [Alajuela Market Stallholders Association] (ASIMA).

Exceptions to Bank policy:

To utilize the new MIF guidelines, which are the result of a detailed study of procurement and implementation processes, as an exception to the Bank's policy on auditing, the Bank/MIF will directly contract the auditors for the financial audit of the project. Payment will be made out of project funds.

Environmental and social impact review:

This operation was considered by the ESR on 30 June 2008, which had no comments. It was classified as category C.

Coordination with other donors:

None.

I. BACKGROUND AND RATIONALE

A. Background

- 1.1 Retail markets have held value over time: meeting needs for fresh food products and acting as a key link in the commercial distribution system of cities. The quality and freshness of products, variety, proximity, personalized service, the presentation of products, and the purchasing environment are the main points of appeal of a municipal market. In many Latin American and Caribbean countries, markets also play a role in social and cultural identity, where the unwritten history of the different periods of urban growth can be found.
- 1.2 In recent years, however, municipal retail markets have experienced setbacks and a loss of commercial competitiveness. As a result some establishments have closed, while others have lost market share and business capacity. This situation, which conditions the current prospects of markets, has resulted from a number of factors, including (i) changes in buying, consumption, and eating patterns; (ii) commercial distribution policies; (iii) the growth of outlying urban areas; (iv) technological advances in food distribution; and (v) above all, the emergence of new business models such as large shopping centers that enjoy tremendous opportunities for advertising and publicity and exercise a strong influence on consumers and society.
- 1.3 Traditional commerce in Costa Rica, represented mainly by retail markets, is characterized by stagnation in time and by the fact that it provides few complementary services for customers. Although traditional markets offer certain 'cultural' and artisanal products, they generally have a much more limited variety of products than modern businesses. The country's retail markets have been passive, with no real strategy to adapt to new times. They have not been capable of renewal and have markedly scaled back their activities. Some have even disappeared and many others require physical, functional, and operational modernization. The result has been that vendors in these markets have seen large drops in their competitiveness and productivity.
- 1.4 **Alajuela municipal retail market** is located in a very dynamic commercial environment and serves a population of over 262,000 people (living downtown), which has grown by about 13% over the last five years. This growth has been accompanied by strong demand for fresh products. For example, in the last 12 months, the average fresh food consumption of a Costa Rican was 276 kg/year per person, with fruit and vegetable consumption rising to 145 kg/year per person. In 2006, on average, per capita spending on food and beverages was about US\$1,050 a year. The Alajuela market plays an important role in the food supply, where close to 50% of the businesses sell food and beverages.
- 1.5 It is important to note that the influence of retail markets is felt not just in commercial activity, but extends to urban development due to its strong impact on the city and cultural landscape, the revitalization of city centers, the balance between city center and periphery, and other sociological aspects of the culture of each city. Many cities hit by the crisis in city centers have pursued commercial

rehabilitation of their downtowns, and many of these cities have seen commerce as a solid pillar of support for initiating urban change and renewal.¹ The renovation of markets in an atmosphere of revitalization is complex. Aspects such as business distribution, renewal of operating permits, organization of vendors, improvements in basic infrastructure, and the incorporation of new and better rules on safety and hygiene must be considered. Implementation of such changes also requires political commitment to ensure the continuity of processes over extensive periods of improvements that span different municipal governments. From this standpoint, the efforts made by some communities, such as the Municipality of Alajuela, to bring about positive changes in their cities merit recognition. Slowly but surely and in keeping with the resources available, the municipality has made different improvements in physical and administrative aspects of the market, which will culminate in the coming years with basic infrastructure and reorganization. Things such as improvements in market management, the expansion of pedestrian areas bordering the market, and lighting, will permit shoppers and the public to visit the market with greater frequency.

B. Challenges and opportunities for revitalizing the market and its commercial environment

- 1.6 Despite the commitment demonstrated by the Municipality, there are several challenges for operational management of the Alajuela Market that must be surmounted if it is to tap its great potential as an engine of economic and social development in the city. The merchants associated with the market, players in its vicinity, and the municipality in general have been concerned about signs that the market is losing its commercial appeal. Some factors influencing this are: (i) growing congestion at the stalls; (ii) inadequate distribution of the stalls, which are not organized by category or specialty; (iii) poor internal signage; (iv) insufficient variety and quality of the fresh products offered; (v) unfair competition from street vendors; (vi) shortcomings in business operations; (vii) lack of parking space; (viii) few customer services; (ix) lack of a unified market management model; and (x) absence of a management plan to ensure that the market will be competitive in future. Although the market has operating and regulatory tools, they are out-of-date or obsolete and there are no incentives to promote compliance on the part of stallholders in the market.
- 1.7 The stallholders need tools to attract more customers and improve their own management processes, since they are aware that their market share has fallen over the years. Boosting the competitiveness of these small merchants by getting them to adapt to new consumption patterns and providing them with the means of learning how to work together is crucial. The merchants are organized into the Asociación de Inquilinos del Mercado Alajuela [Alajuela Market Stallholders Association]

¹ The cities of Valencia, Zaragoza, and Vitoria in Spain are examples, as are Budapest, Hungary and Turin, Italy.

(ASIMA) and have made some progress in coordination. They meet with some frequency to address common problems, are in permanent communication with the Municipality to identify the improvements required inside the building, and exert pressure on businesses that fail to abide by basic hygiene and quality standards. However, if it had adequate business and commercial advisory services, ASIMA could play a much larger role in boosting the competitiveness of the merchants, providing business information, organizing common purchases and procurements, organizing associative tasks, and in relations with the market administration that oversees cleaning and security.

C. Rationale and additionality

- 1.8 The present MIF project is justified by the confluence of the following main factors: (i) the Municipality of Alajuela has made a political commitment to upgrade the market, which is set out in a strategic city improvement plan; (ii) there is recognition that boosting the competitiveness of the market and its merchants requires not only physical and infrastructure improvements, but also improvements in administration, organization, financing, and marketing for the entity as a whole; and (iii) the project's experience will enrich the Comprehensive Agricultural Marketing Program (PIMA), whose purpose is to make improvements to the systems for marketing perishable goods in Costa Rica. PIMA could also capitalize on the knowledge and replicate this model for improving the management of retail markets in other Costa Rican cities that, like Alajuela, require support that is strategic and catalytic to promote their economies, without losing sight of cultural considerations and traditions.
- 1.9 This project is the second in a new thematic area being developed by the MIF known as "Retail markets as an engine for the socioeconomic development of a city."² The project presents a clear opportunity for learning and scaling up for the MIF and the Bank.

II. THE PROGRAM

A. Objectives

- 2.1 The **goal** of the project is to help revitalize economic activity in downtown Alajuela, strengthening synergies between commercial activities and tourism, cultural, and social services. The **purpose** is to make productive, business, and operating improvements and upgrades to the Alajuela market, based on processes that boost the competitiveness of microentrepreneurs and the market as a business unit.

² The first was the Montevideo Agricultural Market as a Key to Socioeconomic Revitalization of the Neighborhood of Goes (UR-M1030).

B. Description

- 2.2 The project has three components: (i) upgrading and strengthening management of the market; (ii) revitalization of the commercial activity of the merchants; and (iii) dissemination and scalability of the initiative. The project will be executed by the Municipality of Alajuela.

Component 1. Upgrading and strengthening of operational and commercial management of the market (MIF US\$355,000, counterpart US\$184,000)

- 2.3 The objective of this component is to implement a program of improvements in operational and commercial management to boost the competitiveness of the market compared to other commercial formats. The program will be accompanied by physical improvements to the market that will be made by the Municipality using its own funds. Specifically, the activities in this component will focus on: (i) designing and implementing an improvement plan for the market that includes the organization and mix of businesses, dimensioning, design of stalls and aisles, and financial strategy; (ii) updating and improvements in the regulations governing the market; (iii) design and development of commercial strategies, including the design of new customer-oriented services; (iv) development and implementation of a safety and hygiene plan for the market and effective signage; (v) development of a strategic plan for an open-air shopping center that will incorporate the businesses and shops that border the market; and (vi) transfer of these practices and know-how to PIMA. This component will be carried out with the advisory services of Empresa Nacional Mercasa, a Spanish company with an international reputation and directing member of the World Union of Wholesale Markets, with extensive experience in the management, design, and implementation of municipal market improvement programs. This will ensure the introduction of international good practices in municipal markets, particularly recent experience with implementation. The MIF contribution will finance the Mercasa contract and part of the costs related to implementing the recommendations. For its part, the Municipality of Alajuela will contribute funds for specific improvements in the market to ensure that the technical-assistance recommendations can be carried out, including the improvements in the regulations and their effective implementation in the market.
- 2.4 The following results will be obtained from this component: (i) better dimensioning and use of the interior space in the market; (ii) modern market regulations that include health, organizational, and financial rules; (iii) at least 90% of the merchants comply with the new rate rules; (iv) at least 5% of the market's income is used for investments in the market; (v) at least 70% of the market's customers are satisfied with the new services offered by the market; and (vi) at least 80% of the market stallholders are satisfied with the promotional activities carried out. As an additional result of this component, the technical expert in charge of market administration and his work team will have their roles strengthened to facilitate management and will have greater capacity and recognized authority to enforce the new market rules.

Component 2. Revitalization of commercial activity and management by the merchants (MIF US\$206,000, Counterpart US\$25,000)

- 2.5 The objective of this component is to contribute directly to enhance the competitiveness of the microentrepreneurs in the market and to develop new products through training and specialized consulting services and through joint activities.
- 2.6 Specifically, this component proposes to finance activities in the following three areas: (i) strengthening the managerial capacity of the stallholders' association, ASIMA, through a business plan and a work schedule; (ii) boosting the technical capacity of the merchants and strengthening their relations with their suppliers and customers; and (iii) promoting collective actions by the merchants for common projects for sanitary, marketing, and organizational improvements. The activities carried out under items (i) and (ii) will involve technical assistance and specific training in the areas identified by the stallholders themselves and their association and will also establish a baseline for the merchants. The activities in area (iii) will be financed through a competitive fund intended to spur and cofinance joint initiatives to benefit a group of microenterprises that may or may not work in the same category but that seek common improvements in their systems for sales, display, sanitation, or image. The MIF will contribute US\$20,000 to this fund. The execution mechanism for these activities is spelled out in the project's Operating Regulations.
- 2.7 All the merchants' microenterprises in the market are expected to benefit from this component, particularly those with the initiative to formulate partnering proposals. Given that there are subgroups of merchants who work in similar categories, they could suggest specific training and assistance in common thematic areas, for example the handling of perishable products, joint advertising campaigns, compliance with health rules, or others. Demand for the type of training and technical assistance will be channeled through ASIMA. In addition, to enable the microentrepreneurs to benefit from the project, they will be required to meet minimum criteria such as: (i) be up to date in their rate payments or be following a payment plan acceptable to the market administration; and (ii) demonstrate the capacity to implement the changes that could stem from the technical assistance recommendations.
- 2.8 The minimum results expected from this component are: (i) at least 70% of the targets in the ASIMA business plan are satisfactorily achieved; (ii) at least 60% of the market merchants have improved their relations with their suppliers in terms of price, quality, and timeliness; and (iii) at least 35% of the merchants carry out joint commercial actions.

Component 3. Dissemination and scalability of the initiative (MIF US\$54,000, counterpart US\$25,000)

- 2.9 The objective of this component is to systemize and disseminate the experience and lessons learned from this pilot initiative and the good practices implemented by the

Municipality of Alajuela relating to the market and the merchants in its jurisdiction. Given that the problems being experienced by many retail markets in the region are similar, a regional meeting of municipal authorities and market managers from Central America and the Caribbean will be held to share the project's experience. The Comprehensive Agricultural Marketing Program (PIMA) is a public institution reporting to the Ministry of Production and will play an important role in systemizing the case study to promote the replication of key elements. As a result of its active participation in the project, PIMA is expected to improve its technical capacity.

III. COST AND FINANCING

- 3.1 The project will cost a total of US\$1 million, with 67.19% provided by the MIF as a nonreimbursable contribution (US\$673,000), while the counterpart will be provided by the executing agency. At least 50% of the counterpart contribution will be in cash.

Project budget in US\$

Budget categories	MIF	Local	Total	%
Component 1	355,000	184,000	539,000	54.08%
Component 2	206,000	25,000	231,000	23.18%
Component 3	54,000	25,000	79,000	7.93%
Administration	0	82,800	82,800	8.31%
Audits, evaluations, and equipment	28,000	0	28,000	2.81%
Contingencies ³	26,635	10,200	36,835	3.70%
Subtotal	669,635	327,000	996,635	
<i>Percentage</i>	<i>67.19%</i>	<i>32.81%</i>	<i>100%</i>	
Impact evaluation fund	3,365	-	3,365	
Total	673,000	327,000	1,000,000	

- 3.2 **Project sustainability** is based on the permanent improvements in the way the market and its merchants operate, incorporating new and better administrative, marketing, and promotional practices and better service for the end customer. The result will be more visits and better conditions that will attract a larger influx of customers, including tourists and visitors. The project is expected to instill a joint strategic vision into the actions of the Municipality and the merchants, to enable the market to boost its local competitiveness. The market is being offered a special opportunity, since downtown Alajuela is undergoing an urban renewal project cofinanced by the European Commission. One of its expected results is to draw more people to the vicinity of the market. At least one year prior to the end of the project, a sustainability workshop will be held for representatives of the MIF and

³ In the event a cluster is approved in the thematic area "Revitalization and modernization of retail markets," the Bank will take US\$15,000 for coordination.

the executing agency and others to be determined, to evaluate the progress made and identify the means and actions necessary to ensure continuity after the project funds have been used up.

- 3.3 The Comprehensive Agricultural Marketing Program (PIMA) will participate to maximize the transfer of knowledge about international good practices. PIMA has the objective of improving the marketing systems for perishable goods in Costa Rica. It provides technical assistance and training for municipalities in the organization, structure, and operation of their respective municipal markets. PIMA is recognized throughout Central America and the Caribbean as a leading institution in the field on account of its interventions in many markets in Costa Rica and abroad. This semiautonomous government agency has expressed its support for and desire to participate in the project to scale up the experience of Alajuela to the national and international level.

IV. EXECUTION MECHANISM

- 4.1 **Executing agency.** The project will be executed by the Municipality of Alajuela, which owns and manages the Alajuela market. The Municipality has the authority to sign agreements, contracts, and other instruments. The main objective during the current administration (in office until January 2011) is sustainable and comprehensive development of the municipal area, understood as an improvement in the material and spiritual quality of life of all of its inhabitants, in a context of environmental sustainability. For this initiative to make improvements in the retail market, the Municipality has earmarked funds to cover the cost of studies, consulting services, and infrastructure. It has experience in project execution and has been coordinating revitalization of the downtown core with the different players in the city. With support from the German Agency for Technical Cooperation (GTZ), the Municipality is implementing a cantonal development plan entitled Visión Alajuela 2010. It includes different projects in the areas of local economic development, improved infrastructure, equipment and services, local management, and environmental protection, under a system of participatory public budgets. The Municipality has also executed the Regional and Urban Planning Program (PRUGAM), cofinanced by the European Commission, for regional and urban planning of the greater metropolitan area in the Central Valley of Costa Rica, which includes actions related to downtown buildings.
- 4.2 The Municipality executed a successful project for drinking water infrastructure with IDB funds and is up to date with the respective payments. The technical-cooperation funding it has received for technical studies has been satisfactorily executed, although administered from Bank headquarters.
- 4.3 **Organization of execution.** The project will be executed by the Municipality, which will appoint a project director. For proper project supervision and administration, a **project management unit (PMU)** will be established, consisting of the director appointed by the Municipality, the market administrator, and a

marketing manager, who will be a specialized consultant in market planning and improvements.

- 4.4 The **PMU** will be responsible for: (i) mapping out the project strategy; (ii) drawing up the plan of activities and budget and reporting to the Municipal Council on the semiannual results; (iii) approving the projects presented by the merchants as partnering proposals; (iv) supervising progress on the work plan and the activities of the firms that provide technical assistance and services, to study the results and propose any corrective measures that may be required; and (v) facilitate solutions to problems than can hamper execution. It will be supported by municipal employees in their respective areas, such as finance, procurement, engineering, and architecture.
- 4.5 **Results-based disbursements.** As part of risk- and performance-based project management, disbursements of MIF funds will be contingent on achievement of the milestones agreed on by the executing agency and the MIF, which will be verified using the agreed means (document IV in the technical files). Attainment of the milestones does not exempt the executing agency from responsibility for achieving the project targets. Against signature of the agreement and compliance with the conditions precedent, funds will be disbursed in function of project spending requirements related to activities and costs programmed in the annual plan. Subsequent disbursements will be made when the executing agency so requests, to continue with normal execution, provided there are no unachieved milestones. The executing agency can modify the milestones agreed on, provided they have not expired. They can be reprogrammed during the planning exercise for the following period. A revolving fund will be established for up to 25% of the MIF contribution. For payments to the international firm, the technical assistance contract will establish the milestones to be attained and the Municipality will provide technical monitoring and approve the outputs, so that a request can be sent to the Bank to make the corresponding payments to the company.
- 4.6 **Procurement.** The Municipality of Alajuela will procure the goods and services and contract the consulting services required for the project and approved in advance by the Bank in the procurement plan. The procurements/contracts will follow Bank policies (documents GN-2349-7 and GN-2350-7 or updated versions) and the April 2008 MIF guidelines (or updated versions). The executing agency may use any of the selection and contracting methods allowed in the Bank's policies. The institutional assessment (document V in the technical files) found that the risk related to administration of procurements by the executing agency was low. However, considering that the executing agency belongs to the public sector, it has been decided to supervise the procurement processes ex ante. The shortlists for consulting contracts worth less than US\$200,000 may consist of national firms. The type and frequency of the reviews may be altered by the MIF (to ex post review) based on the results of the reviews and/or subsequent institutional risk assessments performed by the MIF during the project. The executing agency will also receive institution-strengthening, support, and training in fiduciary aspects.

- 4.7 For the purposes of contracting the consulting firm that will provide international technical assistance under component 1, the Municipality of Alajuela may use direct selection, based on paragraph 3.10(d) of document GN-2350-7 (Policies for the selection and contracting of consultants financed by the IDB) of July 2006. The justification for using this method is: (i) Empresa Nacional Mercasa has experience of exceptional value for the services—it is a directing member of the World Union of Wholesale Markets, with extensive experience in the management, design, and implementation of programs to upgrade municipal and wholesale markets and is the technical benchmark in this sector in Europe and Latin America; (ii) the company has a cooperation agreement with PIMA, which will improve the possibility of replicating the experience; and (iii) it has in-depth knowledge of the Alajuela market and its problems. No other company can offer the same advantages as Mercasa for effectively carrying out the activities under component 1 and the cost is reasonable, based on the international market in this area. The MIF contribution to the contract, which will last for a period of 30 months, is US\$310,000.
- 4.8 **Special execution conditions.** As a condition precedent to the first disbursement of the MIF contribution, the Municipality of Alajuela will present evidence of the following: (i) the appointment of the project director; (ii) the entry into force of the project Operating Regulations previously agreed to with the Bank; (iii) the interagency cooperation agreement signed by the Municipality and PIMA; and (iv) the interagency cooperation agreement signed by the Municipality and ASIMA.
- 4.9 **Exceptions to Bank policies.** To make use of the new MIF guidelines, which are the result of a detailed study of procurement and implementation processes, as an exception to the Bank's policy on auditing, the Bank/MIF will directly contract the auditors for the financial audit of the project. Payment will be made out of project funds.

V. MONITORING AND EVALUATION

- 5.1 **Project status reports.** The executing agency will present project status reports (PSRs) to the MIF within 30 days after the end of each six-month calendar period. The reports will follow a format agreed on in advance with the MIF and describe progress in project execution, achievement of milestones, the outcomes attained, and their contribution to the project objectives, based on the logical framework and other operations planning tools. They will also report on problems encountered during execution and possible solutions. Within 90 days before the end of the execution period, the executing agency will present a final PSR to the MIF discussing the results achieved, the sustainability plan, and the lessons learned.
- 5.2 **Financial monitoring.** The Municipality will establish and be responsible for maintaining adequate separate accounting for the MIF contribution and the counterpart resources, internal control, and project filing systems, following the IDB's accounting and auditing rules and policies. Since the institutional risk in this area was rated as low, the MIF will hire independent auditors to perform the audit

of the financial statements at the end of the operation. As explained in paragraph 4.6, the reviews of the documentation supporting the disbursements will be performed ex ante.

- 5.3 **Evaluations.** Two evaluations will be performed by independent consultants: the first when 40% of the contribution has been disbursed or after 24 months, whichever occurs first, and the second two months before the execution period ends. The first evaluation will consider: (i) the program execution mechanism and interagency cooperation between the Municipality, ASIMA, and PIMA; (ii) the extent to which programmed activities have been fulfilled; (iii) the operating mechanism for the competitive funds and the quality of the projects selected; (iv) the effectiveness of the monitoring and evaluation system; (v) support in establishing a project sustainability strategy; and (vi) the effectiveness of the actions and compliance with the logical framework indicators. The final evaluation will focus on the following elements, among others: (i) the direct and indirect benefits obtained by the microenterprises of the stallholders and the businesses adjacent to the market; (ii) the progress made in market administration, its operating income and investments in improvements; (iii) the usefulness of the fund mechanism for encouraging partnering projects; (iv) cooperation in the identification of areas and experiences under the project that could be transferred to other municipalities in Costa Rica or the region; (v) satisfaction of the beneficiary microenterprises; (vi) project sustainability; (vii) the public-private relationship between the Municipality, PIMA, and the merchants; and (viii) the effect of transforming downtown Alajuela and the dynamics of the municipal market compared to shopping centers.
- 5.4 Three months before the project execution period ends, a closing workshop will be organized with participation by the executing agency, the Bank, sector representatives, and other representatives to be agreed on by the Bank, to perform a joint evaluation of the outcomes, identify additional tasks to ensure the sustainability of the actions initiated under the project, and identify the lessons learned and project impact.

VI. BENEFITS AND RISKS

- 6.1 **Beneficiaries.** The program will directly benefit about 250 microenterprises and small businesses that are merchants in the Alajuela market and some 1,000 people who work directly in it. Many of these people come from low- and middle-income families and have little schooling. Small companies and businesses that are adjacent to the market are also expected to benefit through their participation in promotional strategies, infrastructure improvements, and a larger number of customers. The project has a significant public-private approach since it links the city's private enterprises and the municipality, which share a strategic vision for urban improvements and greater competitiveness of the city itself. The national government is also involved in this partnership through PIMA, which seeks to

replicate the experience and good practices learned from the project in other municipalities in the country and the region.

- 6.2 **Risks.** The operation's main risks are as follows. (i) The political risk of having the project executed by a Municipality. Even though the current city government will hold office until 2011, there is unanimous agreement by the Municipal Council that the improvements in the Alajuela market cannot be put off and that a medium-term strategy is required. The mitigating factor is to maintain an open information campaign between the executing agency and the Municipal Council, keeping it continuously abreast of progress and the budgets that have been committed. (ii) A second risk is the internal divisions and special interests that may be entertained by certain groups of merchants inside the market. Municipal markets generally have subgroups of merchants that differ by segment, type of activity, or size. In some cases, they may have disputes with the municipality, which is responsible for collecting the rates, administering public areas, and security. Potential disputes between these groups could pose a risk for project execution. The mitigating factors for this risk are active coordination between the Municipality and ASIMA and the clear understanding that exists at present that the market must make improvements immediately. Active participation by ASIMA under a cooperation and execution agreement with the Municipality is also a significant mitigating factor. (iii) Last, unfair competition from street vendors could affect the businesses inside and outside the market, but the Municipality has made a commitment to control this by implementing a program that offers opportunities for alternatives to street vending.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 Although the project focuses on organizational and commercial improvements in the market in general, it will have a high positive impact on sanitation, environment, and safety for the public and market users. The project will provide training in hygiene, particularly for businesses that handle food products. The project will also have a strong social impact by boosting the entrepreneurial capacity of low-income segments of the population.

ALAJUELA RETAIL MARKET AS AN ENGINE OF ECONOMIC GROWTH AND SOCIAL REVITALIZATION (CR-M1013)
LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
Goal			
To help revitalize economic activity in downtown Alajuela, strengthening synergies between commercial activities and tourism, cultural, and social services.	<p>Two years after the end of the project:</p> <ul style="list-style-type: none"> - An increase of 30% in the perception of the Alajuela market as a commercial, tourist, and cultural attraction by the city's residents and visitors. - The project is being replicated in at least one other municipal retail market in Costa Rica and/or Latin America. 	Ex post evaluation ¹	<ul style="list-style-type: none"> - The Municipality maintains its urban development priorities in the area surrounding the market. - The country's macroeconomic stability is maintained.
Purpose			
To make business and operating improvements and upgrades to the Alajuela market.	<p>By month 24 of the project:</p> <ul style="list-style-type: none"> - An increase in sales of 10% over the baseline. - An increase of 10% in customers over the baseline. - 80% of stallholders agree to the new rate model and pay according to it. <p>By the end of the project:</p> <ul style="list-style-type: none"> - An increase of 30% in sales over the baseline. - An increase of 30% in customers over the baseline. - The market is economically sustainable based on the new management model. - The new market regulations are implemented and are observed by at least 80% of the stallholders. 	<ul style="list-style-type: none"> - Final evaluation - Final PSR - Municipal accounting records - Document approving the new rates - Market regulations - ASIMA membership records - Inspection visits - Market records 	<ul style="list-style-type: none"> - The goodwill toward the project demonstrated by the stallholders is maintained. - The Municipality's political support continues even with a change in government.

¹ During the project, the MIF, together with the executing agency, will study the possibility of using funds from the MIF's impact assessment system to perform the ex post evaluation.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> - 90% of the stallholders have joined ASIMA. - 30% of neighboring merchants take part in the joint marketing initiatives carried out by the market. - 80% of stallholders make investments to improve their stalls. 		
Components			
I. Upgrading and strengthening of financial, administrative, and commercial management of the market.	<p>By month 12 of the project:</p> <ul style="list-style-type: none"> - Electric power system upgraded and the market is insured. <p>By month 18 of the project:</p> <ul style="list-style-type: none"> - Market logo and trademark registered. - Strategic plan to upgrade the market agreed on by consensus and being implemented. - Regularization of relations between stallholders and the Municipality. - The market is insured. <p>By month 24 of the project:</p> <ul style="list-style-type: none"> - Market logo and trademark in use. - At least 40% of customers are satisfied with the new services offered by the market. - At least 40% of stallholders are satisfied with the promotional activities carried out by market management. <p>By the end of the project:</p> <ul style="list-style-type: none"> - At least 5% of market income is used for investments in the market. - At least 70% of customers are satisfied with the new services offered by the market. 	<ul style="list-style-type: none"> - Final evaluation - Project status reports - Inspection visits - Registration of the market logo and trademark - Legal document on conflict resolution between the Municipality and the stallholders - Opinion poll - Municipal accounting records - Consultants' reports - Market insurance policy 	<ul style="list-style-type: none"> - Municipal financial resources are available as planned. - Bidding for works and services takes place within normal time frames.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> - At least 80% of stallholders are satisfied with the promotional activities carried out by market management. - At least 90% of stallholders abide by the new rate plan. 		
II. Revitalization of the commercial activity of the market.	<p>By month 24 of the project:</p> <ul style="list-style-type: none"> - At least 80% of the stallholders are satisfied with the promotional activities carried out by ASIMA. - 50% of stallholders apply the management principles in which they received training. - ASIMA has a business plan under way. - 30% of stallholders enjoy better relations with their suppliers. - 20% of merchants carry out joint commercial activities. - Façade of the market building remodeled. <p>By the end of the project:</p> <ul style="list-style-type: none"> - 90% of stallholders apply the management principles in which they received training. - 70% of the ASIMA business plan carried out satisfactorily. - 60% of stallholders enjoy better relations with their suppliers. - 35% of merchants carry out joint commercial activities. 	<ul style="list-style-type: none"> - Final evaluation - Project status reports - Opinion poll - Consultants' reports - Inspection visits - ASIMA reports 	<ul style="list-style-type: none"> - The stallholders obey the rules governing ownership of their stalls. - Municipal financial resources are available as planned. - Bidding for works and services takes place within normal time frames.

Objectives	Indicators	Means of verification	Assumptions
<p>III. Dissemination and scalability of the initiative.</p>	<p>By the end of the project:</p> <ul style="list-style-type: none"> - At least 30 retail markets in the region are aware of the importance of adapting to new consumption patterns. - The audiovisual materials have been shown in at least 10 events. - The analysis of project experience has been presented in at least 3 events. 	<ul style="list-style-type: none"> - Final evaluation - Project status reports - Audiovisual materials - Inspection visit to the event - Document analyzing the experience - List of participants in the regional event - Documentation on attendance and presentations at international events (invitation, presentations, agenda, etc.) 	

ANNEX II - ITEMIZED BUDGET

Alajuela Retail Market as an Engine of Economic Growth and Social Revitalization

(CR-M1013)

COMPONENTS - ACTIVITIES	MIF	LOCAL CONTRIBUTION		TOTAL
		CASH	KIND	
I. Upgrading and strengthening of financial and commercial management of the market	\$355,000	\$164,000	\$20,000	\$539,000
I.1. Design, implementation, and monitoring of a plan to improve and modernize the market, including the business mix, dimensioning, design of sections, and commercial and financial plan	\$120,000			\$120,000
I.2. Review, updating, and implementation of the municipal market regulations	\$5,000	\$14,000	\$5,000	\$24,000
I.3. Redefinition of the existing commercial space inside the market	\$20,000		\$10,000	\$30,000
I.4. Development and monitoring the market's commercial strategy (common trademark, logo, communications, promotion, etc.)	\$60,000			\$60,000
I.5 Implementation of market promotion activities	\$45,000	\$10,000		\$55,000
I.6. Development, implementation, and monitoring of new services to adapt the market to new purchasing patterns	\$50,000	\$10,000		\$60,000
I.7. Development and implementation of the market signage plan	\$10,000	\$20,000		\$30,000
I.8. Development and implementation of the market safety and hygiene plan	\$5,000	\$5,000		\$10,000
I.9. Development and implementation of supply and waste management plans	\$5,000	\$25,000		\$30,000
I.10. Development of program sustainability strategies			\$5,000	\$5,000
I.11. Design and improvement of critical infrastructure for market management		\$80,000		\$80,000
II.12. Strategic and business plans for the development of the open-air shopping center around the market	\$27,000			\$27,000
II.13. Sensitization and workshops to present the advantages of the open-air shopping center	\$8,000			\$8,000
II. Revitalization of the commercial activity of the merchants	\$206,000	\$5,000	\$20,000	\$231,000
II.1 Strengthening ASIMA and raising the awareness of the stallholders (training, business plan, organization, bylaws, commercial management, and communications strategy)	\$10,000			\$10,000
II.2. Diagnostic studies and proposals for better management of business and supply chains for small market merchants. Includes the baseline		\$5,000	\$10,000	\$15,000
II.3. Implementation of training in commercial and supply chain management for small market merchants	\$35,000		\$10,000	\$45,000
II.4. Technical assistance for stallholders	\$35,000			\$35,000
II.5. Competitive fund for implementing partnering projects	\$20,000			\$20,000
II.6. Market promotion activities	\$10,000			\$10,000
II.7. Annual polls of market customer and merchant satisfaction	\$12,000			\$12,000
II.8. Marketing manager	\$84,000			\$84,000
III. Dissemination and scalability of the initiative	\$54,000	\$15,000	\$10,000	\$79,000
III.1. Production of a publication on the experience, including case studies	\$5,000		\$5,000	\$10,000
III.2. Documentary on the project experience	\$14,000			\$14,000
III.3. Regional meeting of municipal retail market representatives	\$25,000	\$15,000	\$5,000	\$45,000
III.4. Presentation of the outcomes at related events	\$10,000			\$10,000
Administration, auditing, and contingencies	\$54,635	\$10,200	\$82,800	\$147,635
Project director			\$82,800	\$82,800
Equipment	\$5,000			\$5,000
Financial auditing	\$8,000			\$8,000
Final evaluation	\$15,000			\$15,000
Contingencies	\$26,635	\$10,200		\$36,835
SUBTOTAL	\$669,635	\$194,200	\$132,800	\$996,635
Impact evaluation fund	\$3,365			\$3,365
TOTAL	\$673,000	\$194,200	\$132,800	\$1,000,000
	67%	19%	13%	100%
		33%		