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MULTILATERAL INVESTMENT FUND

ECUADOR

**SUSTAINABLE ECONOMIC DEVELOPMENT IN THE COASTAL
ZONE OF THE PROVINCE OF GUAYAS**

(EC-M1028)

DONORS MEMORANDUM

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ABBREVIATIONS

CEREPS	Special Account for Productive and Social Revitalization, Scientific and Technological Development, and Fiscal Stabilization
CESI	Committee on Environment and Social Impact
PMRC	Coastal resource management program

SUSTAINABLE ECONOMIC DEVELOPMENT IN THE COASTAL ZONE OF THE PROVINCE OF GUAYAS

(EC-M1028)

I. EXECUTIVE SUMMARY

Executing agency:	Fundación LANN-NOBIS		
Beneficiaries:	The direct beneficiaries include: (i) at least 300 microentrepreneurs (90 fishermen, 120 tourism entrepreneurs, 90 craftspeople) whose competitive capacity will be enhanced in terms of quality and market penetration; (ii) at least ten individuals in the tourism departments of the three municipalities, who will be trained to promote the province of Guayas as a tourist destination on domestic and international markets; (iii) approximately 600 individuals, who will be made aware of the project's results and benefits; and (iv) the local population of the three municipalities that will benefit from the pilot projects mitigating the negative impacts generated by the hydrocarbon activity and the overexploitation of other resources.		
	Modality	Nonreimbursable	(Facility III-A)
Financing:	MIF	US\$ 945,000	(63%)
	Executing agency:	US\$ 550,000	(37%)
	Total:	US\$1,495,000	
Objectives:	The project's general objective is to create new market opportunities and to increase the competitiveness of microenterprises and small businesses in Guayas province. The purpose is to develop a strategy and model to promote the coastal microregion in Guayas in order to improve the productivity of microenterprises and small businesses in the fishing, tourism, and craft sectors, based on business partnerships and sustainable natural resource management.		
Execution timetable:	Execution period:	36 months	
	Disbursement period:	42 months	
Special contractual clauses:	As a condition precedent to the first disbursement of Bank resources, the executing agency will be required (i) to present the project Operating Regulations as agreed with the Bank; and (ii) to select the Project Director.		

**Environmental
and social
review:**

The Committee on Environment and Social Impact (CESI) reviewed and approved the project summary on 29 September 2006 (meeting 38-06). The committee suggested that the document provide further details on the environmental situation in the project area (see paragraphs 2.1 to 2.3). It was also suggested that the project use the project's consultative committee as a forum for influencing other actions linked to economic development in the microregion, such as land management and land usage standards as key tools for sustainable tourism development (see paragraphs 3.4 and 3.8).

II. BACKGROUND

A. Economic situation in the coastal region¹

- 2.1 The coastal region of Guayas province is a narrow stretch along Ecuador's western coast that runs from around the Santa Elena peninsula in the south to Manabí in the north. The most representative productive activities in the microregion are currently fishing and aquaculture (shrimp), mining (oil and salt), crafts, and tourism. Its natural resources (beaches and coastal forests) and cultural resources (archeology, traditions, gastronomy, etc.) are tourist attractions that the municipalities are eager to promote as high priority alternatives that benefit local communities in the short term.

B. Environmental situation in the coastal region

- 2.2 The coastal region is one of the Ecuadorian coast's most diverse areas in terms of wildlife. Unfortunately, the mass tourist flow to the microregion during just three months of the year is causing environmental damage that is worsening over time, due to contamination by sewage and buildup of solid waste, overuse of land and increased erosion, encroachment of urban areas at the expense of forests and beaches, overexploitation of natural resources, and the social problems associated with overcrowding. The oil industry and related activities, as well as aquaculture (culture of shrimp larvae), are seriously jeopardizing environmental protection in the area.
- 2.3 Water pollution, the vulnerability of local flora and fauna, inappropriate use of public space and construction along the beach are among the primary problems affecting the area. Considering these problems and the increased flow of tourists, the environmental problems could grow worse. Talks are currently under way between the Ministry of the Environment and the local municipalities to establish a protected area near the Santa Elena peninsula. This protected area will include the ocean and the coastal area south of the peninsula, and will require changes in business activity and environmental compliance to prevent damage in the protected area.
- 2.4 In 2006, the Ministry of the Environment (MAE) will receive approximately US\$30 million for social and environmental remediation,² which is understood as all activities to further the conservation of the country's natural capital or to prevent, compensate for, and/or recover losses of human, social, or natural capital attributable to the spillover effects of hydrocarbon and mining operations carried

¹ With Italian Fund resources, MIF hired a consulting firm to analyze this part of the country in order to identify economic opportunities that could be developed.

² In 2005, with the reform of the Fiscal Accountability, Stabilization, and Transparency Act (LOREYTF), the government is committed to reallocating resources from heavy crude surpluses, thus allocating 5% of the MAE's Special Account for Productive and Social Revitalization, Scientific and Technological Development, and Fiscal Stabilization (CEREPS), "for the development of environmental and social remediation plans in areas impacted by hydrocarbon and mining activities of the State that have generated environmental liabilities legally enforceable against the latter as of the date on which the act was amended."

out exclusively by public sector enterprises. Decades of oil drilling and exploration in the coastal area have had a significant negative impact on the environment and local economic opportunities. Thus, there is now a chance for the MAE to use resources from the Special Account for Productive and Social Revitalization, Scientific and Technological Development, and Fiscal Stabilization (CEREPS) to rescue the coastal area and remediate the adverse environmental and social impacts.

C. Economic challenges in the region for small business

- 2.5 There is no common policy or strategy for integrated development of the three cantons in the area (Santa Elena, Salinas, and La Libertad). Each has its own policy and the absence of any interaction between them considerably limits development opportunities, especially for tourism. The issue of tourism should be on the municipalities' development agendas, with clear policies, objectives, and resource allocation, in addition to coordinating with regional and national tourism policy.
- 2.6 The most significant points about the area's business system can be summarized as follows: (i) the area's economic development is largely influenced by the country's largest city (Guayaquil), which represents an enormous market; (ii) the economic sectors face difficulties related to their competitive advantages with respect to other parts of the country, especially due to the lack of business partnerships; (iii) the fishing and crafts sectors are still based on very small-scale, traditional activities with problems strengthening their products (quality, processing, etc.) and with marketing, in particular, while tourism has not developed any products, but rather simply a few natural attractions (sea and sand), drawing especially seasonal and weekend tourists from Guayaquil; and (iv) local and national institutions are working in a focused manner on specific projects without an overarching vision of the area and without collaborative development efforts.
- 2.7 In 2004, Fundación LANN-NOBIS and Fundación Odebrecht started a small project for the sustainable development of two districts in the coastal area. The intervention methodology is based on a social, environmental, and productive methodology that Fundación Odebrecht has been using in a region in the southern part of the State of Bahia, Brazil.³ An important aspect of the methodology is the organization of producers into communities and the promotion of partnerships between the various microenterprises.

D. Project rationale

- 2.8 Although management in the public and private sectors acknowledges the value of natural and cultural resources (beaches, forests, archeology, spas), and the potential of the peninsula's coastal area has been noted, little has been done to promote the market in a more strategic way. Controversial and environmentally negative activities for tourism (fishing, aquaculture, industry) and urban sprawl have led to

³ In September of this year, MIF approved *Support for Environmentally Sustainable Integrated Production* (ATN/ME-10007-BR) in Brazil, a project that the same methodology and in which Fundación Odebrecht is participating.

the general deterioration of its image as a destination and are a disincentive for investment.

- 2.9 Due to its weather (cloudy months) and location (without access to an international airport), the coastal region will not be a destination selected by large tourism chains. Nevertheless, it is a viable destination for domestic tourism, representing economic opportunities for microenterprises and small businesses in the microregion. The microenterprises and small businesses are viewed as an economically dynamic alternative by public and private institutional actors for purposes of training and strengthening the area's various entrepreneurs, and a measure of program consistency is required by the institutional actors that are working without coordination.

E. Proposed project

- 2.10 In view of the foregoing, the key to the economic development strategy for the coastal region will be to strengthen the organizational and productive capacities of local microentrepreneurs. An important aspect of this project is the focus on the participation of different actors in the area (public and private) in creating a strategic partnership that will operate systematically to improve the competitiveness of product supply and quality. Economic development could be encouraged through the stimulus from tourism, to the benefit of tourism entrepreneurs (e.g., hotels, restaurants, etc.), but would also increase demand for local products (crafts, fish, etc.) not only among tourists, but also among the local population.
- 2.11 The project aims to encourage interaction among local participants (microenterprises, public sector, and civil society) in order to: (i) encourage the population to remain in the area by creating economic activity; and (ii) stimulate the organization of networks of microenterprises and small businesses to improve product quality and their ability to position themselves in the market. The project offers an integrative approach for the coastal microregion, based on its structuring as a cluster, i.e. a conglomerate that facilitates correlated economic development options and sustains itself by projecting a local identity that will ultimately make it a visible part of the coastal region market.
- 2.12 As a mechanism for remedying environmental impacts, the MAE is interested in using the abovementioned CEREPS resources as a counterpart contribution to this project, to promote the local economic development of microenterprises and small businesses located in the coastal area of Guayas province, with the explicit objective of environmentally sustainable development. With this ministry's financial participation, this project will be an innovative model for countries interested in tapping the surpluses or royalties paid by a third party as a nonreimbursable resource that could be used for the economic development of the impacted areas.

F. Related Bank projects

- 2.13 The Coastal Resource Management Project (PMRC) supported by the Bank (1531/OC-EC) has activities in the project area. It is focused more specifically on the conservation of coastal resources. The PMRC works with the fishing sector, although it deals primarily with large fleets, and its focus is also aimed more at conservation of fish stocks in order to avoid overexploitation. The PMRC is establishing a competitive fund for productive projects that include tourism products development and promotion of artisanal fishing. The competitive fund will finance equipment and infrastructure costs, so that some complementarity is expected with this new project, given its focus on the development of microenterprises through training and technical assistance, which are not activities included in the PMRC. In addition, one of the PMRC's core activities is turned to better land management and planning of coastal space, which will contribute to responsible tourist sector development and other improvements. To ensure such coordination, a representative of the PMRC will sit on the project consultative council (see paragraph 5.4).

III. PROJECT OBJECTIVES AND COMPONENTS

A. Project objectives

- 3.1 The project's general objective is to create new market opportunities and to increase the competitiveness of microenterprises and small businesses in Guayas province. The purpose is to develop a strategy and model to promote the coastal microregion in Guayas in order to improve the productivity of microenterprises and small businesses in the fishing, ecotourism, and craft sectors, based on business partnerships and sustainable natural resource management.
- 3.2 To achieve these objectives, the project will include the following components: (i) organizational and productive capacity building; (ii) promotion of environmentally sustainable production; (iii) marketing support and product and services marketing; and (iv) strengthening of the institutional setting and dissemination of outcomes.

B. Project components

Component I. Organizational and productive capacity building (MIF: US\$332,450; local contribution: US\$0)

- 3.3 This component is ultimately aimed at implementing a set of actions to build the competitive capacity of the area's microenterprises and small businesses. To do so, this component includes the following activities: (i) a strategic study for tourism development; (ii) a study on productive diversification; (iii) development of training materials; (iv) training for trainers; (v) administrative training for microentrepreneurs; (vi) technical training for fishermen; (vii) technical training for craft workers; (viii) training for ecotourism entrepreneurs; and (ix) technical assistance for microenterprises and small business in the project's microregion.

- 3.4 Among the initial project activities will be an analysis of economic opportunities linked to the three sectors identified (ecotourism, fishing, and crafts). As part of the analysis, a series of new products or services will be established and offered on the local market to respond to existing and/or potential demand. Potential barriers to marketing that bear watching will also be identified. We also expect to identify potential policies the public sector could support to help promote business activities, contribute to tourism management, and possible rules on land use. These additional outcomes will be included in the consultative committee discussions (see paragraphs 3.12 and 5.4).
- 3.5 The key elements of the training curriculum include business associations, production chains, business administration, and more technical issues related to the three main sectors. The training of local consultants (training for trainers) in the various courses is planned as a mechanism for building local capacity so that a group of local experts will be available to provide technical assistance to microenterprises and small businesses.
- 3.6 Training courses will be offered to microenterprises and small businesses to strengthen them individually and especially as associations. After receiving training, technical assistance will be provided to microenterprises and small businesses that need to refine their skills and knowledge. To do so, consultants assigned to the two local project offices (La Entrada and Santa Rosa) would be hired (see paragraph 5.3).

Component II. Promotion of environmentally sustainable production (MIF: US\$40,000; local contribution: US\$382,800)

- 3.7 The purpose of this component is to encourage the development of an eco-friendly process able to mitigate the area's current environmental problems. This component is strategically important for creating a local environmental culture that serves as a grassroots philosophy for local economic development focused also on tourism supply. To this end, the following activities are planned: (i) an ecofriendly code of conduct for microenterprises in the microregion; (ii) environmental training and awareness; (iii) support for environmental initiatives; and (iv) informational materials on the connection between the private sector and the environment.
- 3.8 This involves defining environmental regulations applicable to all microenterprises participating in the project. Considering that the three sectors involved in the project (tourism, fishing, and crafts) have quite different characteristics, the code of conduct will include basic activities for microenterprises in each economic sector such as the processing of chemical and solid waste. Workshops will be held with different stakeholders to discuss and validate the code so that it can be developed. After defining the ecofriendly code, an intense awareness campaign and training activities will be undertaken with microenterprises in order to disseminate the code among all project participants, local institutions, and rural communities in general. The awareness efforts aimed at the municipalities will have the specific objective of encouraging them to integrate the code into their policies and legislation.

- 3.9 Using nonreimbursable resources from the MAE, financing will be provided to small business initiatives with environmental benefits. These resources are to finance the equipment and infrastructure necessary for microenterprises and small businesses to be able to improve their market opportunities while in turn ensuring measures to mitigate social and environmental impacts. The entities eligible to request funds include groups of microenterprises and small businesses, NGOs, universities, and municipalities. Financing will be provided for a maximum of 80% of the loan amount. There are expected to be at least 12 initiatives supported by this facility to demonstrate how to reconcile economic development and environmental conservation. There will be a specific selection committee for the facility, with representatives of the MAE, the executing agency, and a local entity.

Component III. Marketing support for products and services (MIF: US\$158,520; local contribution: US\$26,000)

- 3.10 In order to encourage activities promoting and marketing the area's products and services, a series of specific actions will be taken to target international, domestic, and local (especially Guayaquil) markets. The specific objective is to augment product sales while increasing revenues for project participants. This component includes the following activities: (i) designing a collective, shared image and quality regulations; (ii) an awareness campaign to build a sense of ownership of the brand; (iii) developing a marketing strategy (fishing and crafts); (iv) developing informational materials; (v) travel and educational workshops; and (vi) participating in trade shows.

Component IV. Strengthening the institutional setting and dissemination of outcomes. (MIF: US\$120,300; local contribution: US\$44,400)

- 3.11 This component has two distinct objectives: to create a favorable institutional setting for the project and for economic development in the coastal microregion; and to disseminate the project outcomes. To accomplish this aim, the following activities are planned: (i) organizing a consultative committee; (ii) launching the project; (iii) holding promotional events; and (iv) building local capacity and sharing experiences.
- 3.12 The consultative committee will be a forum for ensuring coordination between the various initiatives and entities in the project area (see paragraph 5.4). At the outset of the project, the project director will prepare a business plan for the consultative committee. More specific training courses are planned for officials of local public entities, in order to help find specific actions that municipalities and other public entities may be taking to complement the project activities. Moreover, to build local capacities and support the executing agency, an international expert experienced in microregion development will be hired to help handle the interinstitutional partnership and support the project's strategy and actions. The consultative committee is expected to become a permanent interinstitutional entity upon project completion.

IV. PROJECT COST AND FINANCING

- 4.1 The cost of the project is estimated at US\$1,495,000. MIF will contribute US\$945,000 (63%), in nonreimbursable funding, and the balance of US\$550,000 (37%) will need to be contributed by the local counterpart and is the responsibility of Fundación LANN-NOBIS. A significant portion of the counterpart resources is expected to come from the MAE and its CEREPS resources.

Table 1. Budget by component (in US\$)

Components	MIF	Local contrib..	Total	%
I. Organizational and productive capacity-building	332,450	--	332,450	22.2
II. Promotion of environmentally sustainable production	40,000	382,800	422,800	28.3
III. Marketing support for products and services	158,520	26,000	184,520	12.3
IV. Strengthening the institutional setting and dissemination of outcomes	120,300	44,400	164,700	11.0
Project management	152,000	94,610	246,610	16.5
Evaluations	50,000	--	50,000	3.3
Financial audits	15,000	--	15,000	1.0
Contingencies	76,730	2,190	78,920	5.3
Total	945,000	550,000	1,495,000	100.0
Percentage	63%	37%		

- 4.2 **Sustainability.** The project is expected to achieve sustainability in two principal ways: training activities and the demonstration effect. Training activities are intended to strengthen links between microenterprises and small businesses and should help improve their productivity and sustainability. In addition, the microenterprises and small businesses will receive support for greater access to new markets, which will help enhance their position for sustainability and growth. The second aspect of sustainability is the demonstration effect and the opportunity to replicate the model among other producers. This will be a pilot project for a select group of producers that could be replicated in the area where it is implemented, or in other parts of the country.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing agency

- 5.1 The executing agency will be Fundación LANN-Consorcio Noboa. The foundation was created in 1998, by a consortium of companies in various sectors, as a nonprofit organization for the purpose of executing social projects for external communities of people with limited resources living in Ecuador. Its actions fall within a strategy of corporate social responsibility and responsibility in national development.

B. Execution mechanism

- 5.2 Operating Regulations establishing the scope, terms, and conditions of use of project resources will govern project execution. A project director and an administrative assistant will administer the project. The director will be supervised by the technical director of Fundación LANN-NOBIS.
- 5.3 To address local needs and demands in the project area, two local offices are planned. One will be located in the north of the area, in La Entrada, and the other will be located in the south, in Santa Rosa. The La Entrada office has already been set up for Fundación LANN-NOBIS's project with Fundación Odebrecht (see paragraph 2.12). The consultants hired to provide training and technical assistance to the microenterprises and small businesses will be located in both offices (see paragraph 3.6).
- 5.4 The project will have a consultative committee made up of representatives of the various key public and private entities in the project area. These include: MAE; the Ministry of Tourism (MINTUR); the Ministry of Foreign Trade, Industry, Fisheries, and Competitiveness (MICIP); the Municipalities of Salinas, La Libertad, and Santa Elena; the Rural Promotion Center (CPR); the Santa Elena Peninsula Chamber of Commerce; Escuela Superior Politécnica del Litoral (Coastal Polytechnic Institute) (ESPOL); Fundación Natura; Coastal Resources Management Program (PMRC); and Fundación LANN- NOBIS. The consultative committee will meet twice annually to: (i) review and make recommendations on the annual working plans submitted by the project director; and (ii) review the activities undertaken and, as applicable, make additional recommendations.
- 5.5 **Procurement of goods and consulting services.** Goods will be procured by the executing agency in accordance with the Policies for the procurement of works and goods financed by the IDB (document GN-2349-7). Consulting services will be procured in accordance with the relevant Bank procedures as specified in its Policies for selection and contracting of consultants financed by the IDB (document GN-2350-7). Individual consultants, who will be selected based on quality and cost and any of the competitive methods established in this policy, will also be hired. The selection and hiring processes for contracts in amounts of less than US\$50,000 will be subject to ex post review by the Bank, except for the first three procurement procedures, which will be subject to ex ante review. The procedures must ensure transparent, competitive processes, at the most economical price. The technical files include the proposed Procurement Plan, which must be reviewed annually.

VI. MONITORING AND EVALUATIONS

A. Oversight and monitoring

- 6.1 The Bank's Country Office in Ecuador will be responsible for oversight and control activities, monitoring compliance with contractual clauses, processing disbursement requests, and receiving audited financial statements. The executing agency will

submit semiannual status reports to the Bank's Country Office, in accordance with the Bank's standard reporting requirements. A closing workshop will be scheduled for the end of execution, in order to evaluate the outcomes achieved and the actions required to increase the project's impact.

B. Evaluations

- 6.2 The project baseline and two evaluations will be conducted. The executing agency will hire a consultant to develop a baseline at the start of the project. The Bank, in collaboration with the executing agency, will hire consulting firms to perform the two evaluations. The midterm evaluation will be conducted 18 months into the project, or when one half of the MIF contribution has been disbursed, whichever comes first. The final evaluation will take place three months prior to completion of the project.
- 6.3 In order to assess the project's outcomes and impacts, a project baseline study will be conducted. In particular, the baseline will include at least the following information: (i) the number of enterprises in the project area; (ii) the average size (billing and number of workers); (iii) the products and services offered; (iv) capital invested; (v) technology used; (vi) financing obtained; and (vii) microenterprise-specific needs.
- 6.4 The midterm evaluation will be conducted 18 months into the project, or when one half of the MIF contribution has been disbursed, whichever comes first. The important points to consider in the midterm evaluation include: (i) the extent to which scheduled activities have been carried out and attainment of the midterm indicators described in the logical framework; (ii) the efficiency and quality of the service the consultants provide to the beneficiaries; (iii) the effectiveness of the actions to promote and establish dynamic production chains; and (iv) beneficiary satisfaction.
- 6.5 The final evaluation will be performed three months prior to project completion. The final evaluation will consider: (i) the sustainability of the project; (ii) the dynamism of the production chains; (iii) the types of beneficiary cooperatives and associations and the number of beneficiary companies that adopt environmentally sustainable processes; and (iv) the outcomes indicators described in the logical framework (financial sustainability of each cooperative, volume and sales prices of project-supported outputs, commercial channels, income of beneficiaries and their families).

VII. PROJECT BENEFITS AND RISKS

A. Benefits

- 7.1 The benefits are directly related to the type of activities making up this project. In particular, the following benefits are anticipated: (i) building the competitive capacity of microenterprises in the area, by increasing product quality, diversifying production, and creating new markets for sales; (ii) increasing economic revenues

for microentrepreneurs; (iii) designing and implementing an interinstitutional model that involves public and private institutions, civil society, and local populations, and allows economic development in a depressed microregion; and (iv) heightening environmental awareness among key participants and local communities.

B. Risks

- 7.2 During project preparation, two main risks were identified. The first is the risk that the project is based on interinstitutional collaboration, which represents one of the principal elements of value-added and a key consideration for its sustainability. It is possible that one of the organizations involved could affect the proper operation of the interinstitutional partnership. *Mitigating factor:* To mitigate this risk, the project's consultative committee plans to include a variety of local actors in order to ensure proper representation of interests and strengths to avoid dependence on any one particular entity. The second risk is that the local producers, microenterprises, and small businesses may have difficulties coordinating efforts and working in partnerships. *Mitigating factor:* To demonstrate the benefits of partnership development, the project will include several awareness-building activities that will include specific experiences in other regions to explain to local enterprises the importance and advantages of working together. The project will also begin its execution with basic activities to organize the producers into associations and production chains.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 Water pollution, the vulnerability of local flora and fauna, inappropriate use of public spaces, and construction along the beach are the main problems affecting the area. Considering this and the fact that an increase in tourist flows could aggravate the environmental problem, the project will include training and environmental awareness activities, and other actions specific to environmental protection and management. Therefore, the project would contribute to improving the environmental impacts in the region by raising awareness among different segments of the economy on the importance of the environment and countryside for all sectors of the economy, particularly tourism and those sectors that depend indirectly on tourism. The project would generate new job opportunities, and thus the operation is expected to have a positive indirect social impact.

**SUSTAINABLE ECONOMIC DEVELOPMENT IN THE COASTAL ZONE OF THE PROVINCE OF GUAYAS
(EC-M1028)
LOGICAL FRAMEWORK**

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
The objective is to create new market opportunities and to increase the competitiveness of microenterprises and small businesses in Guayas province.	<p>Two years after project completion:</p> <ul style="list-style-type: none"> • An increase of at least 100% in product sales. • An increase of at least 100% in the number of tourists spending a night in the territory. • 300 direct new jobs in microenterprises and small businesses. 	<ul style="list-style-type: none"> ▪ Surveys and ex post review carried out by the executing agency. 	The economic and political conditions that could affect the country and Guayas province remain stable.
Purpose			
To develop a strategy and model to promote the coastal microregion in Guayas in order to improve economic opportunities for microenterprises and small businesses in the fishing, tourism, and craft sectors, based on the sustainable natural resource management.	<p>Upon project completion:</p> <ul style="list-style-type: none"> • At least one organized production chain for each of the three main sectors (fishing, tourism, and crafts). • At least three new products or services on the market and at least 20 new tourism packages offered. • At least five new favorable municipal policies implemented for environmentally sustainable economic development. 	<ul style="list-style-type: none"> ▪ Baseline and monitoring of indicators. ▪ Midterm and final evaluations. ▪ Minutes of the various awareness workshops. ▪ Local surveys as part of the ex post review. 	There is a commitment to participation by the primary actors influencing the operation of the Ruta del Sol (Route of the Sun).

Narrative summary	Indicators	Means of verification	Assumptions
Components			
1. Organizational and productive capacity-building	<ul style="list-style-type: none"> • Nine months from project startup, a common strategy has been established for tourism development and productive diversification for the fishing, tourism, and craft sectors. • Fifteen months into the project, at least nine trainers and at least 300 microentrepreneurs have been trained. • Upon project completion, assistance has been provided to the 300 participating microentrepreneurs. 	<ul style="list-style-type: none"> ▪ Monitoring system reports and baseline. ▪ Progress reports and final report by executing agency. ▪ Midterm and final evaluations by external consultant. ▪ Attendance records in project database and minutes of events. 	The institutions, microenterprises, and small businesses maintain interest in participating in the project.
2. Promotion of environmentally sustainable production	<p>By the end of year one of the project:</p> <ul style="list-style-type: none"> - At least two environmental initiatives have been implemented in the project area. <p>By the end of year two:</p> <ul style="list-style-type: none"> - At least four environmental initiatives have been implemented in the project area. <p>By the end of year three:</p> <ul style="list-style-type: none"> - At least six environmental initiatives have been implemented in the project area. - At least 2,000 individuals and 300 microenterprises and small businesses have participated in environmental awareness activities. 	<ul style="list-style-type: none"> ▪ Progress reports and final report from executing agency. ▪ Midterm and final evaluations of external consultant. ▪ Training event records in project database. 	The institutions, microenterprises, and small businesses concerned participate in the environmental stewardship policy.

Narrative summary	Indicators	Means of verification	Assumptions
<p>3. Marketing support for products and services</p>	<p>By the end of year two:</p> <ul style="list-style-type: none"> - A collective image (brand), quality regulations, and a new marketing strategy have been developed. - At least 300 microentrepreneurs and small business owners have been made aware of the brand and its regulations. <p>Upon project completion:</p> <ul style="list-style-type: none"> - At least 20 domestic tour operators are informed about the project area. 	<ul style="list-style-type: none"> ▪ Progress reports and final report of executing agency. ▪ Midterm and final evaluations of external consultant. 	<p>The national economy and particularly, the Guayaquil economy, continue growing in such a way that there is a demand for goods and services.</p>
<p>4. Strengthening the institutional setting and dissemination of outcomes</p>	<p>Upon project completion:</p> <ul style="list-style-type: none"> - A permanent interinstitutional partnership is established related to the development of the coastal region of the project area, including representatives of the public and private sectors, civil society, and donors. - At least 600 members of civil society are made aware of the project's outcomes and benefits. 	<ul style="list-style-type: none"> ▪ Analysis reports. ▪ Progress reports and final report of executing agency. ▪ Midterm and final evaluations of external consultant. ▪ Informational material produced. 	<p>The availability to participate in the project remains uniform throughout execution.</p> <p>The parties involved participate and provide information in due time and form.</p>

Narrative summary	Indicators	Means of verification
Activities		
<p>1.1 Conduct a study on tourism development for the coastal region</p> <p>1.2 Conduct a strategic study of productive diversification</p> <p>1.3 Develop training materials</p> <p>1.4 Train trainers</p> <p>1.5 Train microentrepreneurs and small business operators in the project area</p>	<ul style="list-style-type: none"> - A study conducted and disseminated among interested parties by the end of the first six months of execution. - A study conducted and disseminated among interested parties by the end of the first six months of execution. - Training materials are developed and available by the end of month six. - At least nine trainers are trained by month ten of the project. <p>Fifteen months into the project:</p> <ul style="list-style-type: none"> - Six courses in administration for microentrepreneurs are organized with 25 participants each. - One technical training course for fishermen is organized with 30 participants. - Two technical training courses for craft workers are organized with 30 participants each. - One technical training course for tourism entrepreneurs is organized with 30 participants. <p>Twenty months into the project:</p> <ul style="list-style-type: none"> - Six courses in administration for microentrepreneurs are organized with 25 participants each. - Two technical training courses for fishermen are organized with 30 participants each. - Two technical training courses for craft workers are organized with 30 participants each. - Two technical training courses for tourism entrepreneurs are organized with 30 participants each. 	<ul style="list-style-type: none"> ▪ Reports of the studies ▪ Copy of training material ▪ Documents confirming execution of the course for trainers (record of participation).

Narrative summary	Indicators	Means of verification
1.6 Provide technical assistance to microenterprises and small businesses in the project area	At least 300 microenterprises and small businesses receive assistance and training in production.	
2.1 Support environmental initiatives. 2.2 Design and implement an ecofriendly code of conduct for microenterprises and small businesses in the project area. 2.3 Develop an “Environmental Bulletin” as part of the foundation’s newsletter.	<ul style="list-style-type: none"> - Eighteen months into the project, four competitions have been launched for the selection of at least two initiatives per competition, submitted by local institutions and financed with project resources. - A code of conduct is developed by the end of year one of the project and at least 36 training workshops are conducted per year for microenterprises and small businesses interested in implementing the code. - At least 12 quarterly bulletins are issued by the end of the project. 	<ul style="list-style-type: none"> ▪ Documentation of publication of the competitions, project proposals, and contracts with the selected entities. ▪ The code of conduct document ▪ Informational materials used in awareness activities. ▪ Copy of the “Environmental Bulletin.”
3.1 Design a collective, shared image and quality regulations (branding strategy). 3.2 Raise awareness to create a sense of ownership of the brand. 3.3 Marketing strategy (fishing and craft sectors). 3.4 Develop informational material for the Ruta del Sol image. 3.5 Hold workshops with tour operators. 3.6 Participate in tourism and craft trade shows.	<ul style="list-style-type: none"> - Eighteen months into execution, the quality regulations for the coastal region brand are developed and agreed upon by interested parties. - Twenty months into execution, the interested parties are aware of the branding strategy; - Twenty months into execution, the design of the marketing strategy is complete and available. - Two years into execution, the promotional, advertising, and marketing materials are developed and distributed. - Twenty-four months into the project, two workshops have been organized with tour operators, and by month 36, a total of four workshops have been organized with tour operators and news reporters. - A stand is developed for the project area’s image (coastal region) and project staff participates in at least two trade shows during the last year of the project. 	<ul style="list-style-type: none"> ▪ Project reports (brand and regulations, marketing strategy) ▪ Material produced for brand awareness activities, and workshops held with tour operators (including photographs) ▪ Website active and verifiable.

Narrative summary	Indicators	Means of verification
<p>4.1 Organize and train the consultative committee.</p> <p>4.2 Launch the project.</p> <p>4.3 Hold dissemination events.</p> <p>4.4 Build local capacities and exchange experiences.</p>	<ul style="list-style-type: none"> - The consultative committee is formed and meeting three months into execution. - The launch seminar is held three months into execution. - Three events are held, one each year, with approximately 200 participants per event. - Ten public sector representatives are trained in management of protected areas. Seminars are held at the end of year one, four seminars by the end of year two, and six by the end of the project. 	<ul style="list-style-type: none"> ▪ Materials produced for the seminars and event, including photographs. ▪ Project reports produced.

**SUSTAINABLE ECONOMIC DEVELOPMENT IN THE COASTAL ZONE OF THE
PROVINCE OF GUAYAS
(EC-M1028)**

ITEMIZED BUDGET

	MIF	Local contribution				Total
		Fundación LANN		Ministry of the Environment		
		Cash	In kind	Cash	In kind	
Coordination and logistics	152,000	10,650	83,960	0	0	246,610
Staff	152,000	0	38,000	0	0	190,000
Logistics	0	10,650	45,960	0	0	56,610
Component 1. Organizational and productive capacity building	332,450	0	0	0	0	332,450
1.1 Conduct a strategic study on tourism development for the coastal region	40,000	0	0	0	0	40,000
1.2 Conduct a strategic study of productive diversification	45,000	0	0	0	0	45,000
1.3 Develop training materials	129,850	0	0	0	0	129,850
1.4 Train trainers	0	0	0	0	0	0
1.5 Train microentrepreneurs and small business operators in the project area	0	0	0	0	0	0
1.6 Provide technical assistance to microenterprises and small businesses in the project area	117,600	0	0	0	0	117,600
Component 2. Promotion of environmentally sustainable production	40,000	0	24,000	358,800	0	422,800
2.1 Support environmental initiatives	0	0	0	254,200	0	254,200
2.2 Design and implement an ecofriendly code of conduct for microenterprises and small businesses in the project area	40,000	0	0	104,600	0	144,600
2.3 Develop an “Environmental Bulletin” as part of the Foundation’s newsletter	0	0	24,000	0	0	24,000
Component 3. Marketing support for products and services	158,520	26,000	0	0	0	184,520
3.1 Design a collective, shared image and quality regulations (branding strategy)	30,000	0	0	0	0	30,000
3.2 Raise awareness to create a sense of ownership of the brand	6,000	0	0	0	0	6,000
3.3 Marketing strategy (fishing and craft sectors)	30,000	0	0	0	0	30,000
3.4 Develop informational material	83,000	0	0	0	0	83,000
3.5 Hold workshops with tour operators	0	26,000	0	0	0	26,000
3.6 Participate in trade shows	9,520	0	0	0	0	9,520
Component 4. Strengthening the institutional setting and dissemination of outcomes	120,300	24,400	0	20,000	0	164,700
4.1 Organize consultative committee	0	1,000	0	0	0	1,000
4.2 Launch the project	0	8,000	0	0	0	8,000
4.3 Hold dissemination events	14,700	6,000	0	0	0	20,700
4.4 Build local capacities and exchange experiences	105,600	9,400	0	20,000	0	135,000
Evaluation	50,000	0	0	0	0	50,000
Audits	15,000	0	0	0	0	15,000
Contingencies	76,730	2,190	0	0	0	78,920
TOTAL	945,000	63,240	107,960	378,800	0	1,495,000

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Ecuador. Nonreimbursable Technical Cooperation ATN/ME-____-EC
Sustainable Economic Development in the Coastal Zone
of the Province of Guayas

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 agreements as may be necessary with Fundación LANN-NOBIS, 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 to the sustainable economic development in the Coastal Zone of the province of Guayas.

2. That up to the amount of US\$ 945,000 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

LEGIII/EC-825251-06
EC-M1028