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GUATEMALA

**MICROENTERPRISE DEVELOPMENT AND PROMOTION IN THE
TOURISM SECTOR**

(TC-98-10-36-9-GU)

DONORS MEMORANDUM

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Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL FILES

PREPARATION:

Solicitud de apoyo
Estados financieros FUNDESA
Plan estratégico de FUNDESA y CAMTUR
Informes de actividad anuales de FUNDESA
Aplicación del perfil para caracterizar a los microempresarios turísticos
Resumen de las encuestas sobre necesidades de capacitación y voluntad de pago por servicios de capacitación
Estrategia Nacional de Turismo del Gobierno de Guatemala
Convenio FUNDESA y la Junta de Andalucía
Curriculum de los cursos de capacitación
Programa de producción más limpia de FUNDESA
Flujo de caja proyectado
Presupuesto

ABBREVIATIONS

CAMTUR	Guatemalan Chamber of Tourism
CETs	Tourism Business Centers
FUNDESA	Guatemalan Development Foundation
INGUAT	Guatemalan Tourism Institute
IRR	Internal Rate of Return
MIF	Multilateral Investment Fund
OMM	Mundo Maya Organization [Mayan World Organization]
PEU	Project executing unit

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EXECUTIVE SUMMARY

Executing agency:	Guatemalan Development Foundation (FUNDESA)	
Financing:	Modality:	Nonreimbursable
	MIF (Window III-A):	US\$520,000
	Local counterpart:	US\$230,000
	Total:	US\$750,000
Execution timetable:	Execution period:	36 months
	Disbursement period:	42 months
Objectives:	<p>The general objective of the project is to support market entry for tourism microentrepreneurs in the Petén, Izabal, and Antigua areas, as providers of tourism services as well as services to the large and medium-sized hotel sector in these areas.</p> <p>The specific objectives are: (i) to support the marketing processes of 700 microenterprises in the sector; (ii) to increase gross sales by microentrepreneurs by 20% within three years; (iii) to set up five microenterprise networks in each of the project areas, one for each economic activity in the tourism sector; and (iv) to develop local supply of training services for tourism microentrepreneurs on processes for forming associations and marketing.</p>	
Description:	<p>The project would consist of four components: (i) adaptation of the FUNDESA marketing methodology to the microenterprise sector; (ii) the establishment and opening of three Tourism Business Centers (CET); (iii) monitoring, supervision, and dissemination of results; and (iv) management and institutional strengthening.</p> <p>Adaptation of marketing methodology to the microenterprise sector: the purpose of this component is to develop a marketing methodology adapted for use in training microentrepreneurs. The results obtained by FUNDESA to date will be reviewed, and on the basis of that information, special techniques will be designed to enable microentrepreneurs to take an active part in training processes, business conferences, and trade fairs.</p>	

Creation and opening of three Tourism Business Centers: the aim of this component is to finance the creation and opening of three CETs, as centers for training and information on business practices and opportunities for microentrepreneurs.

Monitoring, supervision, and dissemination of results: this component would include the activities necessary to disseminate information on the results obtained from the project and transfer the methodology developed and validated by FUNDESA to the local communities. The results of project execution and information on the methodology used will be disseminated at a workshop organized by FUNDESA in one of the project areas. All stakeholders directly involved in the local development of these areas and in development of the tourism sector will be invited to attend. The experiences and accomplishments of the local development roundtables in the three project areas will also be presented at this workshop.

Management and institutional strengthening: this component will support the establishment of the project executing unit (PEU), composed of a project director and an administrative assistant, as well as a consultancy to assist FUNDESA in deciding on a strategy for the long term sustainability of its business development services function (i.e. whether to become a second-tier provider of training services or continue as direct executing agency).

Beneficiaries:	By project completion, it is expected that 700 microentrepreneurs will have been trained, 175 microentrepreneurs will have been effectively integrated horizontally or vertically, and five business groups will have been established according to the types of services provided in each area.
Environmental and social review:	The operation was reviewed by the CESI at its meeting on 13 September 1999. Its recommendations are reflected in the operation's design.
Special contractual clauses:	As a condition precedent to the first disbursement, FUNDESA will present, to the Bank's satisfaction: (i) terms of reference for hiring project personnel (paragraph 5.5); (ii) terms of reference for the consultancies to be engaged to adapt the FUNDESA marketing methodology for use by microentrepreneurs (paragraph 5.6); and (iii) presentation of the updated work plan (paragraph 5.7), which must include a strategy for conversion into a second-tier provider of training services and the commitment to establish and open the fourth CET, to be financed with resources generated internally by the project (paragraph 4.5).

The technical-cooperation contribution will be disbursed pari-passu with the local counterpart financing.

**Exceptions to
Bank policy:**

None.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 The Donors Committee declared the Republic of Guatemala eligible for all financing modalities of the Multilateral Investment Fund (MIF) on 30 March 1995. The operation is eligible for MIF financing under the Small Enterprise Development Facility (III-A), inasmuch as its objective is to strengthen small tourism businesses and microenterprises in Guatemala, a sector with great potential but in need of training and integration with larger companies and broader markets.

II. BACKGROUND

A. The importance and characteristics of the tourism microenterprise sector

- 2.1 Guatemala has traditionally been an agricultural country, with an economy based on the production of such goods as coffee, cardamum, sugar, bananas, and plantains. Since 1985, however, there has been a significant increase in income generated by the tourism sector, which now ranks as the country's second-largest export producer.
- 2.2 Figures provided by the Development Department of the Guatemalan Tourism Institute (INGUAT) indicate that tourism income has increased from US\$102 million in 1987 to US\$352.2 million in 1997, accounting in the latter year for 22.4% of total exports.
- 2.3 Various studies¹ have concluded that the sector is composed mainly of microenterprises and small businesses requiring support mechanisms based on the advantages of association in a group, access to training in the provision of quality services, instruments to improve their commercial transactions, and integration within the local development process, not only to promote tourism in these areas but also to raise their living standards.
- 2.4 Although the entire country has undeniable tourism potential, the greatest number of microentrepreneurs operating in that sector are found in Petén, Izabal, and Antigua. These areas also have a well-established infrastructure for tourism in terms of operators and hotel chains, and therefore offer a higher probability of success for a project to group microentrepreneurs in associations providing services and products to medium-sized and large tourism enterprises.
- 2.5 The Guatemalan Development Foundation (FUNDESA) has explored the local markets and found that the following tourism business activities are suitable for integration in associations: accommodation, restaurants, tour guides, and water and surface transportation. The last category includes microentrepreneurs with related

¹ Joint report from the Ministry of Economic Affairs (MINECO) and the Guatemalan Informal Sector Support Program (PROSIGUA).

activities, such as electricians, motor salvage operators, specialists in refrigeration, etc.

- 2.6 A market study conducted by FUNDESA found that in the three areas there are more than 5,000 microenterprises providing various tourism services and having in general been formalized in some way, either through registration or the fiscal process. Gross annual sales range between US\$120,000 (transporters) and US\$20,000 (related activities). Their net profit is approximately 15%, which means a maximum monthly income of US\$1,500 for transporters, US\$1,000 for accommodation services, US\$625 for restaurant services, US\$400 for tour guides, and US\$250 for electrician services, motor repair, etc.
- 2.7 These are the sectors with the greatest potential for becoming supplemental suppliers to large enterprises, and where there have been isolated experiences of this kind. The sector is generally characterized, however, by limited negotiation capacity for the purchase of inputs and the sale of products or services; limited management training, and thus insufficient levels of productivity and competitiveness to form part of the tourism clusters currently operating in the country; and finally, limited knowledge of the mechanisms of association with which to increase their value-added.
- 2.8 FUNDESA has completed a diagnostic assessment of microentrepreneurs to determine their training needs and willingness to pay for marketing services and association processes. The main findings of the study were as follows: (i) all participants in the development or supply of tourism services must be involved (this includes companies of all sizes, civil society organizations, and the State; (ii) the sector is characterized by entry barriers, particularly because the quality and promptness of services provided by microenterprises are not considered reliable by the larger firms, and even good quality microenterprises lack the needed negotiating position and facilities; (iii) microentrepreneurs like to receive training services, which they perceive as enabling them to improve their products and services; (iv) they do not believe, however, that training itself will produce results unless marketing support processes are disseminated to boost the income of individuals as well as the communities where they operate; and (v) they recognize the advantages of association membership and request support for the formation of associations, or at least informal groups or networks, offering economies of scale.
- 2.9 Based on this research, FUNDESA has focused its training activities on areas specifically related to marketing and techniques for negotiation and the formation of associations. It has also sponsored the organization of local development roundtables in Petén and Izabal: ad-hoc fora covering the economic and institutional mechanisms required to support tourism sector development. These fora have made it possible to gauge the interest of large and medium-sized tourism enterprises in supporting the economic integration of microentrepreneurs in the

tourism sector through negotiation. The Antigua forum is still in the process of organization.

- 2.10 Apart from the programs conducted by FUNDESA, there are no programs that provide training services covering the knowledge and skills required by microenterprises in the tourism sector.
- 2.11 Although there are numerous business-training organizations, these programs are intended to provide general business training. The point of departure for the FUNDESA program is that the microentrepreneurs concerned already have such basic knowledge; it therefore specializes in the kind of training they require: negotiation techniques, product and service marketing systems, marketing plans, foreign languages, and the promotion of business conferences and trade fairs.

B. Other bank operations in the sector

- 2.12 The Bank has been giving support to the development of the Mundo Maya Organization [Mayan World Organization] (OMM) through various technical-cooperation operations, supporting the Organization's Technical Secretariat and the design of strategies and an investment plan for tourism development in countries of the region (Belize, El Salvador, Guatemala, Honduras, and a number of states in the Yucatan Peninsula of Mexico). On 1 December 1999, operation ATN/JF/SF-6782-RG, in the amount of US\$1,291,000, was approved with the aim of contributing to sustainable development of the Mundo Maya region, through adventure, eco-, and cultural tourism programs, and design of the necessary investment plan. The operation described below complements that program by drawing on its results and strengthening the capacity of microentrepreneurs providing tourism services.

III. THE PROJECT

A. Objectives and description

- 3.1 The general objective of the project is to support market entry for tourism microentrepreneurs in the Petén, Izabal, and Antigua areas, as providers of tourism services as well as services to the large and medium-sized hotel sector in these areas.
- 3.2 The specific objectives are: (i) to support the marketing processes of 700 microenterprises in the sector; (ii) to increase gross sales by microentrepreneurs by 20% within three years; (iii) to set up five microenterprise networks in each of the project areas, one for each economic activity in the tourism sector (see paragraph 2.5) and (iv) to develop local supply of training services in support of marketing by tourism microentrepreneurs, with a view to conversion into a second-tier entity by the end of the project.

B. Components

- 3.3 The project would consist of four components: (i) adaptation of the FUNDESA marketing methodology to the microenterprise sector; (ii) the establishment and opening of three Tourism Business Centers (CETs); (iii) monitoring, supervision, and dissemination of results; and (iv) management and institutional strengthening.

1. Adaptation of marketing methodology to the microenterprise sector (MIF US\$13,000; FUNDESA US\$2,000)

- 3.4 The purpose of this component is to develop a marketing methodology adapted for use in training microentrepreneurs. The results obtained by FUNDESA to date will be reviewed, and on the basis of that information, special techniques will be designed to enable microentrepreneurs to take an active part in training processes, business conferences, and trade fairs.

2. Creation and opening of three Tourism Business Centers (CETs) (MIF US\$325,300; FUNDESA US\$113,700)

- 3.5 The aim of this component is to finance the creation and opening of three CETs, as centers for training and information on business practices and opportunities for microentrepreneurs. The CETs would not constitute new isolated facilities since they would operate within the regional offices of CAMTUR or municipal offices in the project areas.
- 3.6 The functions of the CETs would be: (i) to form associations of microentrepreneurs; (ii) to serve as centers for theoretical and practical training in the techniques of negotiation, the presentation of business proposals, the design of commercial brochures, the organization of business conferences, the organization of tourism fairs, the design of new products for each of the associations of organizations created, solid waste management, sanitary food handling, quality of service, foreign languages, etc.; (iii) to serve as business advisory centers to link the supply and demand of tourism services with business closings; (iv) to serve as marketing and tourism information centers; (v) to assume responsibility for designing business plans geared to the formation of microentrepreneurial networks, integrated horizontally and vertically, and the organization of subcontracting chains; (vi) to serve as internet and telephone service centers for clients in the area; and (vii) to conduct a trainer-training program.

a. Staffing and technical and physical facilities to be provided

- 3.7 CET operations will require one center director, two advisers, and one trainer-trainer per center. CETs will also be provided with equipment, office furniture, computers, and printers.

- 3.8 Each CET will coordinate trainer-training programs for personnel or local specialized training organizations to generate local commercial training supply specifically geared to the sector and ensure continuity in the pursuit of project objectives. By the end of the project, it is expected that at least five persons or local entities with the capacity to continue the project will be in place in each area.

b. Training in marketing

- 3.9 Thirty-six training events would take place as follows: seven sessions in year 1; 11 sessions in year 2; and 18 sessions in year 3. The training services would be provided under outside contract awarded on the basis of a regional and national competitive selection process. FUNDESA would provide the curriculum and materials.
- 3.10 Twenty-six business conferences are also planned: five in the first year, eight in the second, and 13 in the third. The facilitator for these events would be hired under outside contract, with FUNDESA providing logistical support. At least 25% of the microentrepreneurs participating in the project are expected to take part in this commercial process.

c. Operation of the CETs

- 3.11 This component would cover the CET operating costs, which account for at least 4% of the resources necessary for the operation of the centers.

3. Monitoring, supervision, and dissemination of results (MIF US\$33,600; FUNDESA US\$9,400)

- 3.12 This component would include the activities necessary to disseminate information on the results obtained from the project and transfer the methodology developed and validated by FUNDESA to the communities concerned.

a. Monitoring and supervision

- 3.13 The project would support the formation of a project monitoring and supervision unit, responsible for processing the baseline socioeconomic data on beneficiaries in the three areas and, for monitoring and evaluating each of the project steps and activities.

b. Dissemination of the results

- 3.14 The results of project execution and information on the methodology used will be disseminated at a workshop organized by FUNDESA in one of the project areas. All stakeholders directly involved in the local development of these areas and in development of the tourism sector will be invited to attend. The experiences and

accomplishments of the local development roundtables in the three project areas will also be presented at this workshop.

**4. Management and institutional strengthening (MIF US\$118,100;
FUNDESA US\$69,900)**

- 3.15 This component will support establishment of the project executing unit (PEU), composed of a project director and an administrative assistant. This unit will be responsible for general coordination of the project, outside contracting for the training services, and hiring, monitoring, and supervising the field personnel for each CET.
- 3.16 There will also be a consultancy to assist FUNDESA in establishing the mechanisms necessary to draw on its experience as direct executing agency and, on the strength of efforts to develop specialized training supply for the sector, to convert itself into an efficient second-tier executing agency.

IV. COST AND FINANCING

A. Costs

- 4.1 The cost of the project is US\$750,000: US\$520,000 (69.3%) financed by the MIF and US\$230,000 (30.7%) to be drawn from the local counterpart resources. The consolidated project budget is as follows:

COMPONENT	MIF	FUNDESA	TOTAL
Adaptation of methodology			
1. Consulting services	13,000	2,000	15,000
Creation and opening of 3 CETs			
1. Consulting services	209,200	82,500	291,700
2. Equipment	17,500	5,000	22,500
3. Training	52,900	4,000	56,900
4. General support and services	45,700	22,200	67,900
Monitoring, supervision, and dissemination			
1. Consulting services	21,600	9,400	31,000
2. Other services	12,000		12,000
Management and institutional strengthening			
1. Consulting services	15,000		15,000
2. General support and services	103,100	69,900	173,000
SUBTOTAL	490,000	195,000	685,000
Evaluation and audit	30,000		30,000
Contingencies		35,000	35,000
TOTAL	520,000	230,000	750,000
Share (%)	69.3%	30.7%	100.0%

- 4.2 Seventy-two percent of the resources put up by FUNDESA will be in cash, to be drawn from international cooperation funds provided by the Municipal Government of Andalucía and from project surpluses generated by providing advisory assistance to microenterprises and small businesses. The remaining 28% will be provided in kind. The MIF funds will be disbursed *pari passu* with the counterpart funds.

B. Financial sustainability

- 4.3 The project to be conducted by FUNDESA will have several sources of income. Although there is an implicit subsidy in the fees they will be charged, microentrepreneurs will in turn pay the cost of CET membership, fees for advisory services received, a results-based commission according to increases in gross sales, and participation in fairs and business conferences. Income will also be generated by advisory assistance provided to local enterprises not participating in the project.
- 4.4 The project is viable over the short term because of the MIF and counterpart funding. The project's Internal Rate of Return (IRR) is 5% by year 7, counting all income received. Based on a sensitivity analysis of 15% of income, with costs held constant, the IRR is still positive, but only by year 8.

- 4.5 Although costs will not be fully recovered during the life of the project (three years), there is the potential for short-term liquidity generated by the fees charged for services. An analysis of projected cash flow, assuming income 15% below budgeted levels, shows that by the end of the third year of execution the project will have generated income of nearly US\$300,000. FUNDESA has undertaken to use this income to set up and open the fourth CET.

V. PROJECT EXECUTION

A. Executing agency

- 5.1 FUNDESA is a private, nonprofit, apolitical institution formed by business leaders from various sectors of the country, but without labor union participation. It was legally established in 1984 and currently has 71 active members representing the business community in Guatemala.
- 5.2 Its objective is to help Guatemala gain entry to the global market and to act as a catalyst for change, stimulating economic opportunities and reconciling environmental and development concerns.
- 5.3 To this end it has been conducting various activities in the areas of trade relations, the promotion of foreign investment in the country, and support for the tourism sector, and has been the only private-sector entity to address the needs of the tourism microenterprise sector. Owing their existence to FUNDESA are the Guatemala Business Center and other projects to promote "business-to-business" relations between national and foreign companies. Programs in support of the tourism sector include the PROPYME microentrepreneur training program and the credit program administered by the Ministry of Economic Affairs and financed under the Bank's Global Microenterprise Credit Program, for which it is executing agency. It has also developed internet portals designed to facilitate e-commerce and attract foreign investment to the tourism sector, in association with the Guatemalan Tourism Institute (INGUAT) and the Chamber of Tourism (CAMTUR).

B. Execution mechanisms

1. Project responsibility

- 5.4 FUNDESA's board of directors will be responsible for (i) supervising the fulfillment of project objectives and goals; (ii) reviewing budget execution; (iii) reviewing and approving the annual plan of project activities and budget, including the use and appropriation of the local counterpart; (iv) allocating financial resources to ensure the continuity of the project; and (v) selecting and hiring technical personnel.

- 5.5 The technical personnel required for project execution is as follows: (i) the project director; (ii) an administrative assistant; (iii) three CET directors; (iv) six business management advisors; and (v) an officer responsible for monitoring validation and systematization of the methodology. The submission of terms of reference for the hiring of this technical personnel, to the Bank's satisfaction, is a condition precedent to the first disbursement.

2. Operational mechanics

- 5.6 Consulting services will be provided to help FUNDESA adapt its marketing methodology and form the integrated networks for use in the tourism microenterprise sector. The submission of terms of reference for the hiring of these consulting services will be a condition precedent to the first disbursement.
- 5.7 The project director, administrative assistant, and officer responsible for monitoring and supervising the project will work in the project executing unit (PEU). The PEU will be responsible for preparing the annual work plans in consultation with the CET directors, ensuring that they are correctly executed, supervising the overall implementation of the project, and tabulating the information available in the FUNDESA files, including the baseline socioeconomic data on the project beneficiaries. Submission of an up-to-date work plan is a condition precedent the first disbursement.

C. Procurement

- 5.8 FUNDESA will be responsible for procurement goods and services for the project. Only goods and services from MIF member countries and regional developing member countries of the Bank will be procured.

D. Execution and disbursement periods

- 5.9 The execution period for the project will be 36 months and the disbursement period 42 months. A revolving fund of 10% of the contribution will be set up. The first disbursement will be subject to the fulfillment of conditions precedent.

E. Beneficiaries

- 5.10 By project completion, it is expected that 700 microentrepreneurs will have been trained, 175 microentrepreneurs will have been effectively integrated horizontally or vertically, and five business groups will have been established according to the types of services provided in each area.
- 5.11 The criteria for selecting project beneficiaries are as follows: (i) employment of 1 to 10 persons; (ii) assets of less than US\$40,000; (iii) gross annual sales of US\$120,000 or less; (iv) verifiable income; (v) a basic organizational framework, i.e. the use of accounting books, formal registration, and compliance with local

labor and environmental requirements; (vi) capacity to pay for training and marketing services; and (vii) business activities suitable for the formation of chains with larger businesses. It is important to note that one of the conclusions of the FUNDESA market studies is that efforts should be made to actively involve women and indigenous peoples in the sector and project through promotion activities.

F. State of progress of the project

- 5.12 A draft basic training curriculum has been developed; an agreement has been signed with the Junta de Andalucía of Spain; important contacts have been established with large tourism enterprises in the project areas; potential trainers and advisers have been identified among those involved in FUNDESA's regular programs; and a work plan has been developed for future years. FUNDESA has also been implementing pilot projects to adapt its marketing techniques (designed for medium-sized and large businesses) for use by microentrepreneurs, with satisfactory results obtained in the case of craft workers in Antigua and the establishment of a craft workers association now realizing economies of scale in the areas of marketing and technical training.
- 5.13 An institutional cooperation agreement with CAMTUR is being developed and will provide that in some areas, the CETs will operate in CAMTUR facilities. This represents an important strategic alliance between two agencies working within the same sector, although with different target clients.

G. Committee on Environment and Social Impact

- 5.14 The operation was reviewed by the CESI at its meeting on 13 September 1999. Its recommendations are reflected in the operation's design.

H. Monitoring

- 5.15 FUNDESA will be responsible for monitoring activities within the various components and for preparing the corresponding reports. Semiannual progress reports must be prepared documenting activities conducted during the semiannual period covered. The reports, the format of which must be agreed upon with the country office of Guatemala—will monitor progress relative to the performance indicators shown in the logical framework. A disbursement timetable will also be prepared for the following period. The progress report will be submitted to the Country Office of the Bank for approval within 30 days following the close of the semiannual period concerned.

I. Accounting and auditing

- 5.16 FUNDESA will be responsible for: (a) establishing and maintaining effective accounting, financial, and internal controls, as well as record-keeping systems that will enable it to determine in detail the sources and use of project funds. The

institution's project records, containing: (i) information on resources and funding sources; (ii) information on project expenditures, distinguishing MIF contributions from funds from other sources; (iii) details concerning income generated by the project; and (iv) the details necessary to determine what goods and services have been procured; (b) opening separate bank accounts for the administration of MIF and local counterpart funds; (c) processing requests for disbursements and expense vouchers in accordance with the Bank's disbursement procedures; and (d) preparing and submitting to the Bank the final financial statement on the project audited by an independent firm acceptable to the Bank, as well as reports on the revolving fund.

VI. JUSTIFICATION AND RISKS

A. Justification

- 6.1 The chain of value added generated by the tourism sector boosts income at each link in the chain, from big investors to small craft workers and entrepreneurs offering services. This is an employment generating activity *par excellence* that can easily lead to the formation of a subcontracting network. In other words, the project would not only help preserve and create jobs, but would contribute to the productivity and competitiveness required for integration within the country's tourism clusters.

B. Risks

- 6.2 The project has three main risks: (i) difficulties in finding qualified personnel to work in remote areas; (ii) less income generated than expected; and (iii) a decline in tourist flows to these areas.
- 6.3 To deal with the first risk, one of the main activities under the project will be to generate local capacity at the regional level, and FUNDESA is in the process of introducing its regular methodology and programs to personnel with potential in the areas concerned. As for the second risk, FUNDESA, through the monitoring and evaluation unit, will be continuously monitoring the microentrepreneurs' income, and if they should fail to pay for services, will take immediate steps to remove them from the program; FUNDESA also undertakes to maintain the number of participating microentrepreneurs at the critical-mass level required to validate and sustain the methodology. This point will be given particular attention in the mid-term evaluation. No mitigating measures are planned for the second risk noted above.

VII. EVALUATION

A. Evaluations

- 7.1 Using technical cooperation resources, the Bank will hire a consultant to conduct a mid-term evaluation as soon as 50% of the resources have been committed, or 18 months after the first disbursement, whichever comes first.
- 7.2 This evaluation will apply to all project components and must, at a minimum, cover the following activities and indicators: (i) promotion and training activities (by geographic area); (ii) commercial promotion; (iii) horizontal or vertical integration to form microentrepreneurial groups; (iv) real increases in gross sales achieved by microentrepreneurs participating in the program; (v) number of trainers trained in FUNDESA methodology; (vi) fees charged for the services and their respective costs, as well as total income derived from the various services; and (vii) overall compliance with the work plan, specifically with respect to the income received by microentrepreneurs and the resources available for setting up the country's fourth CET. The evaluation report must indicate corrective measures necessary to ensure proper execution of the project, and suggest suspension of the disbursements if structural deficiencies in its execution are found. Disbursements could then be resumed once the executing agency demonstrates it has taken the measures necessary to correct such deficiencies.
- 7.3 The results of this evaluation, together with the monthly internal project monitoring reports prepared by FUNDESA, will be included in the materials to be disseminated on the results of the project.
- 7.4 Thirty-six months after project execution, using technical cooperation resources, the Bank will hire a consultant to prepare the final evaluation. Through this evaluation, the project's impact will be assessed in terms of the business opportunities provided to microentrepreneurs, the net increase in their sales, the increase in their operating margins and profit, and the extent to which larger companies are satisfied with their chain of suppliers. This evaluation will be based on the initial indicators contained in the FUNDESA and CET data bases.

VIII. EXCEPTIONS TO BANK POLICY

- 8.1 The project entails no exception to Bank policies.

IX. SPECIAL CONTRACTUAL CLAUSES

- 9.1 As a condition precedent to the first disbursement, FUNDESA will present, to the Bank's satisfaction: (i) terms of reference for hiring project personnel; (ii) terms of reference for the consultancies to be engaged to adapt the FUNDESA marketing methodology for use by microentrepreneurs; and (iii) presentation of the updated work plan, which must include a strategy for conversion into a second-tier provider of training services and the commitment to establish and open the fourth CET, to be financed with resources generated internally by the project.
- 9.2 The technical-cooperation contribution will be disbursed *pari passu* with the local counterpart financing.

LOGICAL FRAMEWORK

MICROENTERPRISE DEVELOPMENT AND PROMOTION IN THE TOURISM SECTOR

BRIEF SUMMARY OF OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Market entry for tourism entrepreneurs in the Petén, Izabal, and as providers of tourism services to the large and hotel sector in these areas.	<p>In three years:</p> <p>(i) Increase of at least 20% in annual sales.</p> <p>(ii) Businesses being operated by at least 175 microentrepreneurs with at least 20 medium-sized or large tourism service firms.</p>	<ul style="list-style-type: none"> • FUNDESA operations monitoring system. • FUNDESA client statistics and database. • The microentrepreneurs' financial statements. • Microentrepreneur surveys. 	<ul style="list-style-type: none"> • FUNDESA will be successful in completing the work plan. • The Guatemalan economy is stable. • The flow of tourists to Guatemala will continue at current levels.
Support for training in marketing for 700 microentrepreneurs in order to develop local capacity for the tourism services.	<p>(i) 140 microentrepreneurs attended to in year 1; 210 microentrepreneurs in year 2; and 350 in year 3.</p> <p>In three years:</p> <p>(ii) 180 microentrepreneurs attended to in Petén; 300 in Izabal; and 220 in Antigua.</p> <p>(iii) 700 microentrepreneurs having increased their gross sales by 20%.</p> <p>(iv) Five regional networks set up by economic activity, offering a greater volume of higher quality services suitable for large and medium-sized tour operators and hotels.</p> <p>(v) Local capacity has been developed to supply training in the processes of forming associations and marketing, with at least five individuals or entities in each area of the project qualified to continue with execution.</p>	<ul style="list-style-type: none"> • Reports from the board of directors. • Reports on project execution, administration, and consultants. • Mission reports from Bank staff. • FUNDESA's audited financial statements. • FUNDESA statistics on the results of activities conducted by the Tourism Business and Information Services Centers. 	<ul style="list-style-type: none"> • FUNDESA's board of directors will commit itself to the results. • FUNDESA's management will proactively commit itself to the execution of the project. • Properly trained personnel will be on hand to deal with project changes and apply the new techniques. • FUNDESA will continue to be an economically viable and sustainable entity. • FUNDESA will continue to implement the Comprehensive Business Development Program.

BRIEF SUMMARY OF OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Transfer of the FUNDESA methodology to the enterprise sector.	(i) FUNDESA has adapted its marketing techniques, which are ready for use in a program geared to tourism microenterprises.	<ul style="list-style-type: none"> • Consultant reports. • Project execution reports. • Request for the second disbursement. 	<ul style="list-style-type: none"> • Appropriate consultants will be available internationally. • Appropriate advisors will be available in the country. • Appropriate consultants will be available locally. • FUNDESA will have designed a working methodology. • FUNDESA will have refined the necessary changes in its methodology.
Establishment and opening of three Business Centers (CETs).	(i) Each CET is in operation with the necessary staff and physical and technical facilities. (ii) 35 training sessions have been conducted and have trained 700 microentrepreneurs. (iii) 26 business conferences have been held in which 175 microentrepreneurs have participated. (iv) At least five individuals or entities in each project area have been trained in the FUNDESA methodology.	<ul style="list-style-type: none"> • Consultant reports. • Project execution reports. • Request for the second disbursement. • Project statement of accounts. • Visits by Bank staff. 	<ul style="list-style-type: none"> • Microentrepreneurs in the target areas will maintain their interest in the program. • The microentrepreneurs will be able to pay nearly all of the costs of the program. • Large and medium-sized tourist enterprises operating in the area will maintain the interest they have expressed in working with microentrepreneurs.
Evaluation, supervision, and monitoring of results.	(i) A specialist in the evaluation and monitoring of social projects has been hired. (ii) Baseline socioeconomic data on the microentrepreneur beneficiaries of the project have been compiled. (iii) Execution and results are being continually monitored. (iv) A workshop has been held showing the community at large the benefits and results of the program.		

TIVE SUMMARY OF OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
activities	(i) The project director and administrative assistant hired. (ii) Two evaluation reports. (iii) Three audited reports.		
ing services to adapt the FUNDESA marketing technology to the microenterprise sector			
on of terms of reference consultants	Year 1: US\$15,000 invested	The documents inspected for all activities are as follows: • FUNDESA accounting records. • Audit reports. • Copy of the employment contracts. • Reports from the Manager and board of directors.	• The project will be approved
Technical and physical facilities to be provided for the CETs			
of hardware and software. of office furniture and t. director for each CET. to business management ts for each CET. lan. otion and publicity plan. of the CET. for local trainers. ion of 35 training courses. ion of 26 business es. ion of three trade fairs for epreneurs. individual consultations with epreneurs	Year 1: US\$146,333 Year 2: US\$146,333 Year 3: US\$146,333 Total invested during execution: US\$439,000		

BRIEF SUMMARY OF OBJECTIVES	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Supervision and dissemination of results			
<p>Specialist in the evaluation and management of social projects.</p> <p>Availability of the baseline data already collected by FUNDESA for the initial phase.</p> <p>Conduct of a workshop to disseminate the results</p>	<p>Year 1: US\$14,333</p> <p>Year 2: US\$14,333</p> <p>Year 3: US\$14,333</p> <p>Total invested during execution: US\$43,000</p>		
Administrative activities			
<p>Project director</p> <p>Administrative assistant</p> <p>Consulting services to evaluate strategy to ensure the viability of the business</p> <p>Investment services program to be implemented by FUNDESA in the tourism enterprise sector</p>	<p>Year 1: US\$57,667</p> <p>Year 2: US\$72,667</p> <p>Year 3: US\$57,667</p>		

PROPOSED RESOLUTION

GUATEMALA. NONREIMBURSABLE TECHNICAL COOPERATION FOR
DEVELOPMENT AND PROMOTION OF TOURISM SECTOR MICROENTERPRISES

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 Multilateral Investment Fund, to enter into such agreements as may be necessary with the "Fundación para el Desarrollo de Guatemala (FUNDESA)" and to take such additional measures as may be pertinent for the execution of the donors' memorandum referred to in Document MIF/AT- with respect to a technical cooperation program for development and promotion of tourism sector microenterprises.
2. That up to the amount of US\$520,000 or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the 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.