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MULTILATERAL INVESTMENT FUND

NICARAGUA

**PROGRAM TO ENHANCE THE COMPETITIVENESS OF OMETEPE
ISLAND MSMEs BASED ON ECO-EFFICIENCY**

(NI-M1019)

DONORS MEMORANDUM

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ABBREVIATIONS

AWP	Annual work plan
CCP	Nicaraguan Center for Cleaner Production
ESR	Environmental and Social Review Committee
ICR Fund	Italian Trust Fund for Regional Competitiveness
MSMEs	Micro, small and medium enterprises
PEP	Project execution plan
PSR	Project status report

PROGRAM TO ENHANCE THE COMPETITIVENESS OF OMETEPE ISLAND MSMEs BASED ON ECO-EFFICIENCY

(NI-M1019)

I. EXECUTIVE SUMMARY

Country:	Nicaragua.		
Beneficiaries:	(i) Ometepe Island tourism and farming enterprises; (ii) the population of Ometepe Island; and (iii) the municipal governments of Altagracia and Moyogalpa.		
Executing agency:	Nicaraguan Center for Cleaner Production (CCP)		
Financing:	IMF:	US\$ 437,175 (34.21%)	
	ICR Fund	US\$ 432,825 (34.21%)	
	Local contribution:	US\$ 383,310 (31.58%)	
	Total:	US\$1,253,310	
Execution timetable:	Execution period:	36 months	
	Disbursement period:	42 months	
Objectives:	The <i>goal</i> of the project is to help generate employment for Ometepe’s inhabitants, thus raising their income, and create an environmental and production management base that positions the island as a “green destination.” The <i>purpose</i> is to promote MSME competitiveness based on eco-efficiency in the island’s strategic industries, facilitating a consensus among public and private stakeholders as to the competitive future and environmental sustainability of Ometepe.		
Special contractual clauses:	Conditions precedent to the first disbursement: (i) creation of the project Executing Unit; (ii) approval of the technical-cooperation funding from the ICR Fund; (iii) execution of an agreement between the CCP and the municipal governments of Moyogalpa and Altagracia; and (iv) approval and entry into effect of the Operating Regulations.		
Exceptions to Bank policy:	None.		
Environmental and social review:	According to IDB documentation, this project was classified as a category “C” operation by the project team and was accepted by the ESR on 3 July 2009 (ESR meeting 26-09).		

Coordination with other development agencies: The executing agency will coordinate certain project activities with HIVOS, SWISSCONTACT, and other agencies.

II. BACKGROUND

- 2.1 Ometepe Island in Lake Cocibolca, in Rivas department in Nicaragua's southern Pacific region, has been declared a Nature Reserve and National Cultural Heritage Site under Nicaraguan law¹. At the administrative level, this 276-km² island is divided into two municipios, Moyogalpa and Altagracia, with a total population of approximately 32,000 inhabitants. Ometepe has two volcanoes, Maderas and Concepción, which are the island's main tourist attraction due to their practically virgin natural ecosystems and biodiversity. Various studies have shown that Ometepe has great development potential based on a territorial model of sustainable and eco-efficient use² of resources in an environment cut off by its island position.
- 2.2 The island's main productive activities fit into two groups. First are fishing and farming, particularly bananas, which are exported to the Central American region. Other significant agricultural products include watermelons, rice, beans, sesame seed, and various species of fruits. Nicaragua's 2001 III National Farming Census identified 1578 farming operations in Altagracia and 680 in Moyogalpa. Livestock farming is still carried on using traditional, low technology methods and produces meat and milk for local consumption and sale outside the island. Lastly, there is a significant amount of artisanal fishing, which is one of the main sources of food for the island's population.
- 2.3 Tourism is the second pillar of the island's economy and has become an important source of employment and income, accounting for more than 50% of the island's revenues and creating a fair portion of the most skilled jobs (although less than 30% is formal, year-round employment)³. A total of 133 tourism enterprises⁴, hotels, and restaurants are currently in operation. There are also tourist services, such as transportation companies, travel guides and artisans, organized into cooperatives and associations. Ometepe Island has an average of 14,247 visitors a month⁵. The island's tourist potential, however, has been impaired by the lack of a clear

¹ Law 203 passed by the Nicaraguan Congress.

² As defined by the World Business Council for Sustainable Development (WBCSD), "*eco-efficiency is achieved by the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle to a level at least in line with the Earth's estimated carrying capacity.*"

³ The Territorial Agenda for Tourism Sector Competitiveness is a good example of this sector's future potential on the island.

⁴ Baseline Report, Ometepe Island, Tourism Conglomerate. Swisscontact, 2006.

⁵ Statistics for 2007 from the "Fourth Regional Military Command" of the Nicaraguan Army.

commitment to quality by public and private stakeholders. The result is a tourist profile of generally low purchasing power; essentially price-centered competition; and less than optimal planning for the development and supply of public and private tourist services based on the island's capacity and resources.

- 2.4 The island's public institutions are the two aforementioned municipal governments, which have been individually promoting certain economic development initiatives, although a vehicle that encourages the two municipalities to work more closely together is needed to help promote joint public institutional initiatives for the island.⁶ There is a public-private institution, the Tourism Council, which is involved in various management, promotional, and tourism development activities on the island. Lastly, the Center for Cleaner Production has been working on various environmental impact studies on the island, as well as on the design and implementation of clean energy pilot projects there.
- 2.5 **The problem.** An underlying problem affecting the competitive growth of Ometepe's tourism industry is environmental degradation. Accelerated growth of tourist flows, changes in local consumption habits, and mismanagement of agrochemicals in farming are creating an environmental situation that could jeopardize the island's future development. Although Ometepe's public and private institutions have identified environmental degradation as a priority issue for the island's sustainable development, they have neither the technical and organizational knowledge nor the financial resources to efficiently meet the island's environmental needs. Moreover, existing venues are not sufficiently consolidated to allow the issue of economic and environmental development to be tackled jointly by the island's public and private stakeholders based on a well-defined agenda and incentives.
- 2.6 The environmental degradation affects two areas of the economy. In the tourism sector, the rapid pace of enterprise creation has led to haphazard and uncontrolled growth, generating excess supply of certain products and services, and not enough of others. Moreover, the flow of visitors has generated significant volumes of solid waste, which, combined with current improper waste management, puts the environment at further risk.
- 2.7 The main problems faced by farming include the high cost of inputs and limited access to the power (network access, quality, safety, and cost) required for farming activities; hence, there is a need to intervene by transferring and adapting innovative experiences in power generation for self-consumption to the island's conditions, using production waste and local organic inputs (natural fertilizers and insecticides). These factors together will produce obvious benefits for the environmental conservation and sustainable competitive development of an area with enormous tourism potential.

⁶ This vehicle will be the commonwealth planned under the project, which will make it possible to create supra-municipal institutions for the island and improve coordination between the two municipal governments.

- 2.8 **Rationale and Additionality.** The project was identified consultants engaged in the “Identification and Feasibility of Local Economic Development Initiative Projects on the Central American Isthmus” financed by the Italian Fund. It was prepared using concepts from the Local Economic Development (LED) cluster’s “Learning guide on productive integration and territorial economic development,” particularly for defining sustainable development strategies.
- 2.9 The core idea is that Ometepe’s business development, as well as a better quality of life for inhabitants and visitors, can only be achieved by dealing with the environmental degradation and collectively proceeding to improve production and tourism quality. In other words, a program is needed to improve the quality of farming and tourism activities in an effort to halt the environmental degradation process and add specific value to the island’s products and services based on eco-efficiency.
- 2.10 The project’s innovative nature lies in the concept of strengthening a territorial development process based on eco-efficiency, in a setting where resources are limited and there is a specific geographical impact (an island). This development model is closely linked to Ometepe’s tourism potential, and to the input transportation costs and waste management costs associated with an island position. Moreover, the strengthening of a local government institution (commonwealth) that heads the island’s development process will help to harmonize and incorporate the different projects in support of the island’s tourism, natural reserves, and economic development.

III. PROJECT OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The *goal* of the project is to help generate employment for Ometepe’s inhabitants, thus raising their income, and create an environmental and production management base that positions the island as a “green destination.” The *purpose* is to promote MSME competitiveness based on eco-efficiency in the island’s strategic industries, facilitating a consensus among public and private stakeholders as to the competitive future and environmental sustainability of Ometepe.

B. Components and activities

- 3.2 *Component I. Institution building and development of environmental management capacity (MIF: 57,750; ICR Fund: 57,750; and Local Contribution: 81,450).* The objective of the first component is to strengthen the institutional base and public-private consensus and thus ensure the proper conditions for Ometepe’s environmentally-focused business and territorial development. To achieve this aim, the project will work with the island’s two municipalities (Moyogalpa and Altagracia), as well as with private institutions and trade associations, generating capacity in environmental and financial management.

- 3.3 This component will be implemented through the following specific activities: (i) creation of a commonwealth between the municipal governments of Altagracia and Moyogalpa,⁷ (ii) development of processes for consensus-building and management of Ometepe as a tourist destination through the Tourism Council; (iii) updating the island's municipal sustainable development strategy; (iv) generating ordinances to promote eco-efficiency; (v) training program in eco-efficiency for local stakeholders; and (vi) creation of a local supply of consultants in eco-efficiency issues.
- 3.4 The *expected outcomes* of this component are: (i) creation of a commonwealth to head the planning and execution of development projects for the island as an eco-destination; (ii) a local availability of business development services specializing in eco-efficiency; (iii) municipal ordinances on eco-efficiency developed by consensus between the two municipalities and the private sector; and (iv) budgets items of the Altagracia and Moyogalpa municipal governments in support of the recently created commonwealth, which has become a key player in implementing green initiatives on the island.
- 3.5 ***Component II. Development of collective assets on the island, with an emphasis on waste management and environmental awareness (MIF: 50,225; ICR Fund: 50,225; and Local Contribution: 34,550).*** The second component will develop Ometepe's collective assets associated with the island's territorial development, particularly waste management⁸ by the island's different public and private entities, and encourage systems that promote the profitable use of the waste. In addition, public awareness of the importance of the environment and clean energy for the island's economic future will be heightened.
- 3.6 To achieve this aim, the following activities will be implemented: (i) diagnostic analysis of the island's waste management status, with particular emphasis on the productive processes of the main economic activities; (ii) development of fairs to promote Ometepe as a green destination and bestowal of environmental responsibility awards; and (iii) awareness building among the island's strategic sectors of the importance of eco-efficiency.
- 3.7 The *expected outcomes* of this component are: (i) a study describing the generation and management status of at least 90% of the solid waste on Ometepe; (ii) 25% of the island's educational establishments have added eco-efficiency to the curriculum and its importance for the island; (iii) at least 30% of the island's inhabitants are aware of the notion of eco-efficiency and have a favorable opinion of its implications for Ometepe; and (iv) 50% of the waste created by the island's schools and public entities are subject to responsible environmental management.

⁷ A commonwealth is a free association of municipios based on certain common objectives. The commonwealth has a personality of its own that is separate from its members and its own management bodies and budget.

⁸ The term "waste" is understood as solid waste.

- 3.8 ***Component III. Promotion of eco-efficiency initiatives and development of clean energies in tourism and farming (MIF: 175,875; ICR Fund: 175,875; and Local Contribution: 130,750).*** The objective of this component is to increase the competitiveness of groups of tourism and farming enterprises by developing capacity and co-financing innovative projects focused on eco-efficiency and renewable energy. The underlying purpose is to create a local business and productive fabric that uses clean production and contributes to the ecological positioning of the island's products and services.
- 3.9 The activities of this component are: (i) comprehensive technical assistance for businesses in adopting eco-efficiency practices; (ii) promoting microenterprises associated with collection and sale of waste; (iii) supporting small local producers who favor eco-sufficiency and green positioning; and (iv) designing and implementing a competitive fund to finance eco-efficiency initiatives. The fund will include two competitive calls for projects, each of which will finance 10 projects that will co-finance innovative business initiatives to implement eco-efficiency practices. The fund will be promoted by the commonwealth and include contributions from the MIF, the ICR Fund, the CCP, and the municipal governments in an aggregate amount of US\$252,000.
- 3.10 The *expected outcomes of this component are the following*: (i) the competitive fund helps 20 enterprises adapt their business processes under an eco-efficiency rationale; (ii) 30% of the island's hotels and restaurants implement waste separation processes; and (iii) 15 beneficiary tourism and farming enterprises reduce average electricity consumption by 15%, water consumption by 20%, waste production (based on projected waste increases) by 2%, and carbon emissions by 15%.
- 3.11 ***Component IV. Systematization and dissemination of lessons learned (MIF: 23,375; ICR Fund: 23,375; and Local Contribution: 11,000).*** This component ensures the monitoring, systematization, and dissemination of the project outcomes. Its objective is to disseminate activities and results in order to achieve greater knowledge on how to promote eco-environmental management aimed at territorial competitiveness through the creation of local capacity and different strategic and operating partnership arrangements between the public and private sectors.
- 3.12 To achieve these objectives, the following activities will be implemented: (i) establishment of a baseline, diagnostic analysis of the eco-efficiency situation on Ometepe Island, and project monitoring system; (ii) design of an eco-efficiency-based website for the island's economic development; and (iii) trips abroad to exchange experiences and activities to promote and scale the project.
- 3.13 The *expected outcomes* of this component are: (i) the project experience is included in the National Recycling Forum and there are five publications in national communications media; (ii) at least 10 municipios in Nicaragua and the Central American region have learned of the model developed; and (iii) the website receives an average of at least 100 visitors a month. In addition, knowledge products will have been generated in the areas of: (i) regulation for the promotion of

eco-efficiency; (iii) promotion of public-private consensus-building for eco-efficiency; (ii) mechanisms for transforming eco-efficiency into effective value for businesses; (iv) promotion of an eco-efficiency based destination.

IV. PROJECT COSTS AND FINANCING

- 4.1 The **total cost** of the project is US\$1,253,310. The CCP will contribute US\$383,310 (31.58%) as a local counterpart contribution, 50% of which will be in cash. The MIF will contribute US\$437,175 and the ICR Fund US\$432,825. A summary budget is given below:

Budget categories	MIF	ICR FUND	LOCAL CONTRIBUTION	TOTAL	%
Component I	57,750	57,750	81,450	196,950	16.22%
Component II	50,225	50,225	34,550	135,000	11.12%
Component III	175,875	175,875	130,750	482,500	39.75%
Component IV	23,375	23,375	11,000	57,750	4.76%
Administration	68,700	68,700	110,560	247,960	20.43%
Midterm and final evaluations	12,500	12,500	0	25,000	2.06%
Financial audits	12,500	12,500	0	25,000	2.06%
Contingencies	14,400	14,400	15,000	43,800	3.61%
SUBTOTAL	415,325	415,325	383,310	1,213,960	100.00%
<i>Percentage</i>	34.21%	34.21%	31.58%	100.00%	
Training in financial management and procurement	5,000	5,000	0	10,000	
Participation in the Cumulative Private Sector Condition Index (CLIP) cluster	12,500	12,500	0	25,000	
Impact Assessment Fund	4,350	0	0	4,350	
TOTAL	437,175	432,825	383,310	1,253,310	

- 4.2 The project **sustainability** will first be ensured by the project's institutional nature, through the consolidation of an environmental management model in the relevant institutions and development of a public-private organizational structure (commonwealth) that are backed by the municipalities and the private sector and serve as the reference point for planning and managing the island's development. At the economic level, sustainability will be ensured insofar as eco-efficiency creates added value in Ometepe's productive activities and is incorporated as an asset by the island's inhabitants and producers. As part of the project, business plans will be prepared for the coordination agencies established (i.e., the Commonwealth and the Tourism Council), which will help create a sustainable setting for the agencies and favor access to sources of financing.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 The Nicaraguan Center for Cleaner Production is a nonprofit organization legally registered in Nicaragua. The CCP promotes efficient concepts and methodologies to foster business competitiveness and productivity, thus creating prevention awareness and generating environmental benefits for society.
- 5.2 **Execution Mechanism.** The project will be administered by the CCP. For execution purposes, the CCP will coordinate with the island's two municipal governments (Moyogalpa and Altagracia)⁹. For project execution, there will be an Executing Unit consisting of a Coordinator, a Project Assistant and an Accounting Assistant.
- 5.3 To ensure proper governance and strategic guidance, the project will have an Advisory Committee comprising the CCP director, the mayors of Altagracia and Moyogalpa, the Tourism Council coordinator, and the Commonwealth manager, once the Commonwealth is created. The Advisory Committee will meet at least once every six months. Its main duties will be to: (i) review and provide feedback on the Project Execution Plan (PEP) and the semiannual work plan (SWP); (ii) evaluate the progress of the components and indicators and suggest strategic courses of action; and (iii) propose actions to boost the project's scope and impact.
- 5.4 **Duration.** The execution period will be 36 months and the disbursement period 42 months.
- 5.5 **Results-based disbursements.** Disbursement of the MIF contribution will be conditional on meeting the milestones¹⁰ agreed between the CCP and the MIF. These milestones will be verified by the methods agreed. Meeting the milestones does not release the executing agency from responsibility for achieving the project's goals.
- 5.6 Disbursements will be made according to Mechanism 2 (results-based disbursements), established in the aforementioned guidelines. To this end, the first disbursement will be conditional on fulfillment of the conditions precedent. Subsequent disbursements will be made at the executing agency's request to continue with normal project execution, provided there are no overdue (unmet) milestones. The amount of the subsequent disbursements will be based on project spending needs for scheduled activities and their associated costs for the required period. Disbursements will be made through a revolving fund equal to 20% of the MIF contribution.
- 5.7 The milestones will be reviewed jointly between the executing agency and the IDB/MIF in conjunction with the first annual operational planning exercise at the

⁹ See attached letters of commitment.

¹⁰ Minimum milestones to be met in critical indicators which, if not achieved, compromise technical feasibility in project implementation.

start of the project and the technical visits. The executing agency may also ask the Bank to modify previously agreed milestones, provided they are not overdue.

- 5.8 **Contracting of consulting services and goods.** The executing agency will procure the goods and services and contract the consulting services included in the project and previously approved by the MIF through the procurement plan, which will need to be updated every 12 months and/or upon any changes to the established procurement methods or the goods or services to be procured. Such procurement/contracting will be implemented according to the policies outlined in documents GN-2349-7 and GN-2350-7 and will ensure transparent, competitive processes that secure the most effective quality/cost ratio for the project.
- 5.9 The institutional evaluation found that the risk associated with the procurement of goods and services is average. Therefore, ex post supervision will apply to consulting services in amounts of less than US\$25,000 (twenty five thousand dollars), with ex ante supervision only for the first two procurement processes. The frequency of procurement supervision will be as follows: initial supervision will be ex post every six months and, based on the results, may be changed to ex post on an annual basis. The MIF may modify the application and frequency of these reviews based on the findings of subsequent reviews and/or risk analyses conducted by the Bank during project execution.
- 5.10 **Financial monitoring.** The CCP will establish and keep proper accounting records of project finances, internal controls, and filing systems, in accordance with Bank/MIF accounting and auditing policies and rules. The specific accounting records will be kept according to the chart of accounts agreed in advance with the Bank, and all transactions financed from the contribution and local counterpart will be segregated by investment component. An institutional and risk assessment of CCP's administrative-financial-accounting management capabilities found that the risk level is low (Institutional and Risk Analysis Annex). Therefore, the project's financial statements will be audited upon completion of the project, and the procurement processes and documentation in support of disbursements will be reviewed ex post on an annual basis.
- 5.11 The Bank/MIF will engage independent auditors to perform the final audit of the financial statements and the ex post review of the procurement processes and supporting documentation. The MIF contribution will be used to defray the cost of the final audit and ex post review in accordance with Bank procedures.

VI. MONITORING AND EVALUATION

- 6.1 The MIF personnel in Nicaragua will supervise and monitor fulfillment of the contractual clauses, process disbursement requests, and receive the audited financial statements. El CCP will compile and analyze the relevant information required to track the indicators in the logical framework (Annex I). The CCP will also submit project status reports (PSR) within 30 days of the end of each six-month period. These reports, to be prepared in a format previously agreed with the MIF, will

- describe the progress of the project, the extent to which milestones have been reached, and the outcomes and their contribution to the project objectives. Within 90 days after project completion, the executing agency will present to the MIF a final project status report (Final PSR) describing the outcomes, the sustainability plan, and the lessons learned.
- 6.2 The Bank will engage consulting services for the midterm and final evaluations. The midterm evaluation will be commissioned when 50% of the MIF contribution has been disbursed or at the project midpoint, whichever occurs first. The main objective of this evaluation will be to gauge the project's progress in meeting the midterm outcome indicators set forth in the logical framework (see Annex I), with special emphasis on: (i) the project's impact on improving Ometepe Island's positioning through eco-efficiency; (ii) the evolution of the eco-efficiency indicators; (iii) the institutional capacity of the executing agency and all other institutions involved in the project; (iv) compliance with the counterpart's *pari passu*, in accordance with the budget and Operating Regulations; and (v) the degree of institution-building achieved by the executing agency. If necessary, the midterm evaluation will make recommendations on corrective action that the MIF and the executing agency might take.
- 6.3 The final evaluation will be performed at the end of the project or when 95% of the MIF resources have been disbursed. The evaluation will determine the extent to which the project has met the final outcome indicators in the logical framework and the baseline. The evaluation will also determine the extent to which the actions promoted by the project are expected to be sustainable once the MIF contribution has been disbursed, as well as the lessons learned and best practices identified.
- 6.4 A **closing workshop** will be held three months before the end of the project. The workshop, to be attended by the CCP, Ometepe's municipal governments, and the Bank staff assigned to project supervision, will jointly evaluate the outcomes achieved, pinpoint additional tasks for ensuring the sustainability of the actions initiated by the project, and identify the lessons learned.

VII. PROJECT BENEFITS AND RISKS

- 7.1 **Project benefits.** The project will improve the positioning of Ometepe in terms of tourism and production, transforming the island's environmental and ecological potential into an element that creates added value for its products and services. These benefits will result in a substantial increase in the number of visitors to the island and their average spending (by improving their profile); and the better positioning of Ometepe's products in conjunction with its eco-tourism positioning. The project's direct benefits will include the creation of at least 150 new jobs in the formal sector; better productive practices in at least 25 businesses; and an increase of at least 35% in the number of visitors to the island, with a 15% average increase in spending.

- 7.2 **Project risks.** The risks identified during the analysis mission and during project design are: (i) the current economic crisis could affect the growing number of tourists that feel ecological and environmental issues are important; (ii) the current stable public and private institutional framework on Ometepe, which favors outside investment, could weaken; and (iii) environmental disasters could affect the island's tourism and environmental potential. Such risks will be mitigated by consensus building between the public and private sectors, thus ensuring the stability of the strategies established for the island; and by setting out efficient marketing products and structures so that the current adverse international economic situation does not prevent the initiative from being fully implemented due to high management costs. Lastly, specific strategies will be included for the products to be generated in an attempt to mitigate the potential effects of natural disasters.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 Given the nature of the project, this initiative is expected to generate very positive environmental impacts. The project will also have positive impacts at the social level owing to higher incomes and employment resulting from increased and improved tourism on Ometepe Island. According to the IDB review, this project has been classified as a category "C" operation by the project team, and was accepted by the ESR on 3 July 2009 (ESR meeting 26-09).

LOGICAL FRAMEWORK

PROGRAM TO ENHANCE THE COMPETITIVENESS OF OMETEPE ISLAND MSMEs BASED ON ECO-EFFICIENCY (NI-M1019)

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Help generate employment for Ometepe's inhabitants, thus raising their income, and create an environmental and production management base that positions the island as a "green destination."	Three years after the end of the project: <ul style="list-style-type: none"> - There is a 35% increase in the number of tourists who visit the island and a 15% increase in their average spending compared to the first year of the project as baseline and to the island's load capacity as a destination. - The businesses associated with the initiatives developed by the project generate at least 150 new job positions. - Ometepe's positioning as a "green destination" is promoted by the main travel guides and instruments. 	<ul style="list-style-type: none"> - Data from the Tourism Council's tourism monitoring system. - Travel guides and other documents promoting tourist destinations. - Ex post evaluation¹ 	<ul style="list-style-type: none"> - The country's macroeconomic, legal, and political climate, as well as investment climate, remains stable. - There are no natural disasters that hinder the island's tourism development.
PURPOSE			
Promote MSME competitiveness based on eco-efficiency in the island's strategic industries, facilitating a consensus among public and private stakeholders as to the competitive future and environmental sustainability of Ometepe.	At the end of the project: <ul style="list-style-type: none"> - At least 25 of the island's tourism and farming enterprises have developed eco-efficiency processes in their activities. - 15 enterprises have developed eco-efficiency practices and improved their productivity by 5% compared to the enterprises that do not develop such practices. - The number of visitors to the island who mention its eco-efficiency positioning as one of the reasons for visiting it increases by 30%. - At least 15 island businesses from various categories position their services based on eco-efficiency. 	<ul style="list-style-type: none"> - Participating companies' records. - Final evaluation. - Waste management evaluations. - Surveys conducted by the Tourism Council. 	<ul style="list-style-type: none"> - Nicaraguan law facilitates the development of a regulatory framework favorable to eco-efficiency on Ometepe Island. - The expected development of the international tourism market that values eco-efficiency and green destinations is not substantially affected by the economic crisis.

¹ During project execution, the MIF, together with the Executing Unit, will analyze the possibility of utilizing funds from the MIF impact evaluation system to conduct this evaluation.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENTS			
I. Institution building and development of environmental management abilities.	<p>18 months into the project</p> <ul style="list-style-type: none"> - The municipal governments of Altagracia and Moyogalpa include items in their budgets to support the recently created commonwealth. - 90% of the officials and personnel of public institutions associated with the environment, tourism and waste have been trained in eco-efficiency. - The island's various institutions have an updated planning framework with eco-efficiency as a key objective. <p>At the end of the project:</p> <ul style="list-style-type: none"> - The planning and execution of the projects for developing the island as eco-destination are coordinated in their entirety by the municipal governments thanks to the institutions developed by the project. - There is a consolidated local supply of business development services specializing in eco-efficiency. - There is a municipal eco-efficiency ordinance accepted in both municipalities, and 70% of business owners express their agreement with it. 	<ul style="list-style-type: none"> - Municipal budget documents. - Project status reports. - Training lists. - Inspection visits. - Strategic business plan. - Survey of business owners. - Island's sustainable development strategy. Commonwealth's strategic plan. Tourist Council's strategic plan. - Projects executed by the institutions. 	<ul style="list-style-type: none"> - The project manages to generate private sector interest in participating in the coordination agencies that have been created. - The governance of the island's institutions is not seriously affected by an unstable political environment. - Nicaragua's financial crisis does not substantially affect the public institutions' commitment to support the project. - There are no impediments to the municipal governments developing eco-efficiency laws as planned.
II. Development of collective assets on the island focusing on waste management and environmental awareness.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - A study has been prepared that outlines the generation and management status of at least 90% of Ometepe Island's solid waste. <p>At the end of the project:</p> <ul style="list-style-type: none"> - 30% of the island's educational establishments have added eco-efficiency to the curriculum. - At least 25% of the island's inhabitants are aware of the concept of eco-efficiency and have a favorable opinion of its implications for Ometepe Island. 	<ul style="list-style-type: none"> - Midterm and final evaluations. - Project status reports. - Surveys conducted. - Proposals submitted. - Curriculum of each educational establishment. - Document of the consultant's environmental study for the island. 	<ul style="list-style-type: none"> - The awareness-raising materials are adapted to Ometepe Island's local conditions and capture the interest of its inhabitants. - The increase in waste generation does not exceed forecasts and does not make the plans obsolete.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>III. Promotion of eco-efficiency initiatives and development of clean energies in tourism and farming.</p>	<p>18 months into the project:</p> <ul style="list-style-type: none"> - A first call for projects issued by the competitive fund facilitates innovation and investments in eco-efficiency on the island by at least 10 businesses. <p>At the end of the project:</p> <ul style="list-style-type: none"> - 35% of the island's hotels and restaurants implement waste separation processes. - 30% of business owners say that eco-efficiency has helped improve their positioning in the market. - 15 beneficiary tourism and farming enterprises reduce average electricity consumption by 15%, water consumption by 20%, waste production (based on projected increases) by 2%, and carbon emissions by 15%. 	<ul style="list-style-type: none"> - Eco-efficiency evaluations conducted. - Midterm and final evaluations. - Project status reports. - Surveys conducted. - Competitive fund's project management documents. 	<ul style="list-style-type: none"> - The economic crisis does not force businesses to adopt short-term survival policies.
<p>IV. Systematization, evaluation and dissemination of lessons learned.</p>	<p>18 months into the project:</p> <ul style="list-style-type: none"> - A system has been generated to survey information on the island's tourism and waste management situation. <p>At the end of the project:</p> <ul style="list-style-type: none"> - At least 10 Nicaraguan municipios are aware of the outcomes of the model developed. - Knowledge products have been generated in the areas of: (i) regulation to promote eco-efficiency; (ii) promotion of public-private consensus building on eco-efficiency; (iii) mechanisms into transforming eco-efficiency into an effective value for the enterprises; (iv) promotion of the destination based on co-efficiency. - The project experience is included in the National Recycling Forum and there are five publications in national communications media. 	<ul style="list-style-type: none"> - Midterm and final evaluations - Reports, documents and press releases on exchange visits. - Final evaluation. - Cross-references. 	<ul style="list-style-type: none"> - The project has managed to spread the perception that an eco-efficiency based positioning creates effective value for the stakeholders involved.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
ACTIVITIES			
COMPONENT I. Institution building and development of environmental management capacity.			
I.1 Creation of a commonwealth between the municipal governments of Altagracia and Moyogalpa.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - The commonwealth is legally registered and in full operation. - There is a strategic sustainability plan for the Commonwealth incorporating an eco-efficiency focus as key pillar. - The Commonwealth's promotional materials are placed in the island's key locations. <p>30 months into the project:</p> <ul style="list-style-type: none"> - At least 2 external cooperation agreements promoted by the commonwealth. 	<ul style="list-style-type: none"> - Legal creation and registry documents. - Strategic sustainability plan documents. - Project status reports. - Promotional materials for the commonwealth developed. - Cooperation proposals negotiated. 	
I.2. Development of consensus-building and management processes for Ometepe as a destination through the Ometepe Island Tourism Council.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - There is a positioning strategy for Ometepe as a destination based on eco-efficiency and green destination. - At least 9 consensus-building roundtables held. - A process for surveying information on tourist satisfaction on the island developed. <p>30 months into the project:</p> <ul style="list-style-type: none"> - There is a method for measuring tourist satisfaction, with measurements taken on an annual basis. - 50% increase in the number of visitors who mention Ometepe as a green destination. - At least 13 consensus-building roundtables held. 	<ul style="list-style-type: none"> - Semiannual reports from the execution agency. - Documents and information on tourist satisfaction in Ometepe. - Strategic positioning document. - Minutes of the consensus-building roundtable meetings. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
I.3. Updating the island's sustainable development strategy.	24 months into the project: <ul style="list-style-type: none"> - At least two workshops held with public and private stakeholders to analyze key issues for updating the island's sustainable development strategy. - Final version of the document containing the new sustainable development strategy for the island is approved by the public and private stakeholders. 	<ul style="list-style-type: none"> - Reports on workshops held. - Sustainable development strategy document validated by the island's stakeholders. 	
I.4. Generation of a local regulatory framework that promotes eco-efficiency on the island.	18 months into the project: <ul style="list-style-type: none"> - New municipal ordinances on eco-efficiency and clean production or changes in the existing ordinances approved. 24 months into the project: <ul style="list-style-type: none"> - 50% of the island's businesses (in the various categories) are familiar with the new laws. 30 months into the project: <ul style="list-style-type: none"> - 25% of the island's businesses (in the various categories) comply with the new laws on eco-efficiency. 	<ul style="list-style-type: none"> - Semiannual reports from the executing agency. - Document evidencing enactment of the new ordinances. - Surveys of tourism businesses. - Evaluation reports. 	
I.5 Training program for local stakeholders on the advantages of eco-efficiency.	30 months into the project: <ul style="list-style-type: none"> - six training modules developed and adapted to the Ometepe context. - 90% of the officials and employees of public institutions associated with the environment, tourism and waste have had technical training in eco-efficiency. - At least five exchanges of experiences on the subject with other municipalities at the national and international levels. 	<ul style="list-style-type: none"> - Semiannual reports from the executing agency. - Training materials on eco-efficiency adapted to the conditions of Ometepe. - Reports on workshops held. - Surveys of trained personnel. - Reports on the information exchange trips. 	
I.6. Creation of a local supply of consultants specializing in eco-efficiency.	18 months into the project: <ul style="list-style-type: none"> - Developed training module adapted to the Ometepe context. - At least 15 individuals obtain a certificate in eco-efficiency. 	<ul style="list-style-type: none"> - Semiannual reports from the executing agency. - Training course certificates. - Proof of consulting contracts in eco-efficiency. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	30 months into the project: At least 5 consultants provide ongoing services in eco-efficiency.		
<i>COMPONENT II. Development of collective assets on the island focusing on waste management and environmental awareness</i>			
II.1. Analysis of the status of solid waste generation and management on the island.	18 months into the project: <ul style="list-style-type: none"> - Consulting services engaged to help identify the status of solid waste on the island (treatment feasibility study and implementation plan for separate waste handling). At the end of the project: <ul style="list-style-type: none"> - Funds have been negotiated for solving the problems identified by the consultant. 	<ul style="list-style-type: none"> - Project status reports - Consulting services study. - Project impact assessment. 	
II.2. Development of a fair to promote the island as a green destination and bestow awards for environmental responsibility.	18 months into the project: <ul style="list-style-type: none"> - At least one fair held to promote the island as a green destination, with the participation of 10 mayors from other Nicaraguan municipalities. 36 months into the project: <ul style="list-style-type: none"> - A total of two fairs held. 	<ul style="list-style-type: none"> - Project status reports - Documentation from the fairs. - Agendas and lists of participants at the fairs' activities. 	
II.3. Raising awareness in the island's strategic sectors of the importance of eco-efficiency.	18 months into the project: <ul style="list-style-type: none"> - At least 1,000 students receive instruction in eco-efficiency and its importance for the island. - At least six educational centers implement solid waste management plans. 36 months into the project: <ul style="list-style-type: none"> - 50% of the waste generated by the island's schools and public entities receive proper management. 	<ul style="list-style-type: none"> - Project status reports - Awareness-raising materials. - Surveys conducted. - Documentation on the fairs at the schools. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<i>COMPONENT III. Promotion of eco-efficiency and clean energy initiatives in tourism and farming</i>			
III.1. Comprehensive technical assistance for businesses in implementing eco-efficiency practices.	<p>12 months into the project:</p> <ul style="list-style-type: none"> - 25 technical visits conducted - 10 technical diagnostic analyses prepared <p>18 months into the project:</p> <ul style="list-style-type: none"> - 15 technical visits (40 in total) - 10 more technical diagnostic analyses prepared (20 in total) - eco-efficiency practices implemented on five occasions. <p>24 months into the project:</p> <ul style="list-style-type: none"> - At least 50 technical visits held (in total) - The final five technical diagnostic analyses prepared (25 in total) - eco-efficiency practices implemented on five more occasions (10 in total) - five monitoring and supervision reviews prepared. <p>A los 36 months into the project:</p> <ul style="list-style-type: none"> - A total of at least 15 enterprises receive assistance on implementing eco-efficiency practices. - A total of at least 15 enterprises receive monitoring and supervision of their eco-efficiency practices. - At least 15 enterprises receive consulting services on the advantages of eco-efficiency in marketing. - The enterprises' copayments for consulting services on eco-efficiency practices are at least 20%. 	<ul style="list-style-type: none"> - Project status reports. - Diagnostic analyses of businesses. - Technical assistance plans. - Business records evidencing implementation of the practices. - Contracts for the implementation of eco-efficiency practices. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
III.2. Promotion of microenterprises associated with collection and sale of waste.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - At least two business plans designed for enterprises engaged in the collection and sale of waste. - One enterprise has the basic equipment for its tasks. <p>36 months into the project:</p> <ul style="list-style-type: none"> - At least one of the businesses created generates profits and has consolidated its activities, employing at least 3 full-time workers. 	<ul style="list-style-type: none"> - Project status reports. - Business plan documents. - Invoices for the purchases and documentation. - Enterprises' contracts and accounting records. 	
III.3. Support for small local producers who favor an environment of eco-efficiency and green positioning.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - five business plans prepared for initiatives linked to eco-efficiency. - At least three businesses start or expand their eco-efficiency related activities. - Promotional materials developed for the three businesses. 	<ul style="list-style-type: none"> - Project status reports. - Business plans. - Enterprises' accounting records. - Enterprises' promotional materials. 	
III.4. Design and implementation of the competitive fund for financing eco-efficiency initiatives.	<p>18 months into the project:</p> <ul style="list-style-type: none"> - one call for projects launched and 10 projects selected from a minimum of 25 submitted. <p>36 months into the project:</p> <ul style="list-style-type: none"> - Second call for projects issued with another 10 projects selected from a minimum of 25 submitted. - A maximum of 80% of the projects selected by the competitive fund have been co-financed with MIF resources. 	<ul style="list-style-type: none"> - Competitive fund methodology. - Project documents. - Competition records and scoring of the projects. - Follow-up reports on the projects financed. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENT IV. Systematization, evaluation, and dissemination of lessons learned			
IV.1. Establishment of baseline, diagnostic analysis of the eco-efficiency situation on the island, and project monitoring system.	12 months into the project: <ul style="list-style-type: none"> - Baseline of the island's eco-efficiency situation surveyed. - Structure designed for the monitoring system and for future systematization of experiences. 	<ul style="list-style-type: none"> - Project status reports. - Systematization plan. - Baseline surveyed. 	
IV.2. Design of an eco-efficiency-based website for the island's economic development.	18 months into the project: <ul style="list-style-type: none"> - A website designed and in operation for the commonwealth and for the Tourism Council. 36 months into the project: <ul style="list-style-type: none"> - The website receives an average of at least 100 visitors a month. - The website has processes for keeping its information up to date. 	<ul style="list-style-type: none"> - Report on website visits. - Website process and operation documents. 	
IV.3. Preparation, dissemination and promotion of project experiences.	36 months into the project: <ul style="list-style-type: none"> - Those responsible for the project have presented the experience in at least two events. 	<ul style="list-style-type: none"> - Prepared documents and materials. 	

ANNEX II - ITEMIZED BUDGET

"Program to Enhance the Competitiveness of Ometepe Island MSMEs Based on Eco-Efficiency"

(NI-M1019)

Component I. Institution building and development of local eco-efficiency capacity						
	TOTAL COST	ICR Fund	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	TOTAL LOCAL CONTRIB.
1.1 Creation of a Commonwealth between the municipal governments of Moyogalpa and Altagracia.	61,500	9,000	9,000	12,000	31,500	43,500
1.2 Development of processes for consensus -building on Ometepe and managing it as a destination through the Tourism Council.	48,000	18,750	18,750	0	10,500	10,500
1.3 Updating the island's municipal strategy for sustainable development.	31,700	11,500	11,500	1,300	7,400	8,700
1.4 Generation of a local regulatory framework that promotes eco-efficiency on the island.	11,000	3,250	3,250	0	4,500	4,500
1.5 Training program for local stakeholders in improving eco-efficiency.	31,000	12,500	12,500	1,500	4,500	6,000
1.6 Creation of a supply of local consultants on eco-efficiency issues	13,750	2,750	2,750	3,750	4,500	8,250
Total Component I	196,950	57,750	57,750	18,550	62,900	81,450
Component II. Development of collective assets on the island with an emphasis on eco-efficiency						
	TOTAL COST	ICR FUND	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	LOCAL CONTRIB.
2.1. Status of solid waste generation and management on the island.	60,000	25,000	25,000	0	10,000	10,000
2.2 Development of a fair to promote the island as a green destination and bestow awards for environmental responsibility.	48,000	15,500	15,500	5,000	12,000	17,000
2.3 Raising awareness of the importance of eco-efficiency in the island's strategic sectors	27,000	9,725	9,725	3,000	4,550	7,550
Total Component II	135,000	50,225	50,225	8,000	26,550	34,550
Component III. Promotion of eco-efficiency initiatives on the island.						
	TOTAL COST	ICR FUND	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	LOCAL CONTRIB.
3.1 Comprehensive technical assistance for businesses in implementing eco-efficiency practices.	197,500	75,875	75,875	43,750	2,000	45,750
3.2 Promotion of microenterprises involved in collection and sale of waste.	19,500	0	0	6,000	13,500	19,500
3.3 Support for small local producers that favor an environment of eco-efficiency and green positioning.	13,500	0	0	11,500	2,000	13,500
3.4 Design and implementation of the competitive fund to finance eco-efficiency initiatives.	252,000	100,000	100,000	21,000	31,000	52,000
Total Component III	482,500	175,875	175,875	82,250	48,500	130,750
Component IV. Monitoring, systematization, and dissemination of knowledge and outcomes.						
	TOTAL COST	ICR FUND	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	LOCAL CONTRIB.
4.1 Establishment of baseline, diagnostic analysis of the eco-efficiency situation on the island and project monitoring system	32,000	15,000	15,000	0	2,000	2,000
4.2 Design of an eco-efficiency-based website for the island's economic development	8,250	3,375	3,375	0	1,500	1,500
4.3 Participation in outside events on related issues	10,000	5,000	5,000			
4.4 Dissemination and publication of the project	7,500	0	0	6,500	1,000	7,500
Total Component IV	57,750	23,375	23,375	6,500	4,500	11,000
Administration, evaluation, audits, and contingencies						
	TOTAL COST	ICR FUND	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	LOCAL CONTRIB.
5.1 Project coordination	90,000	45,000	45,000	0	0	0
5.2 Administrative Assistant	54,000	0	0	54,000	0	54,000
5.3 Accountant	23,400	11,700	11,700	0	0	0
5.4 Operating expenses	80,560	12,000	12,000	27,560	29,000	56,560
5.2 Midterm and final evaluations	25,000	12,500	12,500	0	0	0
5.6 Audit (ex post annual audit of disbursements/procurement and end-of-project audit)	25,000	12,500	12,500	0	0	0
5.7 Contingencies	43,800	14,400	14,400	10,000	5,000	15,000
Total Project Administration	341,760	108,100	108,100	91,560	34,000	125,560
SUB TOTAL PROJECT	1,213,960	415,325	415,325	206,860	176,450	383,310
	TOTAL COST	ICR Fund	MIF	LOCAL CONTRIB. Cash	LOCAL CONTRIB. In kind	LOCAL CONTRIB.
Training in financial management and procurement	10,000	5,000	5,000	-	-	-
Participation in the CLIP cluster	25,000	12,500	12,500			
Impact Assessment Fund	4,350		4,350	-	-	-
PROJECT TOTAL	1,253,310	432,825	437,175	206,860	176,450	383,310