

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**ECUADOR**

**COMPETITIVENESS STRATEGY FOR  
ECUADOR'S FINE AROMA COCOA CHAIN**

**(EC-M1011)**

**DONORS MEMORANDUM**

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## **ABBREVIATIONS**

ACCESO	Andean Countries Cocoa Export Support Opportunities
ANECACAO	Asociación Ecuatoriana de Exportadores de Cacao [Ecuadorian Cocoa Exporters Association]
AWP	Annual work plan
CESI	Committee on Environment and Social Impact
CORPEI	Corporación Ecuatoriana de Promoción de Exportaciones e Inversiones [Ecuadorian Export and Investment Promotion Corporation]
PPMR	Project performance monitoring report
OR	Operating Regulations
USAID	United States Agency International Development

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**I. EXECUTIVE SUMMARY**

<b>Beneficiary country:</b>	Ecuador	
<b>Executing agencies:</b>	Ecuadorian Cocoa Exporters Association (ANECACAO) and the Ecuadorian Export and Investment Promotion Corporation (CORPEI).	
<b>Beneficiaries:</b>	The project will benefit approximately 1,000 cocoa producers, 25 producer associations (including 110 SMEs), 5 associations interested in belonging to the beneficiary associations, 2 second-tier entities (FEDECADE and UNOCACE); 120 producer trainers; and 63 producer delegates, 60 local buyers (acopiadores) and 20 exporters who will receive training in quality control.	
<b>Financing:</b>	Modality:	Nonreimbursable (Facility III-A)
	MIF: <sup>1</sup>	US\$ 827,000 (69%)
	Executing agencies:	US\$ 356,520 (31%)
	<b>Total:</b>	<b>US\$ 1,153,520</b>
<b>Objectives:</b>	The project <b>goal</b> is to help make SMEs in Ecuador's fine aroma cocoa chain more competitive. The <b>objective</b> is to more firmly establish Ecuadorian fine aroma cocoa in special markets. To that end, the project will have the following components: (1) better cooperation among businesses in the cocoa chain; (2) matching supply to demand and specialization of the chain; (3) competitive access to international markets; and (4) dissemination of outcomes.	
<b>Execution timetable:</b>	Execution period:	42 months
	Disbursement period:	48 months
<b>Special contractual clauses:</b>	<b>Conditions precedent to the first disbursement of Bank resources:</b> (i) selection of the director of the coordinating unit; (ii) signature of a cooperation and coordination agreement between ANECACAO and CORPEI for the project activities; (iii) establishment of the project executive committee; and (iv) ratification and entry into force of the Operating Regulations.	

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<sup>1</sup> The MIF contribution includes US\$30,000 for cluster coordination activities.

<b>Exceptions to Bank policy:</b>	None.
<b>Coordination with other official development finance institutions:</b>	USAID and ACIDI/VOCA are implementing projects in the cocoa sector elsewhere in the Ecuador. There is also a regional initiative among Andean countries (ACCESO) to ensure that actions are complementary and resources uses rationally, leveraging existing and potential synergies to maximize impact (paragraph 2.8).
<b>Environmental and social review:</b>	The Committee on Environment and Social Impact (CESI) reviewed the project at its 25 February 2005 meeting. Responses to its observations have been incorporated into this document (paragraphs 8.1 through 8.4).

## II. BACKGROUND

- 2.1 Cocoa has been a major foreign-exchange earner for Ecuador and to this day holds a place among the country's main export products, along with bananas, coffee, tuna and other fish. The cocoa agro-industry chain has strategic importance in the Ecuadorian economy because of its capacity to create jobs and generate income. Economic activity driven by the chain involves some 97,000 families, representing roughly 500,000 Ecuadorians, 300 local buyers (acopiadores), 30 exporters, and 7 chocolate producing firms. Exports in the 2003-2004 season were 104,054 metric tons and generated US\$157 million. The agricultural economically active population (EAP) working in the cocoa sector represents roughly 12% of the agricultural EAP as a whole and approximately 4% of the country's total EAP.
- 2.2 Ecuador currently ranks seventh among producer countries worldwide, with production on the order of 110,976 metric tons per year. Yet the characteristics of its product make it the world's leading producer of fine aroma cocoa,<sup>2</sup> recognized in the market as the "Arriba flavor," which commands a premium over international market prices. The natural features of the Arriba strain of locally grown cocoa given Ecuador a comparative advantage over other countries in the region in terms of demand, especially from markets for fine aroma varieties. Although prices on the international market fluctuate, both demand and prices tend to be more stable for fine aroma cocoa, since this is a specialized niche offering a premium of between US\$70 and US\$350 per ton over the price of ordinary cocoa,<sup>3</sup> depending on such factors as worldwide stocks, quality, and preferences in the cocoa market.

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<sup>2</sup> Fine aroma cocoa is used mainly to produce high-quality chocolates. It is usually blended with "ordinary" or "bulk" cocoa to make special chocolates, or else it is used as covering for high-quality bars or candy. By official agreement in Annex C to the International Cocoa Convention, 75% of Ecuador's production is deemed to be fine aroma cocoa.

<sup>3</sup> The price of ordinary cocoa is determined on the New York and London markets. In 2005 prices reached as high as US\$2,000 per ton.

- 2.3 In recent years, however, **problems with product quality** have been threatening Ecuador's position as a producer of fine aroma cocoa. These include shortcomings in postharvest management, lack of infrastructure for drying the beans, and mixtures with various impurities and grains of the CCN-51 variety,<sup>4</sup> whose aroma and flavor characteristics are not fully appreciated by importers and industry in consumer countries. Better quality control is essential for raising competitiveness on the international market, by consistently ensuring uniform quality in accordance with existing local and international standards.
- 2.4 **Demand.** Uncertainty as to cocoa supplies, caused by political instability in Cote d'Ivoire, the world's leading cocoa producer, has aroused renewed interest in cocoa production in the region, especially Ecuador given its global importance as a producer of fine aroma cocoa. This has generated support among international donors and the chocolate industry in the United States and Europe for initiatives to increase cocoa production volumes and improve quality, within a framework of environmental and financial sustainability.
- 2.5 **Constraints facing the subsector.** Apart from the quality problems mentioned above, development of the subsector faces other constraints, including the following: **(a) Organization and services.** Although there are several cooperatives and associations, the vast majority of producers are small-scale, independent growers that lack representation or the capacity to bargain with local buyers and providers of goods and services. Many producer organizations have organizational, economic, and technical weaknesses and need management capacity building and business development. **(b) Low productivity.** One of the fundamental problems faced by small-scale producers is the low yields of their plantations, because: (i) they are old, poorly maintained, and require better management in terms of pruning, grafting and maintenance techniques; (ii) they are low-density and in need of rehabilitation or renovation; (iii) there is a shortage of growing nurseries and trained personnel to facilitate access to enhanced cocoa plants that could increase yield; (iv) training and technical assistance are needed for environmental management of the farms. **(c) Markets and marketing:** There is a need to raise production volumes, diversify buyers, and penetrate alternative markets—organic, single-origin, fair trade, etc.—which offer a better return because of the price premium they earn. Lack of organized marketing prevents most producers from receiving a fair price for their product, and a large percentage of the marketing gains remain in the hands of middlemen and exporters.
- 2.6 The **additionality** of the MIF project stems from the development of an integration model that establishes the necessary horizontal and vertical linkages among

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<sup>4</sup> The CCN-51 variety was created in Ecuador 15 years ago as a response to the low productivity of national cocoa production and its susceptibility to pests and diseases. Nonetheless, despite its high yields and specific aroma and flavor characteristics, this variety does not have the attributes of fine aroma cocoa.



- producer associations, second-tier entities, local buyers, and exporters, to enhance the effectiveness of the cocoa value chain.
- 2.7 The most relevant complementary projects in execution include: the Ecuador northern border income and employment project, (PRONORTE), financed by the United States Agency International Development (USAID); the USAID-funded Ecuadorian small-scale cocoa farmer training program, implemented by ACDI/VOCA; and the program to improve the sales potential of fine aroma cocoa through measures to ensure quality, financed by a public-private partnership between the German Agency for Technical Cooperation (GTZ) and the Federation of German Wholesale and Foreign Trade (BGA).
- 2.8 **Regional initiative.** USAID and the World Cocoa Foundation (WCF) have formed a public-private partnership, known as Andean Countries Cocoa Export Support Opportunities (ACCESO), to work in the cocoa growing zone of the Andean region. This partnership will unify institutional interests and the various initiatives in the region's cocoa sector. The program will facilitate the identification and exchange of lessons learned by cocoa producers in other regions of the world, such as Africa and Asia; provide access to the findings of scientific research, technical assistance, and training on cocoa production; and facilitate coordination and exchange between the various initiatives underway in the region's countries.
- 2.9 Sustainable cocoa supply in the Andean region requires coordination and work at all levels of the production chain. The basic goal being pursued by ACCESO is to strengthen local initiatives to raise production levels, productivity, and yields in the field through access to regional protocols on technology transfer and the dissemination of research. As part of the umbrella of projects to be implemented in conjunction with the ACCESO partnership, the MIF project will build on those activities while leading the way in expanding the market share of fine aroma cocoa from the region in both conventional and special markets. Contacts and conversations among project directors have already resulted in effective coordination to pool efforts and achieve synergies.
- 2.10 **Bank projects.** Three Bank operations in preparation or execution complement this project: (i) the program to boost competitiveness (EC-L1004), currently in the design stage, will complement this operation through actions to make the real sector of the Ecuadorian economy more productive and competitive; (ii) the sustainable development program for the Northern Amazon border zone of Ecuador (1420/OC-EC), which is currently in execution; one of whose components seeks to implement improved cocoa production and marketing systems in the north of the country with participation from small-scale producers in the cantons of Tena, Cascales, and others in the region; and (iii) strengthening of the cocoa production chain in Afro-Ecuadorian communities (EC-S1002). This project under the social entrepreneurship program will complement the actions of the proposed program by helping to raise income levels among cocoa producers in Afro-Ecuadorian, mestizo,

and indigenous communities in the province of Esmeraldas, through a sustainable production and marketing system that will enable members of APROCANE to sell a larger volume of their output at higher prices. The lessons learned from these projects will be taken into account during project execution.

- 2.11 **The Bank's country strategy with Ecuador** seeks to reduce the country's vulnerability to shocks. The strategic priorities are to: (a) lay the foundations for energizing the productive structure; and (b) promote social development and the protection of the most vulnerable groups. The first priority entails support for implementation of an institutional framework consistent with competitiveness policies, promoting productivity gains, and supporting trade integration. In this same line of action, the Bank's country strategy also encourages private-sector participation. The proposed operation thus provides a tool for improving the country's competitiveness and productivity levels, particularly in the cocoa sector (an export sector that contributes to GDP growth and job creation), and for the promotion of private-sector-driven economic growth.
- 2.12 The proposed project is consistent with the objectives of the MIF small business networks and supply chains cluster, inasmuch as it seeks to strengthen business cooperation among producers, local buyers, and exporters under partnership arrangements that encourage joint participation.

### **III. OBJECTIVES AND COMPONENTS**

- 3.1 The project goal is to help make SMEs in Ecuador's fine aroma cocoa chain more competitive. The objective is to more firmly establish Ecuadorian fine aroma cocoa in special markets. The project will have the following components: (1) support for business cooperation; (2) matching supply to demand and specialization of the chain; (3) competitive access to international markets; and (4) dissemination of outcomes.
- 3.2 The key selection criteria for beneficiary producers are as follows: (i) production takes place on units smaller than 10 hectares, of which an average of 3 hectares are used to cultivate cocoa; (ii) cocoa production is done in the traditional manner under shade trees; (iii) cocoa production is the main source of family income and represents at least 70% of that income; and (iv) candidates must be owners with title to their land, or hold user rights under a concession.

#### **Component 1: Better cooperation among businesses in the cocoa chain (MIF: US\$222,600; Counterpart: US\$43,890)**

- 3.3 This component will promote greater cooperation among sector SMEs by building awareness of the benefits of partnership among the various chain participants; develop a joint strategy to promote integration and strengthening of the management and marketing capacity of beneficiary associations and entities; forge

partnerships between members of the value chain, and promote the long-term sustainability of the organizational structure. Activities include the following: (i) four workshops to raise awareness among second-tier entities and producers that show interest in forming part of beneficiary associations; (ii) development of a chain integration and strengthening strategy and a corresponding action plan; (iii) development of marketing plans; (iv) development of a training program in business management, joint marketing and negotiation, to help empower cocoa producers; (v) formation of a producer representation body (a coordinator will be hired for monitoring and a consulting assignment commissioned to establish the body as a legal entity); (vi) strengthening of the Cocoa Consultative Council and development of a work plan; (vii) an annual national event for three years to promote partnerships among producers, local buyers, industry, and exporters; and (viii) definition of the baseline to implement a monitoring system developed by the MIF for the small-business networks and supply chains cluster.

- 3.4 The expected outcomes of these activities are: (i) greater awareness among at least 120 producers belonging to the two second-tier entities and producer associations interested in belonging to the beneficiary associations; (ii) a partnership strategy and action plan developed for the cocoa sector. (iii) two marketing plans designed for the two second-tier entities; (iv) at least 60 representatives of the second-tier entities and producer representation body trained in business management and joint marketing and negotiation; (v) work plan prepared for the producer representation body; (vi) a work plan prepared for the Consultative Council; (vii) three integration events held for chain participants; (viii) 10 partnerships organized; and (ix) a monitoring system in place.

**Component 2: Matching the supply of exportable products to demand and specialization of the chain (MIF: US\$90,540; Counterpart: US\$90,830)**

- 3.5 This component will implement the strategy and plans developed in the previous component, in order to promote a production structure capable of increasing the supply of exportable fine aroma cocoa, by exploiting the brand recognition enjoyed by the Arriba flavor of Ecuadorian cocoa on the international market. A consultant will be hired to support producer groups for this purpose. The following activities will be undertaken: (i) preparation of a manual on integrated management of cocoa farms; (ii) hiring of an agriculturist specializing in cocoa; (iii) increasing the productivity of national cocoa plantations from 5 to 20 hundredweight per hectare on 1,750 hectares, through the rehabilitation of existing farms; and (iv) improving quality control to ensure uniform quality in accordance with existing standards.
- 3.6 The expected outcomes of these activities are: (i) 5,000 copies of the manual on integrated management; (ii) the productivity strategy implemented; (iii) 12 clonal gardens set up and maintained; (iv) 120 trainers trained in farm rehabilitation; and (v) 60 local buyers (acopiadores) and 20 exporters trained in quality control, and

1,000 producers trained through the cascade training system using field schools that has proven highly successful in other countries.

**Component 3: Competitive access to international markets (MIF: US\$277,200; Counterpart: US\$45,400)**

- 3.7 This component will better position Ecuadorian fine aroma cocoa on special markets for cocoa beans through the following activities: (i) design and implementation of a fine cocoa promotion and marketing campaign for the two second-tier entities participating in the project and for the producer representation body; (ii) participation in international fairs and trade and technical missions; (iii) production of promotional material; (iv) maintenance of an electronic platform to promote Ecuadorian cocoa and facilitate access to market information by the participating associations; and (v) preparation of a supply map to identify the different cocoa flavor profiles in the associations' areas of influence.
- 3.8 The expected outcomes of these activities are: (i) an electronic platform that gives participating associations access to market data, where potential buyers can access promotional information on Ecuadorian cocoa; (ii) a supply map of fine aroma cocoa flavors; (iii) a fine aroma cocoa promotion and marketing campaign; (iv) joint participation by two second-tier entities and one producer representation body in international fairs and trade missions; and (v) business relationships among exporters, second-tier entities, and a diversified customer base.

**Component 4. Dissemination of the production linkage model and its outcomes. (MIF: US\$46,240; Counterpart: US\$14,200)**

- 3.9 This component will document and share successful partnership experiences with the largest possible number of stakeholders, both inside and outside the cocoa chain. The main activities will include: (i) systemization of the partnership model; (ii) dissemination of information on project progress; (iii) preparation of a sustainability plan; and (iv) a closing event to disseminate project outcomes. The evaluation and documentation of experiences will generate materials for the design and publication of a manual of best practices and tools to disseminate project outcomes. The manual will serve as a reference on partnership to be used in other projects and sectors. This component will also disseminate project progress through participation in agricultural fairs during the implementation period.
- 3.10 The expected outcomes of these activities are: (i) a manual documenting the experience gained in instituting the partnership model, with 10,000 copies produced for distribution at six fairs; (ii) partnerships strengthened as a result of participation by the coordinating unit team at six agricultural fairs each year, to report on project progress and benefits; and (iii) preparation of a sustainability plan, to ensure that the benefits of the model continue after project completion.

## IV. COST AND FINANCING

- 4.1 The estimated cost of the project is US\$1,153,520. The MIF will contribute US\$827,000 (69%), in nonreimbursable resources from Facility III-A. The balance of US\$356,520 (31%) will be provided by the Ecuadorian Cocoa Exporters Association (ANECACAO) and the Ecuadorian Export and Investment Promotion Corporation (CORPEI), with at least half that amount in cash. These contributions will come from own resources in cash and kind, as well as from other donors. For example the CORPEI contribution will be sourced partly from resources provided by the German Agency for Technical Cooperation (GTZ). The MIF will finance the cost of technical assistance and training and a portion of the administrative costs. The counterpart will finance most of the logistics and the rehabilitation of farms and growing nurseries. The following table shows the estimated project budget.

(US\$)			
Components	MIF	Local contribution	Total
Coordinating unit	38,400	108,000	146,400
Logistics and equipment	13,400	54,200	67,600
Component 1	222,600	43,890	266,490
Component 2	90,540	90,830	181,370
Component 3	277,200	45,400	322,600
Component 4	46,240	14,200	60,440
<b>Subtotal</b>	<b>688,380</b>	<b>356,520</b>	<b>1,044,900</b>
Contingencies	18,620		18,620
Baseline, monitoring system and evaluations	70,000		70,000
Audit	20,000		20,000
<b>TOTAL</b>	<b>797,000</b>	<b>356,520</b>	<b>1,153,520</b>
Cluster coordination activities <sup>5</sup>	30,000		30,000
<b>GRAND TOTAL</b>	<b>827,000</b>	<b>356,520</b>	<b>1,183,520</b>
Percentages (excluding cluster activities)	<b>69%</b>	<b>31%</b>	

- 4.2 ANECACAO and CORPEI will hold a workshop in the last year of the project, to present a sustainability strategy. The partnerships forged among chain members during the project will benefit from being able to overcome any barrier to joint marketing. It is expected that associations will be able to sell cocoa on world markets more efficiently, once they have developed action plans and formed partnerships. In addition, the documented model resulting from this project is expected to be replicated in other regions and other sectors of the country.

<sup>5</sup> This amount will be deducted from the total MIF contribution to the beneficiary at the time the technical cooperation agreement is signed, and will be used by the Bank for cluster coordination activities.

## V. EXECUTING UNIT AND MECHANISM

- 5.1 The project executing agencies are the Ecuadorian Cocoa Exporters Association (ANECACAO), which will be responsible for technical aspects of the project, and the Ecuadorian Export and Investment Promotion Corporation (CORPEI), which will be responsible for administrative and financial aspects and report to the Bank from the coordinating unit housed at its offices, through which the funds will be channeled. ANECACAO will contribute its technical capacity, gained from a long track record and experience in managing exports of Ecuadorian cocoa beans and byproducts. CORPEI will bring its experience in managing projects with international agencies. One strength of this project will be CORPEI's successful experience in executing an MIF-funded project. ANECACAO and CORPEI will both sign the agreement with the Bank.
- 5.2 ANECACAO is a nonprofit trade association with nationwide coverage and its own corporate identity, headquartered in the city of Guayaquil. It represents exporters of cocoa and cocoa byproducts, bringing together cocoa bean exporters and industrial concerns that have applied for membership through the association's governing body. The term "exporters" in this context encompasses both persons and corporations. CORPEI was created as an outcome of the Foreign Trade and Investments Act (LEXI), published in Ecuador's Official Register (supplement 82) on 9 June 1997. It is a private nonprofit institution that promotes Ecuador's image, exports, and investments both within the country and abroad.
- 5.3 The coordinating unit will be housed at CORPEI headquarters and have a staff of three: a project director funded by CORPEI itself, a financial/administrative assistant funded by the MIF, and a part-time accountant funded by the counterpart. An executive committee will be formed with representatives from ANECACAO, CORPEI, and the German Agency for Technical Cooperation (GTZ), as well as representatives from the two second-tier entities (FEDECADE and UNOCAL) and one representative of the producers. The functions of this committee will be: (a) to propose candidates for the project director and the coordinating unit financial/administrative assistant, for Bank approval; (b) approve the annual work plan (AWP); and (c) review annual fulfillment of the AWP.
- 5.4 **Execution period.** The expected project execution period is 42 months. The project technical files include a general work execution timetable. The Bank will set up a revolving fund of up to 10% of the MIF contribution, to be managed through an account separate from the total amount approved and the local counterpart contribution.
- 5.5 **Project readiness.** The project objectives, components and activities have been set. The main eligibility criteria for the different components and activities have also been settled, the job descriptions have been completed for coordinating unit and technical staff to be hired, and the procurement plan prepared.

- 5.6 **Procurement.** The coordinating unit will comply with all Bank procurement rules, policies and procedures in contracting for consulting and training services, and in the procurement of goods using MIF resources. The coordinating unit will also prepare a procurement plan for the Bank's approval. For consulting services, the coordinating unit will use the method of selection based on consultants' qualifications (CQS), as described in the Bank's policies for selection and contracting of consultants (document GN-2350-4). Goods will be procured using the shopping method described in document GN-2349-4. The Bank may conduct ex post reviews of contracting and procurement processes for amounts under US\$50,000. The first three procurement and contracting processes will be subject to ex ante review. A procurement plan has been prepared for the first 18 months of project execution and will be updated every six months. The initial procurement plan is document VIII in the project technical files.

## **VI. MONITORING AND EVALUATION**

- 6.1 The Bank's Country Office in Ecuador will be responsible for supervision and oversight activities, in addition to monitoring compliance with contractual clauses, processing disbursement requests and receiving audited financial statements. The coordinating unit will submit half-yearly status reports in compliance with the Bank's standard information requirements. A closing workshop will be scheduled for the end of execution to evaluate outcomes achieved and any actions needed to increase the impact of the project.
- 6.2 Audits will be performed annually and at the end of the project. Half-yearly execution reports will be delivered in accordance with applicable Bank policies. In conjunction with the executing agencies, the Bank will commission a consulting assignment to perform evaluations and prepare the baseline indicators and outcome monitoring system in the first six months of the project. The same consultant will also participate in the closing workshop. The monitoring system will be based on the one developed for the MIF small business networks and supply chains cluster (<http://www.iadb.org/mif/v2/spanish/cadenasproveedores.html>). Two evaluations will be done: the first once 50% of the project disbursements have been made, and the final evaluation two months before program completion. Based on the logical framework indicators and project reports, the evaluations will detect any significant discrepancy in the execution of activities and recommend corrective measures. They will highlight lessons learned and ways in which they can be shared among cluster projects.

## **VII. BENEFITS AND RISKS**

- 7.1 The project will help develop and implement a systemized model to help cocoa-producing SMEs raise their income levels by organizing a collective supply of

products, improving cocoa bean quality, and facilitating direct market participation by second-tier entities.

- 7.2 The project will directly benefit approximately 1,000 small-scale cocoa producers, members of at least 25 producer associations, including approximately 110 SMEs belonging to the second-tier entities (UNOCACE and FEDECADE) and 5 associations interested in belonging to the beneficiary associations, which would be direct project beneficiaries. The beneficiary producers are located in the areas of influence of these entities, mainly in the provinces of Guayas, El Oro, Bolívar and Cañar. In addition, roughly 120 producer trainers will also benefit, along with 60 producer delegates, 60 local buyers and 20 exporters who will receive training in quality control.
- 7.3 **Risks.** One potential risk is that price fluctuations on the international market could undermine profitability and weaken producers' motivation to renew their plantations. This could be offset by marketing cocoa from second-tier entities in market niches that pay a premium for good quality products that satisfy strict quality, environmental and social requirements. A second potential risk is that institutional weakness and lack of interest among the leaders of producer associations might prevent chain participants from joining, thereby condemning the partnership model to failure. This risk would be mitigated through consistent training and assistance to strengthen and empower associations and second-tier entities, together with quality control throughout the chain. Project activities will also include workshops to raise awareness of the importance of associations and partnerships in strengthening not only the organizations themselves, but the supply chain as a whole.

## VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 With regard to the issues raised by the Committee on Environment and Social Impact (CESI), project activities will promote efficient and responsible use of natural resources, increasing plantation productivity by disseminating a plantation rehabilitation technology that makes it possible to increase output **without expanding the agricultural frontier**. This rehabilitation technology replaces old and unproductive cocoa trees through a process known as "resepa,"<sup>6</sup> to allow regeneration or the grafting of new genetic material. The cocoa trees are also shape-pruned, and the branches of shade trees selectively cut to let in more sunlight and improve air circulation on the plantations. This is simple, effective way of strengthening the plants, reducing the incidence of disease, and increasing productive capacity without having to use pesticides or chemical fertilizers.

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<sup>6</sup> "Resepa" consists of cutting down the cocoa tree, leaving just a portion of the base and allowing this to regenerate naturally. Or specially selected plant material can be grafted on to the old tree stump, creating a new plant with better productive characteristics.



- 8.2 The rehabilitation methodology includes training and awareness raising among producers on the benefits to be obtained by respecting and caring for the environment, both as a basic survival philosophy and as a requirement for gaining access to the target markets of their associations. The natural fermentation and drying of the cocoa beans, which takes place on patios under direct sunlight, and will be carried out in the association's collection centers, **does not generate significant waste.**
- 8.3 The project's main social benefit will be joint marketing by producer associations. This will be done through second-tier entities, which, with project support, will achieve or improve access to the international market either directly or else coordinated in the chain. Joint marketing enables these organizations to store larger volumes of product and negotiate better prices with buyers. It also lowers transaction costs and **loosens the control exercised by unscrupulous middlemen** which until now have kept the lion's share of the profits from these processes. It also enables entities to **transfer a larger percentage of the international cocoa price to the producers**, while at the same time covering the cost of their operations.
- 8.4 The project will also promote specific actions to improve **women's participation** in the supply chain, such as: (i) using project workshops to raise men's awareness of the need to promote women's participation as beneficiaries; (ii) supporting women's participation in training and technology transfer programs, and ensuring that activities are planned at times when women are available to attend; (iii) facilitating the inclusion of more women in the decision making bodies of the various organizations; and (iv) creating more jobs for women in the collection and marketing system.

**LOGICAL FRAMEWORK**  
**COMPETITIVENESS STRATEGY FOR ECUADOR'S FINE AROMA COCOA CHAIN**

Goal	Indicators	Means of verification	Assumptions
To help make SMEs in Ecuador's fine aroma cocoa chain more competitive.	Two years after project end:  Production costs per hectare reduced by at least 10%, doubling the SME share; and increasing volume of cocoa collected under the partnership model.	Ex post evaluation by ANECACAO and CORPEI.  Baseline (set in the final evaluation)	Monetary, exchange rate, tax, commercial, and labor conditions remain reasonably stable.
Purpose			
To more firmly establish Ecuadorian fine aroma cocoa in special markets by integrating and strengthening the productive chain.	By project end:  The 30 associations, through two second-tier entities and exporters participating in the program, increase their sales in special markets by 30%.  At least 25 participating associations of cocoa producers have implemented integration strategies and meet the quality requirements of the international market.	Export certificates (ANECACAO database)  Midterm review and final evaluation  PCR  PPMR  Baseline reports	Producers and exporters remain willing to enter partnerships to achieve scale economies and greater market access.  International price differentials for fine aroma cocoa remain stable or increase.  Demand for Ecuadorian fine cocoa remains stable or increases.
COMPONENT 1:			
Better cooperation among businesses in the cocoa chain	Indicators	Means of verification	Assumptions
To strengthen the 30 member associations of the two second-tier entities and the producer representation body, and to forge partnerships among members of the value chain in order to improve management and marketing.	By the end of project year 1:  At least 25 member associations of the two second-tier entities, and at least another three producer associations interested in belonging to the beneficiary associations, have the baseline analysis.  At least 120 participants belonging to the two second-tier entities, and producer associations interested in belonging to the beneficiary associations, participate in awareness raising workshops.	Midterm review and final evaluation  PCR  PPMR  Progress and final report of the executing agency.  Monitoring system of the small business networks and supply chains cluster	SMEs in the chain are interested in participating.  Qualified personnel are available for training and technical assistance.

Goal	Indicators	Means of verification	Assumptions
	<p>At least 120 participants belonging to the two second-tier entities, and producer associations interested in belonging to the beneficiary associations, are trained in business management, integration and negotiation.</p> <p>At least 25 producer associations have prepared and implemented a strategy for integration and strengthening of the chain.</p> <p>The two second-tier entities have prepared and implemented a marketing plan, and the producer representation body has a work plan.</p> <p>By project end:</p> <p>At least 10 SMEs (five producer associations, two intermediaries, and three exporters) participating in horizontal or vertical partnerships promoted by the project and benefiting from marketing strategies.</p> <p>At least three new partnerships (vertical or horizontal) created.</p>		
<b>COMPONENT 2:</b>			
Matching supply to demand and specialization of the chain	Indicators	Means of verification	Assumptions
To promote a production structure capable of matching the supply of fine aroma cocoa to demand by raising plantation productivity and standardizing product quality.	<p>By the end of project year 1:</p> <p>Manual prepared for raising the productivity of local cocoa plantations and separation of two types of cocoa.</p> <p>Productivity strategy prepared.</p> <p>By the end of project year 3:</p> <p>At least 60 delegates from producer organizations, 60 local buyers, and 20 exporters trained in quality control.</p>	<ul style="list-style-type: none"> <li>Records of training participants.</li> <li>Base line</li> <li>Progress reports</li> <li>PCR</li> <li>PPMR</li> <li>Midterm review and final evaluation</li> <li>Monitoring system of the small business networks and supply chains cluster</li> </ul>	<p>Local capacity are available to provide technical assistance for transfer of technological know-how.</p> <p>Chain members adhere to established quality standards to meet market requirements.</p> <p>Second-tier producer organizations are motivated to enter partnerships or market produce.</p>

Goal	Indicators	Means of verification	Assumptions
	<p>12 clone gardens established and operating efficiently.</p> <p>By project end:</p> <p>Reduction of the mixture of cocoa type CCN51 in local cocoa plots to under 5%.</p> <p>1,750 hectares rehabilitated by project end, to raise average annual production from 5 to 10 hundredweight per hectare, starting in year 3.</p> <p>At least 1,000 producers trained in farm rehabilitation and post-harvest during the lifetime of the project.</p> <p>At least 25 associations have a supply of exportable fine aroma cocoa, with homogeneous quality and management, by project end.</p> <p>Quality control system improved and operating.</p>	<ul style="list-style-type: none"> <li>• Production records of associations and producers.</li> </ul>	
<b>COMPONENT 3</b>			
Competitive access to international markets	Indicators	Means of verification	Assumptions
To facilitate competitive access to special markets for fine aroma cocoa.	<p>By the end of project year 1:</p> <p>Supply map of cocoa flavors prepared in the second half-year.</p> <p>Fine cocoa promotion and marketing campaign designed.</p> <p>By the end of project year 2:</p> <p>Market information system updated every six months and operating during the second half-year.</p> <p>Representatives from two second-tier entities and one from the producer representation body</p>	<ul style="list-style-type: none"> <li>• Business plans</li> <li>• Midterm review and final evaluation</li> <li>• PCR</li> <li>• PPMR</li> <li>• Progress and final report of the executing agency.</li> <li>• Monitoring system of the small business networks and supply chains cluster</li> </ul>	<p>Qualified consultants are available to provide technical assistance.</p> <p>Information generated by the flavors map has a positive impact on international buyers.</p> <p>“Arriba” fine aroma cocoa maintains its image in international markets.</p> <p>Importers are motivated to buy quality products from small-scale producer organizations or exporters associated with such producers.</p>

Goal	Indicators	Means of verification	Assumptions
	<p>participate in at least one fair each year until year 4.</p> <p>Representatives from two second-tier bodies and one representative from the producer representation body participate in three trade missions (at least one per year) and two technical missions (one in year 2 and another in year 3).</p> <p>By the end of project year 3:</p> <p>At least 25 member associations from the two second-tier entities and another three producer associations interested in belonging to the beneficiary associations report an increase of at least 30% in sales of fine aroma cocoa in the target markets.</p> <p>Image of Ecuadorian “Arriba” cocoa maintains 75% of its production as fine aroma cocoa.</p>	<ul style="list-style-type: none"> <li>• Export records</li> <li>• Marketing contracts</li> </ul>	
<b>COMPONENT 4:</b>			
Dissemination of outcomes	Indicators	Means of verification	Assumptions
To disseminate the successful outcomes and best practices in productive integration programs.	<p>By the end of project year 1:</p> <p>Monitoring system implemented for the small business networks and supply chains cluster</p> <p>By project end:</p> <p>Manual of documented best project practices prepared.</p> <p>Sustainability plan prepared and implemented.</p> <p>Manual for systemization of project outcomes prepared.</p>	<p>Base line reports</p> <ul style="list-style-type: none"> <li>• Progress reports</li> <li>• Final report of the executing agency</li> <li>• PCR</li> <li>• PPMR</li> <li>• Midterm and final review</li> <li>• Monitoring system of the small business networks and supply chains cluster</li> <li>• Agreements and commitments for project sustainability.</li> <li>• Sustainability strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Other business groups or sectors possess the capacity to replicate the model.</li> <li>• Entrepreneurs (chain participants) maintain their motivation and take ownership of the project.</li> </ul>

Goal	Indicators	Means of verification	Assumptions
<b>ACTIVITIES</b>			
<b>Component 1:</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
1.1 Awareness raising among organizations	(i) Four awareness raising workshops held in the first quarter of year 1.	<ul style="list-style-type: none"> <li>• Progress reports</li> <li>• Final report of the executing agency</li> <li>• PCR</li> <li>• PPMR</li> <li>• Midterm and final review</li> <li>• Monitoring system of the small business networks and supply chains cluster</li> </ul>	
1.1.1 Materials development			
1.1.2 Consultant for awareness raising workshops	(ii) At least 120 participants belonging to the two second-tier bodies and producer associations interested in belonging to the beneficiary associations participate in workshops.		
1.2 Chain integration and strengthening strategy	(i) Report on integration strategy and chain strengthening in the first half of year 1.		
1.2.1 International or local consulting services for design of the strategy, plan of action, regulation, and workshops.	(ii) Action plans and regulations for at least 25 associations prepared in month 6 of year 1.		
1.3 Marketing plans.	(i) Two marketing plans prepared for second-tier entities during the first half of year 1.		
1.3.1 International consulting services for the design of marketing plans.	(ii) Two marketing plans for the second-tier bodies implemented during the second year of the project.		
1.4 Training program in management, partnership, and negotiation.	(i) 60 people trained in business management during the first half of year 1.		
1.4.1 Consulting firm to provide training in business management.	(ii) 60 people trained in joint marketing and negotiation in the first half of year 1.		
1.4.2 Consulting firm for training in joint marketing and negotiation.	(iii) One consultant hired following the conclusion of training.		
1.4.3. Local consulting services to assist second-tier entities (one consultant for 48 months).			
1.5 Makeup of the producer representation body	(i) One consultant hired as from the first year of the project		
1.5.1 One local consultant for the producer representation body (48 months).			

Goal	Indicators	Means of verification	Assumptions
1.5.2 Local consulting services for legalization of the producer representation body.	(i) Report on legalization of the cocoa producer representation body during the second half of year 1		
1.5.3 Consulting services for design of the work plan for the producer representation body.	(i) Work plan for the producer representation body prepared during the second half of year 1.		
1.6 Strengthening of the Cocoa Consultative Council.	(i) Committee work plan in the first half of year 1.		
1.6.1 Local consultant to prepare work plan.	(ii) At least two workshops with the main participants in the sector to coordinate activities.		
1.7 National event to promote partnerships among chain participants.	(i) Three promotion events held (one per year).		
1.7.1 Holding of three integration promotion events.	(ii) 3,000 copies of promotional material prepared in three years.		
1.7.2 Production of materials to promote partnerships.			
<b>ACTIVITIES</b>			
<b>Component 2:</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
2.1 Preparation of manual on comprehensive crop management.	(i) One manual with a print run of 5,000 distributed to trainers and producers in the second half of year 1.	<ul style="list-style-type: none"> <li>Monitoring system of the small business networks and supply chains cluster</li> </ul>	
2.1.1 Preparation of contents.			
2.1.2 Design of management manual.			
2.1.3 Reproduction of manual.			
2.2 Preparation of strategy to increase productivity.	(i) Strategy to improve productivity prepared in the first half of year 1.		
2.2.2. Hiring of cocoa technical specialist.			

Goal	Indicators	Means of verification	Assumptions
<p>2.3 Productivity improvement</p> <p>2.3.1 Creation and maintenance of 12 clone gardens</p> <p>2.3.2 Training of producers in farm rehabilitation.</p> <p>2.3.3 Training of producers in farm rehabilitation</p> <p>2.4 Improvement of quality control</p> <p>2.4.1. Implementation of improved quality control system.</p> <p>2.4.1.1 Diagnostic study on current handling of cocoa quality and strategy for improvement and control</p> <p>2.4.1.2 Incorporation of improved practices by producers, local buyers, and exporters.</p> <p>2.4.2 Training in quality control for association delegates</p> <p>2.4.2 Training in quality control for local buyers.</p> <p>2.4.3 Training in quality control for exporters.</p>	<p>(i) 12 clone gardens established and operating in the second-half of year 2.</p> <p>(ii) 120 producers trained by the second half of year 1.</p> <p>(iii) At least 1,000 producers trained by the first half of year 4.</p> <p>(i) Diagnostic study and strategy prepared during the first half of year 1.</p> <p>(ii) Quality control system improved and implemented by project end.</p> <p>(i) At least 60 delegates from at least 25 associations trained in two workshops in year 3.</p> <p>(ii) 60 local buyers trained in two workshops and applying quality control in year 3.</p> <p>(iii) 20 exporters trained in two workshops and applying quality control in year 3.</p>		
<b>ACTIVITIES</b>			
<b>Component 3:</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
<p>3.1 Preparation of supply map.</p> <p>3.1.1 Consulting services to obtain information and hold opinion survey workshops with local and international cocoa experts.</p>	<p>(i) One cocoa supply map prepared, with differentiation by origin.</p> <p>(ii) Results of opinion survey workshops with local and international cocoa experts.</p>	<ul style="list-style-type: none"> <li>Monitoring system of the small business networks and supply chains cluster</li> </ul>	



Goal	Indicators	Means of verification	Assumptions
<p>3.2 Promotion of the image of Ecuadorian cocoa</p> <p>3.2.1. Consulting firm to design the campaign</p> <p>3.2.2. Publications in consumer countries (take advantage of BGA projects).</p> <p>3.2.3. Participation in international cocoa fairs.</p> <p>3.2.4. Participation in trade and technical missions.</p> <p>3.2.5. Design and reproduction of promotional material.</p> <p>3.3. Updating of the information access platform established at the initiative of Biocomercio.</p>	<p>(i) Promotional campaign designed and operating as from the second half of year 1.</p> <p>(ii) 3 publicity campaigns in consumer countries (1 per year).</p> <p>(iii) 2 second-tier entities and 1 producer representative body to have participated in three international cocoa fairs (1 per year) by year 4.</p> <p>(iv) 2 second-tier entities and 1 producer representative body to have participated in 3 trade missions to promote sales (1 per year); and 2 second-tier entities and 1 producer representative body have participated in 2 technical missions by year 3.</p> <p>(i) Information and marketing system updated</p>		
<b>ACTIVITIES</b>			
<b>Component 4: Dissemination of outcomes</b>	<b>Indicators</b>	<b>Means of verification</b>	
<p>4.1 Systemization of the model for chain integration and strengthening.</p> <p>4.1.1. Local consulting services to systemize experiences.</p> <p>4.1.2. Design of manual of good practices.</p> <p>4.1.3. Printing of manuals.</p> <p>4.1.4. Identification of validated instruments.</p> <p>4.2 Dissemination of project progress.</p> <p>4.2.1. Participation in agricultural fairs.</p>	<p>(i) One document of experiences and best practices prepared.</p> <p>(ii) 10,000 copies of the manual of best practices and instruments prepared and distributed.</p> <p>(ii) The project director and technical coordinator participate in six agricultural fairs per year for four years</p>	<ul style="list-style-type: none"> <li>Monitoring system of the small business networks and supply chains cluster</li> <li>Systemization of good practices</li> <li>Agreements</li> <li>PPMR</li> <li>PCR</li> </ul>	

Goal	Indicators	Means of verification	Assumptions
4.3 Preparation of sustainability plan. 4.3.1 Consultant for development of sustainability plan. 4.4. Event to disseminate project results. 4.4.1. Holding of closing event.	(i) Sustainability plan to ensure project continuity in the first half of year 4.  (i) 150 people participate in one event to disseminate project outcomes at project end.		

	MIF	US\$	Local contribution US\$	TOTAL US\$
<b>Executing unit and logistics</b>	<b>\$51,800</b>	<b>\$162,200</b>	<b>\$214,000</b>	
<b>Executing unit</b>	<b>\$38,400</b>	<b>\$108,000</b>	<b>\$146,400</b>	
Project director (48 months general coordination)		\$84,000	\$84,000	
Financial/administrative assistant	\$38,400		\$38,400	
Accountant (part-time)		\$24,000	\$24,000	
<b>Logistics and equipment</b>	<b>\$13,400</b>	<b>\$54,200</b>	<b>\$67,600</b>	
Equipment	\$6,400	\$14,400	\$20,800	
Logistics	\$7,000	\$39,800	\$46,800	
<b>Component 1. Better cooperation among businesses in the cocoa chain</b>	<b>\$222,600</b>	<b>\$43,890</b>	<b>\$266,490</b>	
Project technical coordinator	\$18,000		\$18,000	
Awareness raising among second-tier organizations and producers that show interest in joining the beneficiary associations	\$9,000	\$2,550	\$11,550	
Strategies for chain integration and strengthening	\$15,000		\$15,000	
Marketing plans for second-tier associations	\$30,000	\$5,700	\$35,700	
training program in business management, joint marketing and negotiation for members of second-tier associations and the producer representation body	\$92,000	\$2,340	\$94,340	
Formation of producer representation body	\$40,100	\$21,300	\$61,400	
Strengthening of Cocoa Consultative Council	\$4,500		\$4,500	
Annual national event (three years) to promote partnerships among producers, local buyers, industry, and exporters	\$4,500	\$9,000	\$13,500	
<b>Component 2. Matching of supply to demand and specialization of the chain</b>	<b>\$90,540</b>	<b>\$90,830</b>	<b>\$181,370</b>	
Project technical coordinator	\$18,000		\$18,000	
Preparation of manual on integrated management of cocoa farms		\$14,000	\$14,000	
agriculturist specializing in cocoa	\$42,000		\$42,000	
Plantation productivity gains	\$30,540	\$65,850	\$96,390	
Quality control improvement		\$10,980	\$10,980	
<b>Component 3. Competitive access to international markets</b>	<b>\$277,200</b>	<b>\$45,400</b>	<b>\$322,600</b>	
Project technical coordinator	\$18,000		\$18,000	
Preparation of supply map	\$17,200	\$4,800	\$22,000	
Promotion of the image of Ecuadorian cocoa	\$232,000	\$33,000	\$265,000	
Information and marketing platform	\$10,000	\$5,000	\$15,000	
<b>Component 4. Dissemination of project outcomes</b>	<b>\$46,240</b>	<b>\$14,200</b>	<b>\$60,440</b>	
Project technical coordinator	\$18,000		\$18,000	
Systematization of partnership model	\$19,000	\$7,000	\$26,000	
Dissemination of project progress	\$1,440	\$7,200	\$8,640	
Preparation of sustainability plan	\$6,000		\$6,000	
Event to disseminate project outcomes	\$1,800		\$1,800	
<b>SUBTOTAL</b>	<b>\$688,380</b>	<b>\$356,520</b>	<b>\$1,044,900</b>	
Contingencies	\$18,620		\$18,620	
Baseline, M&E system and 2 evaluations	\$70,000		\$70,000	
Audit	\$20,000		\$20,000	
<b>TOTAL</b>	<b>\$797,000</b>	<b>\$356,520</b>	<b>\$1,153,520</b>	
Cluster control activities	\$30,000		\$30,000	
<b>GRAND TOTAL</b>	<b>\$827,000</b>	<b>\$356,520</b>	<b>\$1,183,520</b>	

**COMPETITIVENESS STRATEGY FOR ECUADOR'S FINE AROMA COCOA CHAIN  
EC-M1011**

**A. Similar or related MIF projects**

None.

**B. Similar or related Bank projects**

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
1420/OC-EC 4 September 2002	<b>Sustainable development program for the Northern Amazon border zone of Ecuador</b>  Government of Ecuador  US\$10 million	12 Feb 2003  34 months (extended for a further 6 months)	21.15%	Despite a problematic start, program implementation has reached a pace that makes it possible to achieve the development goals with better management by the executing agency.
EC-S1002 2 December 2004	<b>Strengthening the cocoa production chain in Afro-Ecuadorian communities</b>  Cocoa Producers Association of Northern Esmeraldas  (APROCANE)  US\$430,000	31 March 2005  42 months	0.00%	The executing agency is in the process of fulfilling conditions precedent to the first disbursement, which include selecting the specialist human resource firm to identify candidates for the executing agency.

**C. MIF projects related or similar to the same sector or beneficiaries**

<b>Project number / date of approval</b>	<b>Title of project, sector, executing agency and amount</b>	<b>Date of signing and original period of disbursement in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.</b>
ATN/ME-7300-EC 22 December 2000	<b>E-commerce pilot project for small scale handicraft and agricultural producers</b>  CAMARI (FEPP marketing agency)  US\$409,920 from the MIF	30 March 2001  48 months	100%	Project completed satisfactorily (S/P). Websites and electronic commerce systems for each organization up and running, along with the CAMARI corporate site and a technical support and monitoring scheme for the organizations.
ATN/ME-8530-EC 3 December 2003	<b>Program to mitigate market access barriers under the Andean Trade Preference Act</b>  Ecuadorian Export and Investment Promotion Corporation (CORPEI)  US\$1,323,492 from the MIF	2 April 2004  42 months	2%	Yellow flag. Project classified U/P. The slow progress of the program results essentially from changes in the senior management of SESA and delays in hiring the technical coordinator. This made it necessary to produce a detailed AWP for the program, which is being prepared in conjunction with the executing unit to make program management more efficient and effective.
ATN/ME-8533-RG 3 December 2003	<b>Market access and integration through technical standards</b>  Colombian Technical Standards and Certification Institute  US\$2,790,940 from the MIF	8 June 2004  54 months	6%	The project is in the initial phase of execution (S/P).

## D. MIF productive integration cluster projects

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
ATN/ME-7203-CO 17 October 2000	<b>Isabella grape agribusiness project</b> Fundación Carvajal US\$1,111,947 from the MIF	16 February 2001	97%	Delays occurred at the start. Most planned activities have achieved their programmed targets. Work on a sustainability strategy is ongoing.
ATN/ME-7468-CH 27 June 2001	Integración Productiva hacia Microempresas <b>Integrating microenterprise production</b> SERCAL US\$1,092,000 from the MIF	9 August 2001	98%	Fulfillment of conditions precedent took eight months. The final activities, including the closing event, are currently underway.
ATN/ME-7927-BR 26 June 2002	<b>Program for the development of industrial districts</b> SEBRAE US\$2,075,000 from the MIF	10 September 2002	10%	Although disbursements have been slow, components initiated by the counterpart are being implemented, and the proceeds of the financing have been committed.
ATN/ME-8112-AR 20 November 2002	<b>Program for supply chain development in the province of Córdoba</b> ADEC US\$1,082,640 from the MIF	27 March 2003	28%	Executing without substantial delays or changes.
ATN/ME-8291-RG 30 April 2003	<b>Learning from business alliances</b> INCAE US\$5,000,000 from the MIF	17 June 2003 54 months	11%	Yellow flag. Project classified U/P. The projection was for eight projects to have been approved for completion in the first year, but after 18 months only five proposals have been presented.
ATN/ME-8432-ME 10 September 2003	<b>Program for development of production chains to promote export-</b>	1 December 2003	23%	Changes in the senior management of the executing agency, integration of the executing unit, and fulfillment of conditions

<b>Project number / date of approval</b>	<b>Title of project, sector, executing agency and amount</b>	<b>Date of signing and original period of disbursement in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.</b>
	<b>oriented microenterprises and small and medium-sized businesses in Guanajuato</b> COFOCE-CIEX US\$1,000,000 from the MIF			precedent delayed program activities. Nonetheless, as all the points indicated above have been solved, the project has now achieved the expected pace of work, and the originally established targets are expected to be fulfilled. Accordingly, the current state of progress can be considered satisfactory.
ATN/ME-8456-DR 1 October 2003	<b>Program to increase the competitiveness of micro, small, and medium-sized enterprises in Santiago de los Caballeros</b> AIREN US\$566,000 from the MIF	16 October 2003	15%	Executing satisfactorily.
ATN/ME-8616-PE 21 January 2004	<b>Development of business networks in the garment-making (Gamarra) and tourism (Cuzco) clusters of Peru</b> Commission for the promotion of small business and microenterprise (Prompyme) US\$970,000 from the MIF	23 March 2004	5%	Delays occurred at the start, but now executing satisfactorily.
ATN/ME-8541-UR December 2003	<b>Development of enterprise networks for the wine and grape-growing sector</b> Asociación de Bodegas Exportadoras de Vinos Finos de Uruguay (ABE) US\$500,000 from the MIF	23 December 2004	34%	The activities planned have begun.
ATN/ME-8601-UR January 2004	<b>Program to strengthen the Ñandu production chain</b> Asociación Uruguaya de Criadores del	16 April 2004	10%	Delays occurred at the start, but now executing satisfactorily

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
	Ñandú (A.U.CRI.ÑA) US\$463,000 from the MIF			
ATN/ME-8797-CO August 2004	<b>Supporting cluster competitiveness</b> Universidad de Los Andes US\$3,450,000 from the MIF	3 December 2004	N/A	In the process of fulfilling conditions precedent.
ATN/ME-9271-EC 30 June 2005	<b>Cooperative SME operations in the floriculture value chain</b> Asociación Nacional de Productores y/o Exportadores de Flores del Ecuador - Expoflores US\$1,643,628 MIF contribution	N/A 42 months	0%	Agreement awaiting signature.

### MIF Ecuador portfolio

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	Legal and institutional framework to promote private participation in the transportation sector	CONAM	I	24-May-95	Completed	1,021,427	100.00
3	MIF/AT-44	TC9503386	ATN/MT-4960-EC	Modernization of the water supply and sanitation sector	CONAM	I	19-Jul-95	Completed	666.913	100.00
4	MIF/AT-57	TC9502130	ATN/MT-5051-EC	External trade modernization program		I	1-Nov-95	Completed	690.000	100.00
5	MIF/AT-105	TC9503287	ATN/MT-5440-EC	Program to establish centers for training in and dissemination of commercial dispute resolution alternatives	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



No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
7	MIF/AT-132	TC9609126	ATN/ME-5612-EC	Pilot program for microenterprise management services	CFNCNV	IIIa	25-Jun-97	Completed	1,047,029	100.00
8	MIF/AT-156	TC9610131	ATN/MT-5878-EC	Program to strengthen the legal, regulatory, and supervisory framework for savings and loan associations	SB	I	25-Feb-98	Completed	368.934	100.00
9	MIF/AT-157	TC9705271	ATN/MT-5877-EC	Institution-strengthening for highway concessions	MOP	I	25-Feb-98	Completed	1,025,682	100.00
10	MIF/AT-242	TC9804461	ATN/ME-6459-EC-1	Local economic development in Cuenca and Ambato	ACUDIR	IIIa	21-Apr-99	In execution	453.820	81.44
11	MIF/AT-242	TC9804461	ATN/ME-6459-EC-2	Economic development in Ambato	ACUDIR	IIIa	21-Apr-99	In execution	453.820	76.04
12	MIF/AT-242	TC9904007	ATN/MH-6460-EC-1	Economic development in Cuenca	ACUDIR	II	21-Apr-99	In execution	270.180	89.30
13	MIF/AT-242	TC9904007	ATN/MH-6460-EC-2	Economic development in Ambato	ACUDIR	II	21-Apr-99	In execution	270.180	75.82
14	MIF/AT-242	TC9904008	ATN/MT-6461-EC-1	Economic development in Cuenca	ACUDIR	I	21-Apr-99	In execution	246.000	24.04
15	MIF/AT-242	TC9904008	ATN/MT-6461-EC-2	Economic development in Ambato	ACUDIR	I	21-Apr-99	In execution	246.000	36.66
16	MIF/AT-346	TC9911188	ATN/MT-7084-EC	Development of social health franchises	CARE	I	2-Aug-00	Completed	230.168	100.00
17	MIF/AT-346	TC9911188	ATN/MH-7083-EC	Development of social 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, handicraft, and agricultural producer groups	CAMARI	IIIa	22-Dec-00	In execution	409.920	97.97
19	MIF/AT-398	TC0007013	ATN/ME-7352-EC	Institutional strengthening - Banco Solidario	BSSA	IIIa	6-Mar-01	Completed	299.835	100.00
20	MIF/AT-403	TC0104033	ATN/MH-7404-EC	Youth business training program	FJA	II	25-Apr-01	In execution	201.449	86.41
21	MIF/AT-421	TC0006013	ATN/MT-7511-EC	Program for divestment of tourism assets	MINTU	I	13-Jul-01	In execution	500.000	89.92
22	MIF/AT-425	TC9902016	ATN/MH-7524-EC	Local participation Galapagos tourism	CPTG	II	24-Jul-01	In execution	300.400	85.78
23	MIF/AT-436	EC0206	51/MS-EC	Microenterprise emigrant support	BSSA	IIIb	19-Sep-01	In execution	2,000,000	-75.73
24	MIF/AT-436	TC0105029	ATN/ME-7599-EC	Support microenterprises utilizing a line of credit	BSSA	IIIa	19-Sep-01	In execution	200,000	76.90

No.	Memo #	Project #	ATN #	Name	Exec. Agency	FAC	Approval	Status	MIF Amount	% Disb
25	MIF/AT-448	TC9902019	ATN/ME-7705-EC	Micro and small enterprise competitiveness in the apparel industry	INSOTEC	IIIa	5-Dec-01	In execution	659,000	52.84
26	MIF/AT-449	EC0209	52/MS-EC	expansion of new microfinance institution rural areas	SFE	IIIb	12-Dec-01	Completed	1,500,000	100.00
27	MIF/AT-449	TC0110024	ATN/ME-7716-EC	expansion of new microfinance institution rural areas	SFE	IIIa	12-Dec-01	Completed	164.843	100.00
28	MIF/AT-454	TC0102027	ATN/MT-7750-EC	Intellectual property rights	IEPI	I	20-Dec-01	In execution	245.000	64.62
29	MIF/AT-463	TC0103001	ATN/ME-7833-EC	Promotion of cleaner production processes	CEPL	IIIa	3-Apr-02	In execution	737.900	53.02
30	MIF/AT-505	TC0203022	ATN/ME-8078-EC	Institutional strengthening of Jardín 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 - Fundación Finca Ecuador	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	Support for innovative mechanism providing rural credit to underserved communities	CODESARRO	IIIb	17-Nov-04	Approved	1,200,000	0.00
35	MIF/AT-623	EC-M1006	ATN/ME-8952-EC	Support for innovative mechanism providing rural credit to underserved communities	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 SME operations in the floriculture value chain	EXPOFLORES	IIIa	30-Jun-05	Approved	1643628	
							<b>Total MIF Amount</b>		<b>25,524,398</b>	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-\_\_\_/05

Ecuador. Nonreimbursable Technical Cooperation ATN/ME-\_\_\_\_-EC for the  
Competitiveness Strategy for Ecuador's Fine/Aroma Cocoa Chain

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Asociación Ecuatoriana de Exportadores de Cacao (ANECACAO) and the Corporación Ecuatoriana de Promoción de Exportaciones e Inversiones (CORPEI), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-\_\_\_ with respect to technical cooperation for the competitiveness strategy for Ecuador's fine/aroma cocoa chain.

2. That up to the amount of US\$827,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

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

LEGIII/EC-583427-05  
EC-M1011