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MULTILATERAL INVESTMENT FUND

ECUADOR

**SUSTAINABLE PRODUCTIVE SECTOR DEVELOPMENT
IN GALAPAGOS**

(EC-M1010)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Leonardo Corral (RE3/EN3), Project Team Leader; Santiago Soler (MIF/OPS); Steven Stone (COF/CEC); Annette Killmer (RE3/EN3); Rosa Guerrero (COF/CEC); Fermín Vivanco (SDS/MSM); Jorge de Vicente (MIF/OPS); María Elena Nawar (MIF/DEU); Milena Gaviria (MIF/OPS); Juan Carlos Pérez-Segnini (LEG/OPR); Gisella Barreda (RE3/EN3); and Eduardo Cucinelli (Consultant).

CONTENTS

EXECUTIVE SUMMARY

II.	BACKGROUND.....	1
III.	OBJECTIVES AND COMPONENTS.....	3
IV.	COST AND FINANCING	5
V.	EXECUTING AGENCY AND EXECUTION MECHANISM	7
VI.	MONITORING AND EVALUATION.....	9
VII.	BENEFITS AND RISKS	9
VIII.	ENVIRONMENTAL AND SOCIAL IMPACT.....	11

ANNEXES

Annex I	Logical framework
Annex II	Summary budget
Annex III	Table of similar or related MIF/IDB projects

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE RE3/RE3 TECHNICAL FILES

1. Itemized budget
2. Operating Regulations
3. Terms of reference for members of the Coordinating Unit and primary consultants
4. Letters of commitment from the executing agency
5. GANTT charts for project execution with project triggers
6. Funding synergies with other donors
7. Project performance monitoring report
8. Procurement plan

ABBREVIATIONS

AECI	Agencia Española de Cooperación Internacional [Spanish Agency for International Cooperation]
AWP	Annual work plan
CAPTURGAL	Cámara Provincial de Turismo de Galápagos [Galapagos Provincial Tourism Board]
CESI	Committee on Environment and Social Impact
CI	Conservation International
FUNDAR	Fundación para el Desarrollo Alternativo Responsable [Foundation for Responsible Alternative Development]
HACCP	Hazard Analysis and Critical Control Point
INGALA	Instituto Nacional Galápagos [Galapagos National Institute]
MAE	Ecuadorian Ministry of the Environment
MIS	Management information system for the Galapagos cluster
MSME	Micro, small, and medium-sized enterprise
OR	Operating Regulations
PCR	Project completion report
PNG	Parque Nacional Galápagos [Galapagos National Park]
PPMR	Project performance monitoring report
WWF	World Wildlife Fund

SUSTAINABLE PRODUCTIVE SECTOR DEVELOPMENT IN GALAPAGOS

(EC-M1010)

I. EXECUTIVE SUMMARY

Executing agency:	Cámara Provincial de Turismo de Galápagos [Galapagos Provincial Tourism Board] (CAPTURGAL)	
Beneficiary country:	Ecuador	
Beneficiaries:	The program's direct beneficiaries will be: (i) approximately 100 micro, small, and medium-sized enterprises (MSMEs); (ii) at least six organizations of producers in the fishing and agriculture/livestock sectors, with a total membership of approximately 1,300; and (iii) the tourism board, which will be strengthened in operations management both for the tourism sector and to establish links with the fishing and agricultural sectors, and will have a working management information system.	
Financing:	Modality:	Nonreimbursable (Facility III-A)
	IDB: (MIF) ¹	US\$1,863,616 (63%) ²
	Local:	<u>US\$1,076,811</u> (37%)
	Total:	US\$2,940,426
Objectives:	<p>Goal: To contribute to the sustainable development of Galapagos.</p> <p>Purpose: To improve the ability of MSMEs in local productive sectors (fishing, agriculture/livestock, and tourism) to establish links to the tourism-based economic development of Galapagos, which depends on the conservation of its natural environment.</p> <p>Components: (i) technical assistance in business management for private-sector production organizations in the archipelago; (ii) adaptation of production for target markets; and (iii) development of markets and business associations.</p>	

¹ The MIF contribution includes US\$15,000 for cluster coordination activities.

² Not including cluster activities.

Terms:	<p>Execution period: 48 months</p> <p>Disbursement period: 54 months</p>
Environmental and social review:	<p>The Committee on Environment and Social Impact reviewed the project at its meeting on 1 April 2005. The responses to its observations have been incorporated into the document (paragraph 8.1).</p>
Coordination with other official development institutions:	<p>During preparation, an extensive consultation and coordination process was undertaken with international donors, resulting in commitments to provide counterpart funding and to coordinate activities with some agencies working in common areas, including: the World Wildlife Fund (WWF), the Spanish Agency for International Cooperation (AECI), Conservation International (CI), and Fundación para el Desarrollo Alternativo Responsable (FUNDAR). In addition, the Ministry of the Environment (MAE), with the support of CI and others, is spearheading an effort to establish a credit fund to stimulate locally based production alternatives. In coordination meetings, it was agreed that collaboration would take place on this initiative, where the project will play a key complementary role by providing technical assistance and training.</p>
Special contractual clauses:	<p>Conditions precedent to the first disbursement of Bank funds:</p> <ul style="list-style-type: none"> a) Hiring of the coordinator of the Coordinating Unit b) Formation of the Board of Directors and first meeting held c) Entry into force of the Operating Regulations d) Signature of the agreements for coordinating activities between CAPTURGAL and the primary donors (WWF, FUNDAR, Galapagos National Park (PNG), and the Galapagos National Institute (INGALA)) that are merging their funds with the MIF. <p>Conditions for execution include the following. Within three months following signature of the technical cooperation agreement: (i) the procurement plan must be updated; (ii) the baseline for all project components must be determined; and (iii) the annual work plan (AWP) for the first six months must be approved by the Board of Directors, with its respective performance matrix and indicators adapted to the established baseline.</p>

Special disbursement: Once the technical cooperation agreement is in force and the executing agency has met the General Conditions precedent to the first disbursement set forth in that agreement, the Bank can disburse MIF resources equivalent to US\$50,000 to: (i) hire the project coordinator; (ii) draft the AWP for the first six months of project execution; and (iii) contract the consulting services that will establish the project baseline.

**Exceptions to
Bank policy:**

None.

II. BACKGROUND

- 2.1 The Province of Galapagos, including the 138,000-km² Galapagos Marine Reserve, is one of the world's largest and most valued protected areas. Human settlements represent 3% of the islands' territory on the populated islands of San Cristóbal, Santa Cruz, Isabela, and Floreana, with a 2001 population of 18,640, according to the Fifth Population Census and Sixth Housing Census. The population is currently estimated at over 24,000.
- 2.2 On the Galapagos Islands, the economy is based primarily on tourism-related activity, attracting at least 70,000 international tourists annually. Visitors are predominantly tourists, generating 40% of Ecuador's annual tourism revenues (US\$400 million). But of this percentage, only 19%³ is spent on the islands. This is due to the fact that the current tourism model establishes few connections between the local supplier market and the consumption of goods and services generated by tourism. Most tourists, after arriving, immediately board cruise ships and spend little or no time on the populated islands. Furthermore, despite having production capacity on the islands, cruise operators and part of the local market secure labor, fish, meat products, fruits, and vegetables from the mainland. This is due primarily to: (i) the lack of organization and coordination of the productive sectors; and (ii) the poor quality and/or inadequate management of production chains. This gap between supply and demand for local products drives a socioeconomic unease on the archipelago and increases the risks of disease and pests being introduced by the required imports.
- 2.3 Galapagos is a tourist destination with a high potential, especially for the ecotourism segment, but its sustainability requires that the tourism model benefit the local population and diversify, while limiting growth in the number of tourists. In addition, any activity seeking to improve competitiveness in both the tourism sector and the other local production chains, faces two challenges: (i) not to have a negative impact on the environment and the balance of the ecosystem; and (ii) not to encourage migration from the mainland due to improvement in production conditions. Therefore, any intervention in these sectors must be strategic and comprehensive, that is, it must have an overall vision of all value chain activities in the Galapagos cluster (tourism, fishing, and agriculture/livestock).
- 2.4 In recent years, various international cooperation initiatives have focused their efforts on conservation, while paying little attention to the local population, and even less to improving the population's integration into the tourism-driven value chain. Meanwhile, the tourism industry has assumed a fairly vertical structure, generating little employment and few direct benefits on the islands. These factors have generated resentment among the local population who, not seeing the benefits of tourism, and therefore, of conservation, has not played an active role in

³ Galapagos Regional Plan, Willen and Stewart. Other sources provide different figures.

conservation processes. This poses the major challenge of opening the local Galapagos economy to participation by the local population and facilitating the transition from extractive uses of the archipelago to non-extractive uses such as those promoted by tourism. This challenge is addressed in the framework legislation for Galapagos, developed based on a consensus reached among conservations agencies, local authorities, and the productive sectors.

- 2.5 **The tourism sector:** The Special Regulations for Tourism in Protected Natural Areas (RETANP) provide for the issuance of quotas in 2005 for new modes of tourism in Galapagos. The Special Galapagos Law establishes that all current and future tour operation modes⁴ will be designed for permanent residents who will be granted tour operator permits. The Special Regulations establish that tour operator licenses or permits for the day tour, day tour with diving, and live-aboard diving tour will be granted based on a score, for which the majority of points are obtained by surrendering the quota for shipping vessels (not the vessels themselves, which can be retrofitted for tourism activities). Given the weight of the quota in the score, it is estimated that those who obtain the new licenses will be from the small-scale fishing sector who have shifted their productive or extractive activity to tourism-based operations.
- 2.6 **The fishing sector:** In 2001, the Galapagos National Park (PNG) had 956 registered fishermen. The fishing fleet included over 400 vessels. Today, fishing in the archipelago is focused primarily on two legal species (lobster and sea cucumber) and one illegal harvest: shark fin. The fishing techniques used by fisherman are rudimentary. The production chain has no true distribution or marketing channels, and there is virtually no transformation of or value added to products, or connection or sales to the international tourism sector.
- 2.7 **Agricultural production:** In Galapagos, agricultural production does not meet local needs, primarily in terms of health and quality standards for the local population in general, and much less for tourism. Therefore, a significant portion of agricultural and livestock products are imported from the mainland. This situation increases the risk of introducing diseases and pests into the archipelago, and does not contribute to ensuring self-sufficiency or socioeconomic development. Some organizations have modernized and diversified production, and improved their distribution logistics. In addition, they want to create a joint cooperative for the production and marketing of their production on the local market and to the cruise tourism market, the final link in achieving sustainability. Furthermore, they require technical assistance for management, distribution logistics, and product sales.

⁴ In 2005 new modes of tourism are planned for which permits will be granted: (i) class 1-2-3 diving and bay tour; (ii) sport fishing tour; (iii) traditional experiential fishing tour; (iv) port-to-port tour; and (v) live-abroad diving tour.

- 2.8 This project's primary strategy is to establish direct links between the tourism sector and the other sectors of the local economy. It is hoped that linking tourism (which depends directly on the conservation of the natural environment) to agricultural, livestock, and fishing production, will create a socioeconomic incentive in the productive sectors to support conservation on the Galapagos Islands. The program is expected to contribute to reducing the pressure on the currently overfished resources by supporting alternative income generation in the short and medium term by invigorating sectors other than fishing that facilitate the placement of fishermen who decide to move to non-extractive occupations.
- 2.9 The proposed project will consider the archipelago as a cluster, the "Galapagos cluster," due to the geographic concentration and focus of interests (environmental conservation and sustainable development) of the production chains that represent the three sectors—tourism, fishing, and agriculture/livestock—while acknowledging that tourism generates the most economic resources. The proposed project is consistent with the Bank's strategy of creating and improving the competitiveness of micro, small, and medium-sized enterprises (MSMEs). This project falls under the MIF's Sustainable Tourism as a Development Strategy cluster⁵.
- 2.10 This project is complementary to and will leverage some of the actions initiated by IDB loan 1274/OC-EC for the Galapagos environmental management program, which is planned for completion in September 2005. With this program, the Bank has supported local authorities in strengthening their capacity for management, control, and conservation of the archipelago.

III. OBJECTIVES AND COMPONENTS

- 3.1 The project's goal is to contribute to the sustainable development of Galapagos. Its purpose is to improve the ability of MSMEs in local productive sectors (fishing, agriculture/livestock, and tourism) to establish links to the tourism-based economic development of Galapagos, which depends on the conservation of its natural environment. The expected outcomes of the components, as well as the outcomes in terms of project impact, are outlined in Annex I (Logical framework).
- 3.2 **Component I: Technical assistance in business management for private-sector production organizations in the archipelago:** MIF US\$170,778/Local US\$73,216. Total: US\$243,994. The purpose of the component is to strengthen the archipelago's primary unions and production organizations so they may develop into true associations, applying modern administrative and management mechanisms so they may provide professional services to their members. The

⁵ In accordance with document MIF/GA-11-1, the MIF has requested that resources be included (US\$15,000) and allocated to an account managed by it for cluster coordination activities.

component includes the following activities: (i) training for the beneficiary organizations in good management practices, business planning, marketing, and training in managing microcredit and information systems, and in environmental management; (ii) strengthening the integration of MSMEs in the productive sectors through the interaction of their representatives on the project's Board of Directors (see paragraph 5.4); (iii) creating a management information system for the Galapagos cluster, providing the software and hardware, which will house information collected in annual surveys of the three sectors, among other sources; and (iv) developing a communications plan to allow internal communications in each of the sectoral institutions and external communications with the public and other target audiences.

- 3.3 **Component II: Adaptation of production for target markets⁶:** MIF US\$933,152/Local US\$640,875. Total: US\$1,574,027. The purpose of this component is to assist the beneficiary organizations and their MSME members in the development of production improvement and adaptation programs by applying safety, health, quality, and certification standards according to the production schedules required by the target markets (primarily tourism), while considering the environmental features of the archipelago. The component includes the following specific activities: (a) technology transfer and adaptation by product and sector; (b) production planning based on target market demand; (c) pilot projects (e.g., pearl farming, a pilot sport fishing project, and others to be defined with the PNG); (d) training producers and cooperatives in good production practices based on demand; (e) training the local tourism labor force in response to the needs of tour operators; (f) establishing certification and quality control processes, (i) promoting Hazard Analysis and Critical Control Point (HACCP) at the three fishing collection centers, and at the agriculture collection center, allowing the evaluation and control of contaminants in the production chain by establishing critical points (where contamination may be present) and the monitoring parameters to prevent product contamination; (ii) implementing international tourism standards and service classification systems⁷; and (g) educating and raising awareness among organizations and their members on conservation and environmental protection. The specific features of each sector on each of the three islands will be considered.

- 3.4 **Component III: Development of markets and business associations:** MIF US\$265,100/Local US\$267,200. Total for the component: US\$532,300. The purpose of this component is to provide a strategic guide for all project activities, to facilitate business activities within the business cluster, and to propose research on

⁶ The primary target markets are the cruise market and the local market. Due to restrictions and the self-sufficiency strategy, in order to avoid the introduction of pests, as proposed by the Special Galapagos Law, this is, in fact, a closed market.

⁷ The project will leverage the experiences of other MIF-supported initiatives on certification with the Asociación Ecuatoriana de Ecoturismo [Ecuadorian Ecotourism Association], and SmartVoyager for tour operators.

the appropriateness of using a logo to identify the products and services of the business cluster that meet high quality standards. Together, the activities should help develop markets for the business cluster and facilitate trade among members of the Galapagos cluster. This component includes the following activities: (i) developing business plans (for activities in place of fishing that require a tourism-operator or other type of permit); (ii) matchmaker events between sectors; (iii) developing a brand of “Galapagos” food products; and (iv) developing a Strategic Plan for Sustainable Tourism Development in Galapagos, to be developed based on studies of supply, demand, environmental carrying capacity, and the tourism infrastructure capacity. The development of business plans for activities to replace fishing that require tourism-operator permits can only be financed once the executing agency presents, to the Bank’s satisfaction, evidence that: (i) the licensing standards have been approved for new tourism activities and those replacing small-scale fishing; and (ii) the credit fund has been established.

IV. COST AND FINANCING

- 4.1 The cost of the project is estimated at US\$2,922,504. The MIF would provide US\$1,845,693 (63%) in nonreimbursable resources from Facility III-A. The balance of US\$1,076,811 (37%) would be made up of local counterpart contributions provided by the executing agency (US\$133,320), project users, whose contribution is governed by the project Operating Regulations (US\$295,206), and other donors whose planned activities mesh with the project: WWF (US\$508,325), FUNDAR (US\$55,800), PNG (US\$56,160), and INGALA (US\$28,000),⁸ of which 79% would be cash contributions. The MIF will finance the costs of technical assistance and training, and part of the administrative costs. The project’s estimated budget is provided in the following table.

⁸ As a result of the analysis, the planned activities of the WWF, FUNDAR, PNG, and INGALA that mesh with project activities were coordinated. Thus far, letters have been received from FUNDAR and INGALA indicating their willingness to provide counterpart funding, and the letters from the WWF and PNG are expected to arrive shortly.

Budget in U.S. dollars				
Budget items	MIF	CAPTURGAL and beneficiaries	Donors	TOTAL
Personnel	263,400	90,000	0	353,400
Logistics	104,090	5,520	0	109,610
Component 1	170,778	18,522	54,694	243,994
Component 2	933,152	215,284	425,591	1,574,027
Component 3	265,100	99,200	168,000	532,300
Subtotal	1,736,520	428,526	648,285	2,813,331
Contingencies (3%)	52,096	0	0	52,096
Midterm, final, and baseline evaluation	40,000	0	0	40,000
Audit	20,000	0	0	20,000
TOTAL	1,848,616	428,526	648,285	2,925,426
Cluster coordination activities ⁹	15,000	0		15,000
GRAND TOTAL	1,863,616	428,526	648,285	2,940,426
Percentages	63%	15%	22%	

4.2 The sustainability of the project is developed on various levels. First, the three sectors of the cluster (local tourism MSMEs, fishing, and agriculture/livestock) will have achieved a higher level of integration with the islands' large tour operators, and therefore, a greater market share as well as the ability to manage their own business ties, allowing long-term performance. In terms of production and innovation, the three sectors will be trained to plan and develop their own products in accordance with best practices, and this consolidation will be monitored during the project. In addition, CAPTURGAL will be strengthened with the permanent hiring of at least two specialists, one in tourism and another in information management, as well as the cluster's management information system, which will be advantageous over the long term. In economic terms, the trained beneficiaries will pay an average of 30% of the costs, which will promote conduct furthering the sustainability of the actions. Based on the same criterion, the MSMEs will contribute between 20% and 25% of the technical assistance costs. And the executing agency will apply a *pricing* strategy to these services, thus further enhancing the sustainability of the strategic actions.

4.3 In addition, once the primary activities for the three components are established (year one of the project) for the cluster's three sectors, and the sectors' participation and degree of compliance with the project has been considered, the executing agency will develop a sustainability plan supported by a financial projection of

⁹ This amount will be deducted from the total MIF contribution to the beneficiary upon signature of the technical cooperation agreement, and will be used by the Bank for cluster coordination activities.

revenues and cofinancing for the primary activities and services. The first sustainability plan will be included in the AWP for year two. This practice will be undertaken annually and the approval of each AWP will include the review of the sustainability plan from the prior year, monitoring the proposed sustainability targets and making any necessary adjustments. CAPTURGAL will present its sustainability strategy at a sustainability workshop to include representatives of the Bank and the executing agency, one year prior to the end of the project, with the goal of examining the possibilities of continuing the management of the project independently after termination of MIF support.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 The program executing agency will be Galapagos Provincial Tourism Board (CAPTURGAL) which is the local entity with the best capacity to manage the MIF project. CAPTURGAL is a nonprofit organization established in 1996 to promote tourism and related services, in harmony with the core objectives of conservation, preservation, and management of the islands. Since tourism is the driving force of the Galapagos economy, and the project's purpose is to promote markets and links with this sector, CAPTURGAL can play a leading role in the project's implementation and success. Its Board of Directors is made up of representatives of the tourism-related subsectors on the islands: (i) hotels, lodging and related services; (ii) travel agency operators; (iii) tour operators licensed to operate in the protected area; (iv) food and beverage services; and (v) leisure and recreation services. The Board of Directors oversees the work of the President, appoints the Executive Director, and establishes the annual budget and programming.
- 5.2 In July 2005, CAPTURGAL completed execution of the project "Support of local participation in the Galapagos tourism sector – ATN/MH-7524-EC" with MIF resources of US\$300,400. The final evaluation indicates that project execution was satisfactory and 100% of funds were disbursed. The primary achievements were the training of the MSME tourism entrepreneurs, and the creation of the Tourist Information Center, including the launch of the CAPTURGAL website (www.galapagostour.org).
- 5.3 In order to ensure active participation and respond equitably to the interests of the three productive sectors included in the project, a Coordinating Unit will be established with autonomy on matters of bidding, contracting, and payments. The unit will consist of a coordinator, an administrative management assistant, and an information management specialist responsible for generating and disclosing information necessary for continuous project monitoring. In addition, the unit will receive accounting and cash management support from CAPTURGAL. The unit will operate out of CAPTURGAL's offices on Santa Cruz (Puerto Ayora) and on San Cristóbal (Puerto Baquerizo).

- 5.4 A Board of Directors will be established with representatives of the three sectors from the three islands, and its primary responsibility will be to oversee the development and compliance of project execution. Periodic meetings of the Board will seek to meet each sector's needs on the three islands through the technical support activities included in the project design. During preparation, a successful simulation of Board operation was undertaken in Puerto Ayora, where, in addition to sector and island representatives, Bank officials, and representatives of the executing agency, PNG, and INGALA participated and reviewed project objectives, components and activities, the logical framework, and the basic eligibility criteria in the OR. Considering the significance of the formation of the Board as a representative body, the sector representatives who participated in the Board simulation will serve as the current Board members until their replacement.
- 5.5 **Execution period.** The project is expected to be executed in four years (48 months).
- 5.6 **Project readiness.** Terms of reference for coordinating unit members and the primary consultants to be hired have been agreed on and the project Operating Regulations have been agreed on with the executing agency, as have provisional regulations for the project's Board of Directors. In addition, project letters of intent have been received from all beneficiary organizations and letters of commitment to participate as project counterparts have been received from local institutions and international donors.
- 5.7 **Procurement of goods and consulting services.** For the contracting of consulting and training services, as well as for the procurement of goods using MIF funds, CAPTURGAL must comply with all standards, procedures, and policies established by the Bank for such purposes. For the contracting of consulting services to be financed by the Bank, CAPTURGAL will follow the pertinent Bank procedures in accordance with the Policies for selection and contracting of consultants financed by the IDB (document GN-2350-4). For the consulting services, several individual consultants will be hired and will be selected on a quality and cost basis, as well as through the use of any of the competitive methods set forth in the aforementioned policies. For contracts valued at less than US\$50,000, the Bank's review will be performed on an ex post basis, provided that the first three such contracts, which will be reviewed ex ante, were executed in a manner satisfactory to the Bank. The procedures must guarantee transparent, competitive processes at the least cost. Shopping will be used for the procurement of goods, in accordance with the provisions of the Policies for the procurement of works and goods financed by the IDB (document GN-2349-4). CAPTURGAL will prepare a procurement plan, to be approved by the Bank. That plan is attached as Annex V and will be revised every six months.

VI. MONITORING AND EVALUATION

- 6.1 The Bank's Country Office in Ecuador will be responsible for the monitoring and control of compliance with contractual clauses, processing disbursement requests and receiving audited financial statements. CAPTURGAL will submit semiannual status reports in accordance with the standard reporting requirements applied by the Bank. A closing workshop will be scheduled for the end of the execution period in order to evaluate the results achieved and the actions required to enhance the impact of the project.
- 6.2 Annual audits and a final audit will be conducted in accordance with Bank policy. The Bank, in collaboration with the executing agency, will hire consultants for the evaluations and the development of the baseline for the indicators and the system for monitoring project outcomes. Two evaluations will be conducted: the first when 50% of the Bank loan proceeds have been disbursed, and the final evaluation, when 90% of those funds have been disbursed. Based on the indicators in the Logical Framework and the project reports, the evaluations will determine whether there was a significant disparity in the execution of activities, recommend corrective measures, and highlight the lessons learned and how they can be shared among projects in the Sustainable Tourism as a Development Alternative cluster.
- 6.3 The programming of activities will be based on an AWP, duly regulated in the Operating Regulations and the performance matrix for the evaluation and monitoring of the AWP. Project monitoring will be linked to evidence of progress in key indicators initially specified in the OR and updated as defined therein.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will promote solutions to current and potential problems in matters of governance through greater and enhanced local participation of productive sectors in the total revenues generated by tourism.
- 7.2 In addition, all activities aimed at improving competitiveness will be undertaken with the support of a permanent environmental management specialist. This is expected to raise awareness among producers and MSMEs of the value of Galapagos' natural assets.
- 7.3 The program will generate a complete model for the management of economic activities in the three participating sectors. This model, with a business cluster approach, will include an integrated management and statistical information system to serve the sectors, introducing a previously unknown style of management into the Galapagos private sector. This will be reinforced with the implementation and consolidation of business mechanisms between the production chains and the tourism industry, thus initiating a long-range local strategy.

- 7.4 **Risks and/or challenges.** One challenge will be the project's ability to generate interest in participating among MSMEs, but particularly the fishing sector, which is more troubled and has greater uncertainty. This risk will be mitigated by means of the sector integration activities and incentives for participation therein, but above all, by the application of a common criterion for the project: it will work with those who want to work, by showing results and using them as milestones or witnesses to positive, possible change. Especially in the fishing sector, work will be done openly. That is, without focusing the activity exclusively on the political leadership institutionalized in the cooperatives, but rather opening the playing field to new groups of fishermen who have demonstrated a genuine interest in the project. During preparation, joint work was done with the fishing sector and others to determine the project's scope and activities, and the executing agency has already received letters of intent for the project from all of the beneficiary organizations, including the fishing cooperatives.
- 7.5 Another risk is that the incentives provided for under the technical cooperation may be insufficient, since many of the replacement activities for fishing require investment, and current access to credit is virtually impossible for most fishermen. In this regard, the Ministry of the Environment, with the support of Conservation International (CI) and others, is spearheading an effort to establish a credit fund to promote locally based production alternatives. In coordination meetings, collaboration on this initiative was agreed, with the project playing a key complementary role with technical assistance and training. CI has already committed to contribute US\$750,000.¹⁰
- 7.6 Another risk is related to coordination with other donors that are contributing counterpart funds to the project, particularly the WWF. During project analysis, the Bank worked with the other donors to identify common areas of interest and areas where they already had activities under programs with secured financing that mesh with project activities. To ensure coordination and hence contribution of the planned counterpart funding, signature of agreements with the main donors was included as a special condition precedent to the first disbursement.
- 7.7 Lastly, the risk exists that encouraging local tourism with incentives would stimulate additional migration to the islands, a situation exacerbated by the current institutional weakness in Galapagos. In this regard, INGALA, which is legally mandated to control migration, is taking the following actions: (i) drafting of a new regulation applicable to the Special Law for the Galapagos Islands, integrating the lessons learned on managing the problem; (ii) the establishment of technical procedures for the processes of qualification, verification, and monitoring of permanent, temporary residence, and visitor applications; (iii) modernization of the control system at ports and airports of departure—Quito and Guayaquil—and arrival – San Cristóbal, Santa Cruz, Isabela, and Baltra, with a view to establishing a single

¹⁰ These funds are not accounted for as a counterpart contribution for this project.

system of control using a single card; (iv) establishment of a computerized database that with the support of auditors, will allow for the identification of those people who are in Galapagos legally and those with irregular status; (v) initiation of a training process for both the Residence Committee, the policy-making authority, and the technical and operational authorities. Lastly, INGALA will establish social accountability for this entire process to ensure complete transparency. For monitoring, INGALA is preparing an agreement with the National Police to have their specialized migration corps provide assistance in Galapagos. In this context, it is noteworthy that since June 2005 the United Nations has been supporting INGALA through a US\$3 million institution-strengthening program.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The Committee on Environment and Social Impact recommended considering aspects related to new fishing technologies, incentives for conservation of the islands, the current excess capacity and subsequent pressure on marine resources. In this regard, longline fishing (which is currently prohibited) is a serious concern in Galapagos, and therefore the supply of technological options for the fishing sector promoted by the operation will be limited to those that do not have a negative impact on fisheries, and rather contribute to more rational management, and are undertaken through cooperation agreements with PNG and the WWF, which has been working on this issue (see paragraphs 2.100 and 2.101 of the Operating Regulations). Also, the idea of strengthening the fishing registry in order to maintain strict control on entry into fishing is appropriate, and analysis will also be provided on facilitating transition from fishing to other alternative economic activities (tourism), also implying a reduction in traditional fishing.
- 8.2 The project has planned various activities: (i) continuous environmental monitoring of the economic activities promoted or supported by the project will be maintained (paragraphs 2.156 to 2.164 of the Operating Regulations); (ii) the OR include annual evaluations for the identification of trends in factors outside the project, such as migration control, including review instruments if controls are not sufficient; (iii) better fishing practices will be promoted through actions coordinated with other donors—WWF—(paragraphs 2.104 to 2.111 of the Operating Regulations); (iv) intervention in the livestock chain will be focused on improving the infrastructure at the slaughterhouse in Puerto Ayora in order to mitigate the current negative environmental impact (OR, paragraphs 2.143 and 2.144). Declaration of Galapagos as free of foot-and-mouth disease without vaccination will be supported (OR, paragraph 2.145) and will also increase the competitiveness of the primary product and provide a strong incentive for restricting product imports from the mainland, thus improving control of the introduction of pests and diseases. In addition, HACCP processes will be implemented (paragraph 2.132 of the OR); (v) significant progress has been made in coordination with other donors. In the case of Conservation International, this NGO has indicated that it would provide

resources for the reorganization of the records of members in the fishing cooperatives, the reduction of fishing quotas, and the granting of loans as an incentive for replacement activities, an activity that the MAE has been coordinating; and (vi) lastly, the MAE has formally committed to promoting actions that contribute to strengthening migration control, the approval of the bylaws of the PNG (which authorizes licenses) for new replacement activities, and compliance with the Galapagos Fishing Regulations.

SUSTAINABLE PRODUCTIVE SECTOR DEVELOPMENT IN GALAPAGOS (EC-M1010)

LOGICAL FRAMEWORK SUMMARY

Objectives	Indicators	Means of verification	Assumptions
Goal			
To contribute to the sustainable development of Galapagos	<ul style="list-style-type: none"> > % of local share of tourism industry revenues <i>Tentative baseline: 19%¹</i> <i>Source: Galapagos Regional Plan, Willen and Stewart</i> > % of environmentally sustainable economic activities Surveys conducted will show that the beneficiary sectors and other sectors (NGOs, PNG, FCD) feel that the project is having a positive role in promoting activities aimed at conserving the environmental assets of the Galapagos. 	(i) Cluster management information system (MIS) for the project; annual survey of the tourism sector; (ii) PNG entry control; (iii) INGALA and official census; (iv) Monitoring by PNG and Darwin Station; and (v) ex post project evaluation.	

¹ In the definition of the baseline, this indicator will be verified at the start of project execution, since it varies depending on the source, for example, the project “Redireccionamiento del Sector Turístico en el Archipiélago de Galápagos” [Redirecting the Tourism Sector in the Galapagos Archipelago], provides a figure of 11%. In addition, it must be considered that statistics on the local share of tourism revenues may hide the ultimate use of the revenues in cases where the tour operator is legally registered in Galapagos, but its income is managed and used in mainland Ecuador.

Objectives	Indicators	Means of verification	Assumptions
Purpose			
To improve the ability of MSMEs in local productive sectors (fishing, tourism, and agriculture/livestock) to establish links to the tourism-based economic development of Galapagos.	<p>By the end of the project</p> <ul style="list-style-type: none"> At least 70 % of planned production² in each sector will be marketed under formal agreements with the tourism sector (hotels, restaurants, cruise lines etc.). Of the 10 business plans prepared with the support and validation of the project, at least 50% will be operating businesses. At least 30 % of the fishermen that obtain licenses³ for new activities will have established their businesses. 	<p>(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments: survey, consulting reports, cluster sector information, and activities undertaken by the Coordinating Unit (CU), etc.; (iii) Baseline⁴; (iv) Midterm and final evaluations by independent consultant; (v) PCR; (vi) Sector specialist inspections; (vii) PPMR; and (ix) Executing agency's progress and final reports.</p>	<p>(i) INGALA will effectively control migration; (ii) Greater local involvement in the tourism economy does not depend on the growth of the number of visitors to Galapagos; (iii) It is possible to sustain new land-based tourism businesses without increasing the total number of visitors to the islands,⁵ and without damaging the environment; (iv) PNG will issue the licenses; and (v) The conflicts in the fishing sector will not interfere with project activities.</p>
Components			
<p>Component 1: <i>Technical assistance in management for private sector production organizations in the archipelago</i></p> <p>Management of the primary production and union organizations is strengthened.</p>	<ul style="list-style-type: none"> By the end of the project, six production organizations (two by project midterm) will apply modern and efficient administrative and management mechanisms. Surveys conducted will show that the project beneficiary sectors will consider that CAPTURGAL is playing a proactive role in establishing links between the tourism sector and the other sectors. (This positive evaluation of 	<p>(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments: survey, consulting reports, cluster sector information, and activities undertaken by the Coordinating Unit, etc.; (iii) Progress reports; (iv) Executing agency's final report; (v) PCR; (vi) PPMR; (vii) Sector specialist inspections; and (viii) Midterm and final evaluations.</p>	

² Project component 2 will promote production focused on target markets with constant quality and volume for each product type and production cycle.

³ The PNG is currently defining the Galapagos National Park's administrative bylaws, including the regulation and granting (types and numbers) of licenses.

⁴ To be developed based on the terms of reference for the consultant/evaluating consulting firm for the development of the baseline, project monitoring system design, midterm and final evaluation.

⁵ See Hardner and Gómez, 2004, prepared by the IDB.

Objectives	Indicators	Means of verification	Assumptions
	CAPTURGAL will increase by 20% between the project midterm and final evaluations).		
<p>Component 2: <i>Adaptation of production for target markets</i></p> <p>Products satisfy demand of target market.</p>	<ul style="list-style-type: none"> At least three fishing or processing organizations apply processes leading to HACCP certification (one by midterm). Through the project, CAPTURGAL provides advisory services to at least 80 MSMEs (including members) on the implementation of the Strategic Plan for Sustainable Tourism Development envisaged by the project, of which at least 60% incorporate concepts, approaches, and/or strategies from the Plan. At least two employees per organization/association are trained to disseminate the implementation of quality standards in the production chains. > % of tourism companies implementing best practices. 	<p>(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Progress reports; (iv) Executing agency's final report; (v) PCR; (vi) PPMR; (vii) Sector specialist inspections; and (viii) Midterm and final evaluations.</p>	<p>(i) The PNG issues the licenses for the new modes; (ii) Availability of credit for new ventures.</p>
<p>Component 3: <i>Development of markets and business associations</i></p> <p>New markets developed and production associations strengthened.</p>	<ul style="list-style-type: none"> By the end of the project, at least three production organizations (one by midterm) have established formal purchasing agreements with ASOGAL. By the end of the project, at least three fishing organizations/associations incorporate > % of new products or production adjustments based on market demand. By the end of the project, > % of tourism companies use concepts and 	<p>(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Progress reports; (iv) Executing agency's final report; (v) PCR; (vi) PPMR; (vii) Sector specialist inspections; and (viii) Midterm and final evaluations.</p>	<p>The will exists to agree on a single vision for tourism development in Galapagos.</p>

Objectives	Indicators	Means of verification	Assumptions
	<p>adapt products and services, and (ii) > % of new tourism products focused on segments identified in the study.</p> <ul style="list-style-type: none"> > % of new products included in the local offering based on identified market segments. By the end of the project, > % of contracts or sales of tourism services by MSMEs in complementary modes or in alternative ecotourism. The Strategic Plan for Sustainable Tourism Development in Galapagos is validated and formally adopted by CAPTURGAL (by December 2006). 		
Activities			
Component 1			
1) Improve business management of production organizations.	<ul style="list-style-type: none"> By the end of the project, at least three production organizations apply an adequate management model with appropriate computer systems. By the end of the project, at least two production organizations apply a Credit Management System to offer efficient services to members. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms and experts contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	
2) Strengthen sectoral integration of the cluster. <ul style="list-style-type: none"> Increase CAPTURGAL's capacity to work with the government, partners, and production chains in the project. 	<ul style="list-style-type: none"> At least 70% of the decisions made by the Board of Directors are by consensus from the start of execution. A coordinating unit is managing the project, headquartered at CAPTURGAL, and is transferring what it has learned to the institution and the sectors. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms and experts contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and	

Objectives	Indicators	Means of verification	Assumptions
<ul style="list-style-type: none"> Create a Management Information System (MIS) for the cluster that collects, integrates, validates, and makes available statistical data. 	<ul style="list-style-type: none"> By the end of the project, the unit is using the appropriate MIS for the cluster, updated with sector production, business, environmental, association, and market information, providing: <ul style="list-style-type: none"> (i) one semiannual progress report on the main <i>execution</i> and <i>impact</i> indicators for each project component; (ii) Statistics by cluster sector; and (iii) Dissemination of useful information for all participating sectors. 	(x) Midterm and final evaluations.	
3) Development of cluster communications.	<ul style="list-style-type: none"> By the end of the first year of execution, the Board approves and validates regulations on at least: (i) Mechanisms for participation in business promotion and other activities; (ii) Mass media and communications criteria; and (iii) Strategies and mechanisms for institutional communications by cluster sectors to the public sector in Galapagos and the central government. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms and experts contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	
Component 2			
1) Technology transfer and adaptation by product and sector.	Agricultural sector <ul style="list-style-type: none"> By the end of the project, at least two farmers organizations incorporate an irrigation system validated by the project. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting	(i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> By the end of the project, at least two farmers organizations incorporate appropriate conservation and agricultural product packaging systems. 	firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	licenses and permits for new activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.
	Fishing sector <ul style="list-style-type: none"> At least three marine products organizations/associations participate in trial and/or adjustment of primary and processed products and/or seafood-based culinary recipes for the tourism industry (by mid-second year of execution). New products are introduced with their respective production process guides (by mid-second year of execution). 		
	Tourism sector <ul style="list-style-type: none"> Development of new products and the holding of at least two workshops on service delivery for at least three new tourism products (by the end of the first year of execution). 		
2) Production planning based on target market demand.	Agricultural sector <ul style="list-style-type: none"> At least three farmers organizations have annual production planning based on target markets (by year three) 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting	i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of

Objectives	Indicators	Means of verification	Assumptions
	Fishing sector <ul style="list-style-type: none"> At least three marine products organizations plan annual production through their managers using information provided by the project (by the end of the second year of execution). 	firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	licenses and permits for new activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.
3) Pilot projects in innovation and production practices.	Agricultural sector <ul style="list-style-type: none"> At least one coffee growers organization achieves adequate standard market-based management of its production (by mid-third year of execution). Fishing sector <ul style="list-style-type: none"> By the end of the project, hold at least 24 training workshops to promote five activities to replace and/or complement fishing, and improve the seamanship of the fishing industry, with approximately 150 fishermen participating. By the end of the project, increase the number (X) of fishermen involved in new activities. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	(i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of licenses and permits for new activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.
4) Training in good production practices based on target market demand	Fishing sector <ul style="list-style-type: none"> At least three organizations/associations incorporate a standards-based quality control and production statistics system (by mid-second year of execution) 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting	(i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> Execute a training plan on sustainable management of the fishing sector with the participation of at least three fishing organizations/associations, in coordination with other donors (by the end of the second year of execution). The staff of at least three fishing organizations/associations is trained in appropriate product processes for the target markets (by the end of the second year of execution). <p>Tourism sector</p> <ul style="list-style-type: none"> By the end of the project, an employment training program is executed, based on trades with a predefined demand in the tourism MSME sector, with a job placement rate for participants of at least 40%. By the end of the project, an entrepreneurship program is executed for MSMEs in the tourism and other sectors, serving at least 150 entrepreneurs and/or MSMEs, of which at least 50% incorporate the management tools provided. 	<p>firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.</p>	<p>licenses and permits for new activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.</p>
5) Establishment of certification processes.	<p>Agricultural and fishing sector</p> <ul style="list-style-type: none"> At least three organizations/associations receive technical monitoring to adjust their processes with a view toward certification (during the second year of execution). 	<p>(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms, experts, and instructors contracted by</p>	<p>(i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of licenses and permits for new</p>

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> At least three organizations/associations have a simple training program in production practices to be developed and sustained by them. <p>Tourism sector</p> <ul style="list-style-type: none"> % of tourism companies assisted in entrepreneurship by the project, participating in the classification, standards, and certification of tourism services. 	the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.
6) Education and environmental awareness of sectors in the cluster.	<p>All participating sectors</p> <ul style="list-style-type: none"> Continuous environmental monitoring is undertaken (throughout project execution) for project activities with a full-time specialist on all three islands. An environmental awareness strategy is designed and executed in the cluster for the three islands (by the end of the first year of execution). By the end of the project, at least four production organizations/associations receive direct advisory services support on adjusting production processes based on environmental impact. The project's coordinating unit has continuous advisory support on environmental issues in its sectors. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	(i) Farmers have access to credit for irrigation and greenhouses; (ii) There are no institutional obstacles to the granting of licenses and permits for new activities; (iii) Entrepreneurs obtain financing for production innovation and change of activity; and (iv) Producers are willing and able to assume a change of culture in production practices.

Objectives	Indicators	Means of verification	Assumptions
Component 3			
1) Business plans	Agricultural sector <ul style="list-style-type: none"> A study is available on the reengineering of processes at the dairy plant for use in decision-making on investments and production processes (by the end of the first year of execution). Fishing sector <ul style="list-style-type: none"> General study on demand for fish products completed (by the end of the second year of execution). Business plans for marine products by organizations/associations with at least three organizations/associations executing the plans with project support by the end of the project. Tourism sector <ul style="list-style-type: none"> Study on tourism market demand in Galapagos by the end of the first year of execution. Study of carrying capacity and available infrastructure in Galapagos with a focus on land-based tourism, completed and disseminated to the satisfaction of tour operators by the end of the first year of execution. Study on tourism sector products and potential completed and disseminated to the satisfaction of the sector by the end of the first year of execution. 	(i) Regular reports from the MIS; (ii) Systematic collection of information using various instruments; (iii) Project annual report; (iv) Reports by consulting firms, experts, and instructors contracted by the project; (v) Progress reports; (vi) Executing agency's final report; (vii) PCR; (viii) PPMR; (ix) Sector specialist inspections; and (x) Midterm and final evaluations.	(i) There are no political or institutional obstacles to the development of new tourism activities; (ii) Interest exists among tourism MSMEs in developing new businesses and satisfying conditions for local viability of projects; and (iii) There are no legal obstacles or disagreements between sectors regarding the use of a single brand.

Objectives	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> Drafting of the Strategic Plan for Tourism Development in Galapagos (2006-2010) by the end of the first year of execution. 		
2) Establishment of cluster business mechanisms and business promotion	Agricultural/livestock and fishing sector		
	<ul style="list-style-type: none"> At least two members and/or employees per organization/association are trained in the marketing of their products and are able to handle negotiations and business contracts (by the end of the second year of execution). At least two agricultural, two fishing and one livestock association have viable business plans (by the end of the second year of execution). By the end of the project, completion of five trade shows and/or business promotion activities in mainland Ecuador, with at least five organizations/associations participating. Digital product catalogs are published and distributed for all organizations/associations (by the end of the third year of execution) An Internet business portal for the agricultural and fishing sectors is designed, operating, and adapted (by the end of the second year of execution). 		

Objectives	Indicators	Means of verification	Assumptions
	Tourism sector <ul style="list-style-type: none"> Reengineering of the CAPTURGAL website based on the 2006-2009 Strategic Plan for Sustainable Tourism, completed and operating (by the end of the first year of execution). 		
3) Development of a “Galapagos” brand of products	All sectors <ul style="list-style-type: none"> Determination on the use of the “Galapagos” quality certification brand and logo for use on primary, processed, and tourism products, and by locally based tour operators. Study completed and: (i) Processing and registration of seal/trademark with the pertinent authorities; (ii) Use of instructions on use of mark and the quality standards it represents; and (iii) CAPTURGAL has applicable documentation on ownership and registration of the trademark and is monitoring use of the mark within the cluster. 		

Sustainable Productive Sector Development in Galapagos (EC-M1010)
Summary Budget

Budget items	MIF	Local	Total
Personnel and logistics	367,490	95,520	463,010
Personnel	263,400	90,000	353,400
A. Project coordinator (coordinating unit)	156,600		156,600
B. Coordinating unit management information manager	68,400	22,800	91,200
C. Coordinating unit management assistant	38,400		38,400
D. Accounting and cash management manager		67,200	67,200
Logistics	104,090	5,520	109,610
A. Computer system, maintenance and other	31,800		31,800
B. Equipment	7,200		7,200
C. Communications	25,200		25,200
D. Travel, project coordinator (A) or coordinating unit member		5,520	5,520
E. Travel, annual survey assistants (C)	28,250		28,250
F. Travel, management assistant (D)	6,600		6,600
G. Travel, project Board of Directors' meetings	5,040		5,040
Component 1: Technical assistance in management for private sector production organizations in the archipelago	170,778	73,216	243,994
1. Integral improvement of cooperative and business management	68,958	45,616	114,574
2. Strengthening sector integration of cluster	33,720	24,000	57,720
3. Development of communications within the cluster	65,600	3,600	69,200
Component 2: Adaptation of production for target markets	933,152	640,875	1,574,027
1. Technology transfer and adaptation by product and sector	95,612	110,648	206,260
2. Production planning based on target market demand		92,600	92,600
3. Pilot projects on innovation and production practices	171,600	40,356	211,956
4. Training in good production practices based on target market demand	315,800	184,200	500,000
5. Establishment of certification processes	282,480	107,511	389,991
6. Education and environmental awareness of sectors in the cluster	67,660	105,560	173,220
Component 3: Development of markets and business associations	265,100	267,200	532,300
1. Business plans	162,200	80,600	242,800
2. Establishment of cluster business mechanisms and business promotion	100,900	186,600	287,500
3. Development of a "Galapagos" brand of products	2,000		2,000
Subtotal	1,736,520	1,076,811	2,813,331
Contingencies 3%	52,096		52,096
Midterm, final, and baseline evaluations	40,000		40,000
TOTAL	1,848,616	1,076,811	2,925,426
Cluster coordination activities	15,000		15,000
GRAND TOTAL	1,863,616	1,076,811	2,940,426
Percentages (excluding cluster activities)	63%	37%	100%

RELATED PROJECTS
ECUADOR: SUSTAINABLE PRODUCTIVE SECTOR DEVELOPMENT IN GALAPAGOS
(EC-M1010)

A. Similar or related MIF projects

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/MH-7524-EC 24 July 2001	Support of local participation in the Galapagos tourism sector Galapagos Provincial Tourism Board (CAPTURGAL) MIF Contribution US\$300,400	14 September 2001 42 months (original) 46 months (4-month extension)	100%	With the project completed, an estimated average of 85% of targets was reached. This means that the delays experienced at project startup were made up during the project. In addition, the Galapagos tourism sector's interest and commitment continue to rise, allowing training courses to maintain their pace, a high level of participation, and continuity among students. Therefore, project performance has been classified as satisfactory.

B. Similar or related Bank projects

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
1098/SF-BO 9 January 2002	Support Sustainable Tourism Development Ministry of Foreign Trade and Investment Loan US\$10 million	25 January 2002 60 months	7%	Red flag. Subprogram to approve 6-8 demonstration projects, US\$6 million, administered by FONDESIF. To date, five projects have been approved, only one of them in the Andean region for nearly US\$1 million.
ATN/SF-8170-EC 18 December 2002	Preliminary Studies Southern Border of Ecuador Ministry of the Environment and Tourism Technical cooperation US\$146,000	16 June 2003	23%	The objective is to conduct preliminary preinvestment studies to create a Sustainable Development Program for the four provinces along Ecuador's southern border: Morona Santiago, Zamora Chinchipe, Loja, and El Oro, with a focus on: nature and ethno-cultural community tourism, conservation, sustainable use of the natural environment, and sustainable production.
1465/OC-AR 18 June 2003	Support integrated development of the tourism sector in the Province of Salta Provincial Ministry of International Financing Loan US\$34.1 million	4 December 2003 54 months	2%	Classified as satisfactory. The execution of most components has begun. Component 1 on tourism sector support includes a component on the conservation of historical-cultural heritage (US\$4.9 million) allocated to various activities.
1464/OC-AR 18 June 2003	Support the modernization of production in the Province of Rio Negro Provincial External Financing Coordination and Execution Unit Loan US\$51.9 million	4 December 2003 60 months	1%	Classified as satisfactory. The first component includes the strengthening of the tourism department to improve its capacity to regulate, monitor, and manage tourism services.

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/SF-8575-RG 17 December 2003	Action Plan: Development Qhapac Ñan (Inca Trail) UNESCO Office in Lima Technical cooperation US\$250,000	25 June 2004	10%	The purpose of the technical cooperation is to execute a regional action plan for the development of the Inca Trail including Argentina, Bolivia, Chile, Colombia, and Ecuador.

C. MIF projects related to the same sector or beneficiaries

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/ME-4757-BO 14 December 1994	Sustainable Development and Ecotourism Program in San José de Uchupiamonas Conservation International - Bolivia (CI - Bolivia) MIF contribution US\$1,250,000	14 March 1995 27 months (52-month extension)	99.7% completed	The lessons learned from the project are as follows: The community must participate in each decision and be trained in the operation and management of the facility, including issues of marketing, legislation, languages, etc. In addition, in this type of project, it is extremely important to train leaders in the community who can assume responsibility for running a new enterprise, and guide them through all of its operational and administrative aspects, since the beneficiaries do not have adequate academic training for such purposes. The rest of the community must also be supported with training in complementary activities they can use to leverage the external factors generated by the creation of a new enterprise like the facility (Albergue).
ATN/MH-5876-PE 25 February 1998	Tourism development and training program in Ayacucho	21 May 1998 39 months	90% Completed	Project execution ended with the completion of 100% of the planned works and the completion of the training course designed for young

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
	Caritas Ayacucho MIF contribution US\$1.6 million	(23-month extension)	10% of the funds not used were cancelled	people.
ATN/MH-6377-PE 3 February 1999	Development of national skills standards and regional training programs for the tourism industry Tourism Training Center (CENFOTUR) MIF contribution US\$1,087,000	28 April 1999 42 months (12-month extension)	100%	Project execution ended with the completion of 100% of the planned works and the completion of the training course designed for young people, on 31 March 2003. According to the project adjustment, the established general and specific objectives were met, notwithstanding the deactivation of the Community Awareness Component prior to project completion.
ATN/MT-7511-EC 13 July 2001	Divestment of tourism assets program Ecuadorian Ministry of Tourism MIF contribution US\$500,000	13 February 2003 30 months (original) 46 months (16-month extension)	75%	Project execution was to end 31 December 2004 and the last disbursement was due 31 March 2005. However, after a POP risk analysis, it was deemed necessary to extend the execution period in order to meet the indicators for each component. The project is classified as having unsatisfactory progress on execution since: (i) A fund has yet to be structured with adequate operations, and the Operating Regulations must be amended. (ii) No model has been established for the sale of public fixed assets. (iii) Only 19% of assets have been sold or transferred. (iv) In May 2005, VELNEC completed the legal reorganization work. (v) During the first half of 2005, the Attorney General was consulted with respect to the validity of the appraisals required for sales. Response is still pending.
ATN/MH-8542-EC 10 December 2003	Job competencies certification system in the tourism sector Federación Nacional de Cámaras Provinciales de Turismo Provinciales	2 April 2004 42 months	6%	On 30 June 2005, FENACAPTUR finally fulfilled the conditions precedent to the first disbursement, and execution is ready to begin. This means that the level of execution of each component has been 0%, and 14 months have

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
	[National Federation of Provincial Tourism Boards] (FENACAPTUR) MIF contribution US\$778,385			passed since the agreement was signed, due primarily to the institutional weakness of the executing unit. Thus progress in execution is unsatisfactory.
ATN/ME-9271-EC 30 June 2005	Cooperative SME operations in the floriculture value chain Asociación Nacional de Productores y/o Exportadores de Flores del Ecuador [Ecuadorian National Association of Flower Producers and/or Exporters] MIF contribution US\$1,643,628	Contract has not been signed 48 months	0%	Contract has not been signed.

D. Projects in the sustainable development cluster

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/ME-8382-RG 30 July 2003	International accreditation system and consolidation of national systems for sustainable tourism certification to facilitate SME competitiveness and market access. Asociación Alianza del Bosque Lluvioso (Rainforest Alliance) US\$3,020,000	27 October 2003 49 months	21%	As of December 2004 there are six pilot operations in execution in Costa Rica's south Caribbean coast and 12 in Ecuador. The project seems to have found a great demand for training services in better management best practices; this demand has reaffirmed the importance of continuing with the drawn-up strategy of training trainers and establishing strategic alliances.

Project number/Date of approval	Title of project, executing agency and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/ME-8867-PE 22 September 2004	Promoting the development of the Northeast Tourist Circuit to enhance MSME competitiveness. CARETUR Cajamarca and ALAC US\$798,431	18 March 2005 54 months	0%	Generally satisfactory classification. Both organizations have been active in fulfilling prior of the previous conditions, particularly in establishing the Board. Although there are certain difficulties in two project regions, it is very likely that they will be solved satisfactorily, without affecting the viability of the project.
ATN/ME-8977-SU 1 December 2004	Sustainable tourism development Conservation International Suriname (CIS) US\$845,000	10 March 2005 36 months	0%	Satisfactory classification in general. The project is beginning the process of execution.
ATN/ME-8987-RG 8 December 2004	Competitive development of rural tourism in the Andes. Fundación CODESPA US\$2,028,190	11 March 2005 54 months	0%	Satisfactory classification in general. Great obstacles have not appeared. It is fulfilling prior conditions, having already recruited the project coordinator.
ATN/ME-9211-BR 25 May 2005	Estrada Real–Network of Tourism SMEs State of Minas Gerais US\$1,701,740	Contract has not been signed 42 months	0%	Contract has not been signed.
ATN/ME-9273-BL 30 June 2005	Improving small business competitiveness in the tourism industry Belize Tourism Industry Association US\$580,000	Contract has not been signed 42 months	0%	Contract has not been signed.

E. MIF portfolio in Ecuador

No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
1	MIF/AT-40	TC9409386	ATN/MH-4907-EC	Manpower Adjustment Program	FE	II	24-May-95	Completed	1,837,072	100.00
2	MIF/AT-41	TC9410143	ATN/MT-4908-EC	Modernization of State (Transport Component)	CONAM	I	24-May-95	Completed	1,021,427	100.00
3	MIF/AT-44	TC9503386	ATN/MT-4960-EC	Modernization of the Water and Sanitation Sector	CONAM	I	19-Jul-95	Completed	666,913	100.00
4	MIF/AT-57	TC9502130	ATN/MT-5051-EC	Trade Modernization		I	1-Nov-95	Completed	690,000	100.00
5	MIF/AT-105	TC9503287	ATN/MT-5440-EC	Mediation and Arbitration Center	CCQE	I	11-Dec-96	Completed	708,828	100.00
6	MIF/AT-124	TC9603128	ATN/MH-5566-EC	Employment Services and Training	FH	II	2-May-97	Completed	450,000	100.00
7	MIF/AT-132	TC9609126	ATN/ME-5612-EC	Voucher Program for Entrepreneurial Service	CFNCNV	IIIa	25-Jun-97	Completed	1,047,029	100.00
8	MIF/AT-156	TC9610131	ATN/MT-5878-EC	Strengthening the Savings and Credit Coops. System	SB	I	25-Feb-98	Completed	368,934	100.00
9	MIF/AT-157	TC9705271	ATN/MT-5877-EC	Transport Concessions	MOP	I	25-Feb-98	Completed	1,025,682	100.00
10	MIF/AT-242	TC9804461	ATN/ME-6459-EC-1	Local Development and Support for Private Initiatives	ACUDIR	IIIa	21-Apr-99	In execution	453,820	81.44
11	MIF/AT-242	TC9804461	ATN/ME-6459-EC-2	Local Development and Support for Private Initiatives	ACUDIR	IIIa	21-Apr-99	In execution	453,820	76.04
12	MIF/AT-242	TC9904007	ATN/MH-6460-EC-1	Local Development and Support for Private Initiatives	ACUDIR	II	21-Apr-99	Completed	270,180	100.00
13	MIF/AT-242	TC9904007	ATN/MH-6460-EC-2	Local Development and Support for Private Initiatives	ACUDIR	II	21-Apr-99	In execution	270,180	75.82
14	MIF/AT-242	TC9904008	ATN/MT-6461-EC-1	Local Development and Support for Private Initiatives	ACUDIR	I	21-Apr-99	In execution	246,000	24.04

No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
15	MIF/AT-242	TC9904008	ATN/MT-6461-EC-2	Local Development and Support for Private Initiatives	ACUDIR	I	21-Apr-99	In execution	246,000	36.66
16	MIF/AT-346	TC9911188	ATN/MT-7084-EC	Development of Health Franchises	CARE	I	2-Aug-00	Completed	230,168	100.00
17	MIF/AT-346	TC9911188	ATN/MH-7083-EC	Development of Health Franchises	CARE	I	2-Aug-00	Completed	436,492	100.00
18	MIF/AT-388	TC0007041	ATN/ME-7300-EC	E-commerce Pilot Project for Small-Scale, Artisanal, and Agricultural Producer Groups	CAMARI	IIIa	22-Dec-00	Completed	409,920	100.00
19	MIF/AT-398	TC0007013	ATN/ME-7352-EC	Banco Solidario	BSSA	IIIa	6-Mar-01	Completed	299,835	100.00
20	MIF/AT-403	TC0104033	ATN/MH-7404-EC	Training for Young Entrepreneurs	FJA	II	25-Apr-01	Completed	201,449	100.00
21	MIF/AT-421	TC0006013	ATN/MT-7511-EC	Privatization of the Assets of the Ministry of Tourism	MINTU	I	13-Jul-01	In execution	500,000	89.92
22	MIF/AT-425	TC9902016	ATN/MH-7524-EC	Support of Local Participation in the Galapagos Tourism Sector	CPTG	II	24-Jul-01	Completed	300,400	100.00
23	MIF/AT-436	EC0206	51/MS-EC	Support Micro-Enterprises Utilizing a Line of Credit	BSSA	IIIb	19-Sep-01	In execution	2,000,000	75.73
24	MIF/AT-436	TC0105029	ATN/ME-7599-EC	Support Micro-Enterprises Utilizing a Line of Credit	BSSA	IIIa	19-Sep-01	In execution	200,000	76.90
25	MIF/AT-448	TC9902019	ATN/ME-7705-EC	Improving competitiveness for micro and small enterprises in textile sector (INSOTEC)	INSOTEC	IIIa	5-Dec-01	In execution	659,000	52.84
26	MIF/AT-449	EC0209	52/MS-EC	Sociedad Financiera Ecuatorial S.A.	SFE	IIIb	12-Dec-01	Completed	1,500,000	100.00
27	MIF/AT-449	TC0110024	ATN/ME-7716-EC	Sociedad Financiera Ecuatorial S.A.	SFE	IIIa	12-Dec-01	Completed	164,843	100.00
28	MIF/AT-454	TC0102027	ATN/MT-7750-EC	Strengthening Intellectual Property	IEPI	I	20-Dec-01	In execution	245,000	64.62
29	MIF/AT-463	TC0103001	ATN/ME-7833-EC	Development of a National Clean Production Center	CEPL	IIIa	3-Apr-02	In execution	737,900	53.02

No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
30	MIF/AT-505	TC0203022	ATN/ME-8078-EC	Organizational Strengthening of Jardin Azuayo Credit Union	CACJA	IIIa	28-Oct-02	In execution	300,000	39.09
31	MIF/AT-559	EC-M1005	ATN/ME-8530-EC	Program to Mitigate Market Access Barriers under the Andean Trade Preference Act	CORPEI	IIIa	3-Dec-03	In execution	1,323,492	2.27
32	MIF/AT-565	TC0205031	ATN/ME-8539-EC	Institutional Strengthening of Credife	FINCA	IIIa	9-Dec-03	Approved	300,000	0.00
33	MIF/AT-567	EC-M1002	ATN/MH-8542-EC	Job Competencies Certification System in the Tourism Sector	FENACAPTUR	II	10-Dec-03	Approved	778,385	0.00
34	MIF/AT-623	EC-M1006	81/MS-EC	Financing Codessarrollo	CODESARRO	IIIb	17-Nov-04	Approved	1,200,000	0.00
35	MIF/AT-623	EC-M1006	ATN/ME-8952-EC	Financing Codessarrollo	CODESARRO	IIIb	17-Nov-04	Approved	290,000	0.00
36	MIF/AT-642	EC-M1009	ATN/ME-9117-EC	Deepening of Financial Services in Rural Areas	SWISSCONTACT	IIIa	9-Mar-05	Approved	2,048,000	0.00
37	MIF/AT-657	EC-M1013	ATN/ME-9271-EC	Cooperative Operations for SMEs in the floricultural sector of the value chain	EXPOFLORES	IIIa	30-Jun-05	Approved	1,643,628	0.00
							Total MIF Amount		25,524,398	