



**USAID**  
DEL PUEBLO DE LOS ESTADOS  
UNIDOS DE AMÉRICA

**ECUADOR RED PRODUCTIVA**

INNOVACIÓN EN EL DESARROLLO

# PRODUCTIVE NETWORK II

FINAL REPORT COVERING LIFE OF PROJECT



Extraction of Palo Santo essential oil in a laboratory



Planting of cacao seedlings

# PRODUCTIVE NETWORK II

FINAL REPORT COVERING LIFE OF PROJECT

SEPTEMBER 30, 2010 - AUGUST 31, 2013

This publication was submitted for review by the United States Agency for International Development on October 2013. It was prepared by Anna Ulbrich and Santiago Sedaca for CARANA Corporation.

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ACRONYMS

ACUDIR	Cuenca Agency for Development and Regional Integration / Agencia Cuencana para el Desarrollo e Integración Regional
ADECARCHI	Carchi Agency for Regional Economic Development / Agencia de Desarrollo Económico Territorial de Carchi
ADET	Agencies for Regional Economic Development / Agencias de Desarrollo Económico Territorial
ADPM	Provincial Development Agency of Manabí / Agencia de Desarrollo Provincial de Manabí
ADREG	Guayaquil Regional Development Agency / Agencia Regional de Desarrollo de Guayaquil
APRI	Regional Investment Attraction Agency / Agencia de Promoción Regional de Inversiones
APRIM	Investment Attraction Agency of Manabí / Agencia de Promoción de Inversiones de Manabí
CCQ	Chamber of Commerce of Quito / Cámara de Comercio de Quito
CEDET	Ecuadorian Committee for Regional Economic Development / Comité Ecuatoriano de Desarrollo Económico Territorial
CODENOR	Development Corporation of Healthy Meat Production in the North of Ecuador / Corporación de Cárnicos Sanos del Norte del Ecuador
COP	Chief of Party
CONGOPE	National Council of Rural Parochial Governments of Ecuador / Consejo Nacional de Gobiernos Parroquiales del Ecuador
CORPODET	El Oro Regional Development Corporation / Corporación Orense de Desarrollo Económico Territorial
DCA	Development Credit Authority
DEPROSUR	Public Company for Productive and Agricultural Development of the South / Empresa Pública de Desarrollo Productivo y Agropecuario del Sur
FICA	Fideicomiso Agrícola
GAD	Autonomous Decentralized Government / Gobierno Autónomo Decentralizado
GIZ	German Technical Development Corporation
GOE	Government of Ecuador / Gobierno del Ecuador
Ha	Hectare
IBA	Important Bird Area

IDB	Inter-American Development Bank
ILE	Spice Industry of Loja / Industria Lojana de Especerías
INVEC	Investment Promotion Corporation of Cuenca / Corporación de Promoción de Inversiones de Cuenca
INIAP	National Agricultural Research Institute / Instituto Nacional Autónomo de Investigaciones Agropecuarias
M&E	Monitoring and Evaluation
MAE	Ministry of Environment of Ecuador / Ministerio del Ambiente de Ecuador
MAGAP	Ministry of Agriculture / Ministerio de Agricultura
MCPEC	Ministry for the Coordination of Production, Employment, and Competitiveness / Ministerio de Coordinación de Producción, Empleo y Competitividad
MIPRO	Ministry of Industry and Productivity / Ministerio de Industrias y Productividad
MSME	Micro, Small, and Medium-sized Enterprise
MT	Metropolitan Touring
NCI	Nature and Culture International
PMP	Performance Monitoring Plan
PNII	Productive Network II
QQ	Quintal
SAR	Semi-Annual Reports
SME	Small and Medium-sized Enterprise
TSU	Technical Services Unit
UEA	State University of the Amazon/Universidad Estatal Amazónica
USFQ	San Francisco of Quito University / Universidad San Francisco de Quito
USAID	United States Agency for International Development
UTPL	Private Technical University of Loja / Universidad Técnica Particular de Loja
WB	World Bank



# EXECUTIVE SUMMARY

Between September 2010 and August 2013, USAID/Ecuador's Productive Network II project (PNII), implemented by CARANA Corporation, carried out a number of catalytic activities that produced important achievements in investment generation, agribusiness and tourism development, financial facilitation, economic policy improvements, and environmental protection.

PNII capitalized on Ecuador's broader, political agenda to decentralize economic development efforts through building the capacity of 14 Agencies for Regional Economic Development (ADETs, or *Agencias de desarrollo territorial*, in Spanish). The ADETs are regional institutions comprised of public, private, academic, and community organizations that are responsible for guiding and implementing development strategies in their provinces. These institutions have the structure and technical capacity to develop strategic plans, implement specific development projects, improve the policy-enabling environment, raise funds, and attract private investment. PNII provided intensive technical assistance, strategic guidance, and coaching to these agencies to improve their ability to design and implement high quality economic growth activities, mobilize sources of funding, and promote private sector development policies, installing the capacities and processes to ensure their long-term institutional sustainability.

PNII worked to consolidate the capacity of the Ecuadorian Committee for Regional Economic Development (CEDET), a national entity representing Ecuador's ADETs. The project worked to build CEDET's technical, financial, and corporate capacity to support economic development at the provincial level and advance decentralized development strategies for the country.

PNII's central strategy in developing the agribusiness and tourism sectors was to strengthen business relationships between suppliers and anchor firms, creating sustainable mechanisms for access to finance for production and synergistic business relations. The model was so successful it led the Government of Ecuador (GOE) to invest \$45 million in public funds to replicate the approach to vastly expand benefits for farmers and Small and Medium-sized Enterprises (SMEs) in the cacao and corn sectors.

The project worked with public and private partners to generate \$42.1 million in domestic and export sales in the agribusiness, creating at least 5092 new jobs, and increased sales by 30% in the tourism sector, creating 360 jobs. A new approach for incentivizing local consulting firms to match SME financing needs with willing lenders generated \$24.9 million in new financing and will generate much more financing in the future. The investment attraction agencies that Productive Network helped create dramatically improved their institutional and financial capabilities and financial, leading them to attract \$470 million in domestic and foreign investment.

In the policy arena, PNII worked with public and private sector stakeholders to make catalytic improvements to the business-enabling environment that underpins the project's work in regional and agency development, agribusiness, tourism, and investment promotion. The project promoted 14 policies that were adopted by the GOE, including a Presidential Decree allowing for the transfer of public funds to private entities. This groundbreaking change created the policy framework for the ADETs to mobilize both public and private funding, establishing the conditions for the agencies to implement economic development strategies in their provinces long beyond donor funding.

Perhaps most interestingly, PNII was able to align environmental, community, and commercial incentives that resulted in improved protection of 24,500 hectares (ha) of highly endangered coastal deciduous forests and a project total of 859,303 ha under improved management. In Loja, the project supported community stakeholders seeking to protect the Tropical Dry Forest to work with local authorities to declare a Municipal Reserve. The community's pioneering conservation efforts gained the attention of seven other municipalities, which soon joined forces with the project and petitioned UNESCO to declare more than 500,000 ha (1.23 million acres) of Ecuador's Tropical Dry Forest a globally recognized Biosphere Reserve.

PNII's Palo Santo oil and Amazon projects offer two case studies in how the pull of the international market for sustainably produced products can be the stimulus for innovation in product development that reinforces environmental protection approaches, within a supportive institutional and environmental policy framework.

Having generated over \$367,000 in export sales in just one year, the Palo Santo project demonstrated that sustainably produced essential oil offers a profitable alternative to local livelihood practices that were previously endangering the very resources upon which communities rely.

In Pastaza, PNII partnered with indigenous communities, universities, and private sector companies to identify five value chains for sustainably produced, naturally-occurring forest products with identified markets, laying the groundwork for connecting these communities with buyers committed to sourcing sustainably. The economic benefits from exporting these products provide communities with direct incentives to conserve the rainforest. In the long term, the project built the capacity of the ADETs to play a critical role in ensuring that the types of projects implemented in their provinces, either by national or subnational government units, align with biodiversity conservation plans. Fostering the alliance of public, private, academic, and community actors to converge economic imperatives with sustainable use of biodiversity is an effective model that can be adapted in other ecological contexts around the world.

PNII introduced new concepts or helped operationalize methodologies that were not being practiced in Ecuador. At the same time, it worked with, and in some cases helped create, a large number of organizations who were made more capable to carry out the new approaches introduced by the project. These operating principles not only led to significant results for a project of its size, but also led to the expectation that these achievements will continue to grow, remain sustainable, and help generate virtuous cycles of development in the regions and sectors where the project intervened.



Tilling of a potato field

# COMPONENT I: REGIONAL ECONOMIC DEVELOPMENT

## Institutional Development of CEDET and ADETs

The focus of Productive Network II (PNII) under Component I was to foster institutional development in support of regional economic growth. Activities in this area emphasized consolidating organizational structures and building the capacity of the *Ecuadorian Committee for Regional and Economic Development (CEDET)*, the *Agencies for Regional Economic Development (ADETs)* that constitute it, and the *Regional Investment Attraction Agencies (APRIs)*, in order to build their technical, operational, and financial sustainability.

One of the key achievements of PNII was the transfer of capacities to the ADETs and CEDET through a combination of coaching, technical assistance, and strategic guidance. By solidifying strong groups of institutionalized regional actors, both public and private, PNII supported the process of change of the traditional economic structure that concentrates wealth in the hands of relatively few actors, particularly in the big cities of Ecuador. PNII built the capacity and the voice of actors from the provinces, encouraging their participation in important policy debates about the country's economy. PNII (2010–2013) built upon the success of the Productive Network Project I (2007–2010) to prepare regions and regional agencies to implement economic development programs and policy changes using an institutional model that is predicated upon alliances between the public and private sectors.



## Ecuadorian Committee for Regional and Economic Development - CEDET

CEDET is a national entity representing Ecuador's ADETs. PNII worked to consolidate its technical, financial, and corporate capacity to support economic development at the provincial level and advance decentralized development strategies for the country.

## Regional Development Agencies - ADETs

An ADET is a unique institution which involves the most important public and private actors committed to local economic development. It is an organization with the structure and technical capacity to provide integrated services for economic development. It is an organization capable of obtaining funds from public and private actors such as banks, businesses and universities, in order to carry out projects and integrated interventions.

Under Component I, PNII focused on mobilizing the ADETs to assume greater responsibility for implementation of high quality economic growth activities as well as promote development capable of protecting the fragile ecosystem of Ecuador's provinces. PNII also fostered CEDET's institutional development, which required strengthening CEDET's ongoing ties with both the public and private sector.

Today, the investment attraction agencies, as well as CEDET and the ADETs, have in place the institutional structures that allow them to access sources of public funding from provincial governments in addition to the private sector. As a result, these agencies have achieved the goal of covering the totality of their costs, a critical milestone in achieving institutional sustainability.

At the end of PNII, CEDET has achieved a strong leadership structure, with Cristian Centeno, Director of the Provincial Development Agency of Manabí (ADPM), at its helm as President; Diego Lara, Director of ADELOJA, as Executive Director; Patricio Meza, Director of CorpoEsmeraldas, as its Vice-President; and Santiago Benavides, Director of ADE Santo Domingo, as its secretary.

In the last year of the project, CEDET's board of directors was able to stabilize the institution's finances, redefine its cost structure, and achieve full financial sustainability. The board also further developed new governance, redesigning CEDET's statutes and institutional framework and establishing it as a democratic and representative entity, a lender, and a service provider to the all the ADETs. CEDET's actions and decisions now more clearly respond to the priorities set by the leadership of the ADETs that constitute CEDET.

The complex challenge now facing CEDET is to further consolidate the technical skills of its staff and further strengthen its relationships with new players in the private sector and public sector in order to diversify fundraising avenues. To this end, CEDET continues to explore a variety of funding sources, including the Inter-American Development Bank (IDB), Corporación Andina de Fomento, and other donor agencies.

At project end, 14 ADETs have been constituted, working in a network of private and public organizations, including local governments; unions; universities and technical colleges; small, medium, and large private companies; professional associations; financial institutions; and civil society organizations. In the last semester, PNII worked with the provincial Government of Pastaza to create and support a local development agency, CorpoPastaza, with the goal of implementing a biodiversity conservation strategy. In addition, PNII helped create, formalize, and build the capacity of ADESUR, a regional entity that will promote regional economic development in the provinces of El Oro, Loja, and Zamora.

## Methodology

Technical assistance was conducted by the project's technical personnel and by consultants constituting the Technical Services Unit (TSU), which at first worked under the direction of PNII but in the last semester was transferred to CEDET. Institutional development of ADETs and CEDET was fostered through three broad strategies:

- Technical assistance for the institutional development of the ADETs
- Support for ADETs to obtain alternative sources of financing
- Support to CEDET to improve its financial and institutional sustainability in order to promote private sector development, job creation, and economic growth

**Technical assistance to the ADETs.** Under this activity, PNII's staff and consultants from the TSU provided intensive technical assistance and coaching to encourage proactivity and innovation within the agencies and improve their ability to design and implement economic development projects, with the goal of ensuring their long-term institutional sustainability.

The ADETs targeted in the project (Cuenca Agency for Development and Regional Integration (ACUDIR), Carchi Agency for Regional Economic Development (ADECARCHI), ADPM, ADELOJA, CorpoEsmeraldas, Adepastaza, ProImbabura, Conquito, Crecer, Guayaquil Regional Development Agency (ADREG), El Oro Regional Development Corporation (CORPODET), Codecob, Ade

Santo Domingo, Corpoambato) participated in trainings on relevant economic issues and improved their capacity to drive comprehensive development programs. These trainings were co-financed by the ADETs to encourage each organization to become accustomed to making the necessary investments in human capital.

In order to build the capacity needed at the regional level to advance economic development processes in line with best practices in Latin America, PNII conducted a certification program<sup>†</sup> in which 12 ADETs and members of CEDET participated, building their capacity to operate as an agent and services provider for the Government of Ecuador (GOE). The program enabled these agencies of regional economic development to develop the skills to meet the development challenges in Ecuador with innovative and quality responses.

PNII involved the ADETs in identifying policy improvements that needed to be pursued to improve the enabling environment for the private sector in their regions and the country as a whole. This activity was closely coordinated with Component III, Economic Policy. Through training and coaching to CEDET and the ADETs under Component I, the organizations built their capacity to assume greater leadership in the formulation and implementation of projects and policies. These achievements are further discussed under Components II and III.

[Support for ADETs to obtain alternative sources of financing.](#) The financial sustainability of the ADETs is directly tied to their ability to continuously mobilize resources. PNII provided hands-on training to the ADETs in the areas of fundraising and financial sustainability, emphasizing issues of cash management, overhead costs, and public procurement mechanisms. PNII coached the ADETs on how to identify alternative sources of funding and establish relationships with potential local partners at the national and international levels.

[Support to CEDET to improve its financial and institutional sustainability in order to promote private sector development, job creation, and economic growth.](#) PNII was able to strengthen CEDET's ability to play a proactive role in the national economic policy arena. In particular, PNII supported CEDET to analyze the following areas when formulating policy strategies: cost-benefit of each activity; likelihood of impact on investment and jobs creation; impact on gender equality; number of people affected; possibilities for leveraging additional funds from the private sector, GOE, or international donors; significance of impact on the tourism and agribusiness sectors; and significance of impact on biodiversity conservation.

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<sup>†</sup> Certification Program topics included Institutional Design of Productive Development Programs and Innovation Programs, Public Sector Innovation and Competitiveness for Growth, Recent Experiences of Institutional Design in Latin America, Innovation in Productive Development and Methods in Agent-Manager Relationships, Private Methods to Implement Public Policy Within.

## Performance against Indicators

The table below summarizes the results achieved under Component 1 over the project's three years as measured by the indicators in the Performance Monitoring Plan (PMP).

Component I indicators	Project target	Results achieved
I.1 Percent of CEDET's fixed costs originating from non-USAID sources	100%	107.26%
I.2 Number of major regional/local level initiatives adopted by ADETs that promote private sector development, jobs, and growth	36	87
I.3 Number of regional actors that successfully complete Business Development Services Accreditation Training	14	28
I.4 Number of ADETs with Boards of Directors constituted by public and private members that meet frequently	12	14

**Indicator I.1:** A July 2013 review of CEDET's accounting records showed non-USAID 2013 revenues at \$23,425 and total costs amounting to \$22,000 including staff, demonstrating a positive balance sheet and surpassing targets for financial sustainability. This was the direct result of a financial restructuring of the organization that significantly cut overhead costs and altered the organization to rely more on the resources of member ADETs.

**Indicator I.2:** The project achieved 261% of the target number of regional/local level initiatives adopted by ADETs that promote private sector development, jobs, and growth. Some notable achievements include:

- With support from PNII, ACUDIR achieved a sustainable funding source approved by the Azuay Prefecture, which will direct a portion of the province's business tax to the agency for regional economic development projects.
- Within the context of Ecuador's decentralization agenda and the transfer of authorities and resources to subnational governments, the National Council of Rural Parochial Governments of Ecuador (CONGOPE) requested the support of PNII in proposing decentralization policies to the national government that would strengthen the capacity of parochial governments to promote local development. The project's advocacy efforts resulted in Presidential Decree 544, which instituted a new mechanism allowing the transfer of public funds to private entities such as the ADETs. This important change to the policy environment enabled ADETs to implement economic development projects with public funds, building the long-term institutional capacity of local actors to

lead and execute economic strategies, plans, and programs in their provinces.

- With support from PNII, ACUDIR and the State University of Cuenca spearheaded the creation of a two-year Master’s program in Economics with specialization in Territorial Economic Development. A budget of \$200,000 was earmarked for the program, which will feature 12 international professors and 18 national and local professors teaching a class of 40 students.

**Indicator 1.3:** The project achieved 200% of the target number of regional actors successfully completing Business Development Services Accreditation Training. The goal was surpassed by year two when the Ministry for the Coordination of Production, Employment, and Competitiveness—the accrediting body—accredited 16 actors, bringing the total to 28.

**Indicator 1.4:** To date, 14 ADETS have Boards of Directors constituted by public and private members that meet frequently, achieving 116% percent of the target. The table below details the ADETS that meet the target institutional structure:

ADETs with public-private boards	Region
ADPM	Manabí
ACUDIR	Azuay
CORPOESMERALDAS	Esmeraldas
CORPOAMBATO	Tungurahua
ADECARCHI	Carchi
ADELOJA	Loja
ADGREG	Guayas
CRECER	Chimborazo
CONQUITO	Pichincha
CODECOB	Bolívar
CORPODET	El Oro
ADENAPO	Napo
ADESANTO DOMINGO	Santo Domingo
CORPOPASTAZA	Pastaza

## Investment Attraction

Prior to Productive Network I and II, the regional government entities of Ecuador possessed almost no knowledge of the standard methods of attracting investment. After three years of technical assistance provided by PNII, Ecuador’s investment attraction capabilities have improved dramatically.

## High-Tech Investment in Manabí Province

Invest Manabí successfully attracted \$300 million for establishing a sub-marine cable between Manta and Jacksonville, Florida. Carlos Pazmiño, President of Pacific Caribbean Cable Systems, stated the project would allow Manta to become a city technologically connected with the world. The project is being carried out by Telefónica Soluciones Globales, in partnership with Cable & Wireless Communications, Sector, Telconet, Unitet, and Telecommunications Services.

The strategy for this sub-component was to consolidate the institutional capacity of the regional investment attraction agencies functioning in Ecuador (Investment Promotion Corporation of Cuenca (INVEC), the investment attraction agency for the province of Azuay, Invest Manabí, and Invest in Quito) to implement international best practices in the field and continue to attract new investments to their regions long term.

PNII made great strides in consolidating these agencies' institutional capacity to attract investment by providing training, coaching, and technical support to their staff in a variety of topics in the area of investment attraction, including:

- Recruiting and training new staff
- Assisting the agencies adjust their services to be in line with the country's new Production Code
- Strengthening the agencies' abilities to conduct targeted promotion
- Assisting the agencies in developing tools and processes to conduct closer follow-up on investment leads, including a pipeline management system that is used by all agencies to track investments in process
- Developing support strategies for regional firms so they can increase their exports and sales
- Improving the agencies' abilities to close investment deals
- Improving the quality of information provided to potential investors nationally and internationally through websites and other communications inputs
- Communications support (internet, telephones, website development, brochures, etc.)
- Helping agencies maintain access to technical databases critical to their operation

To date, the investment attraction agencies have attracted a total of *\$470 million, achieving 470% of the project goal of \$100 million*. The table below details the investments attracted by the agencies with support from PNII. In addition, a number of investment deals supported by



### Investment Promotion Corporation of Cuenca - INVEC

INVEC is a national and international player in investment attraction. INVEC's positioning and marketing efforts translated into real benefits, attracting \$55 million to the Azuay region.



### Invest Manabí

Invest Manabí maintains excellent relationships with its investor contacts, its board members, the private sector in Manabí, and national players in the investment field (MCPEC and MFA). Its investment promotion efforts resulted in \$317.72 million in foreign and domestic investment.



### Quito Investment

Due to institutional changes which led the Quito investment attraction agency to be incorporated into the municipality of Quito's Office of Productive Development and Competitiveness, as well as lack of buy-in from the highest levels of Quito's government on how to facilitate investment attraction, PNII has not been able to obtain its investment attraction data since concluding its support to the agency in 2012.

the project are still in progress and will be finalized after the reporting period. One of these includes a real estate project in Portoviejo spearheaded by the Investment Attraction Agency of Manabí (APRIM) to replace the abandoned airport with a business/cultural/governmental complex. Once the project is formalized, the investment attraction value will triple over its current amount.

Final Results for Indicator 1.5 "Dollar Value of Investment/Re-investment Attracted Attributable to the Role of Investment Attraction Agencies"

APRI	Total investment pipeline	Total secured	Percentage of investment pipeline secured
INVEST Manabí	\$312,220,000	\$314,520,000	101%
INVEC	\$94,440,000	\$61,000,000	65%
Invierta en Quito	\$211,206,000	\$101,750,000	48%
<b>Total</b>	<b>\$617,866,000</b>	<b>\$477,270,000</b>	<b>77%</b>

With PNII strategic guidance and capacity building, the Cuenca and Manabí investment attraction agencies have achieved the commitment of their respective local governments, municipalities, and *Cámaras de Producción* to continue providing financial support.

*"We were very fortunate to find Invest Manabí and have actually been working with them since. When we had our first meetings with them, they understood what we were trying to achieve here and they made their people available to us. I know I can walk into their office anytime, and that's what I do. There is always someone there to help me. When we come across a problem that is unique for us, we know that if we cannot solve it, we can go to Invest Manabí. Invest Manabí was able to give us the confidence to start a project in Pedernales."*

Janine Spencer  
R&J Spencer Investments

*“We have been working with the development agency Invest Manabí for some time. They have been very helpful developing relationships with clients overseas, writing contracts, and organizing meetings with large companies abroad, and these efforts are starting to pay off.*

*We are grateful for the support we have received from USAID and Invest Manabí as well as from the people at ProEcuador who helped us with fairs, missions, and training programs for small businesses like ours.”*

*Luis Villacreses  
General Manager at Plantain Republik*

## Export Promotion

The APRIs and ADETs were heavily involved in increasing Ecuadorian exports. Their staff worked closely with Ecuador’s Commercial Attachés located in Miami (a former Productive Network staff member) and in Sao Paolo, Brazil (Invest Manabí’s former Director), to facilitate several buyer missions to Ecuador, financed in part by Productive Network and coordinated by the Ministry of Foreign Affairs’ ProEcuador program.

These buyer visits and other work by the APRIs and ADETs to facilitate exports resulted in export deals worth over \$13 million, surpassing the project target of \$11 million. These export deals benefitted Ecuadorian industries by eliminating intermediaries and opening access to U.S. food distribution firms. The following tables detail the positive results achieved through the investment attraction missions.

Productive Network invested \$35,558 in cash over the life of project to facilitate the export deals in the table below, as much of the work to identify buyers and exporters was conducted by Ecuador’s Commercial Attaché in Miami and the investment agencies in Azuay and Manabí. The capacity of these players to facilitate these export deals in a rapid and high quality fashion is a direct result of USAID’s investments in building the capacity of Invest Manabí and INVEC.

The investment attraction agencies have not only demonstrated that they have the technical capacities to conduct their work, but they also have the ability to cover an even greater portion of their operating costs. As of project close, Invest Manabí has been able to cover 112.88% of its total costs, and INVEC has been able to cover 100.15% of its costs.

### Trade Mission: SYSCO CORP

PNII supported and coordinated a trade mission between ProEcuador, Corpei, and Invest Manabí and representatives of SYSCO CORP, a U.S. firm that sells and distributes food products to restaurants, lodging establishments, healthcare and educational facilities, and other customers. From June 9–15, several meetings between potential Ecuadorian suppliers and SYSCO CORP were held. More than 20 Ecuadorian seafood processors were able to show their products and establish possible long-term commercial relations with the firm. To date, only a few months since SYSCO CORP visited Ecuador, tens of millions of dollars in export sales have been confirmed.

Results of Trade Missions Supported by PNII for the Promotion of Agribusiness Exports: Dollar Value of New Exports Generated (Indicator 2.2)

Client (Country)	Supplier	Product	Commercial value of agreement
CODIMISA (Guatemala)	KUvela S.A.	Fish	\$180,000
	Sweet Industries	Processed foods	\$180,000
	MARVELIZE, ETC.	Tuna and sardines	\$600,000
SYSCO (USA)	FRESCODEGFER S.A.	Fish and seafood	\$10,000,000
	Bilbo S.A		
	Fresh Fish		
	PROPEMAR S.A		
	FRIGOLAB		
	Ocean Fish		
	TECOPESCA		
ASISERVY			
JC Tropicals (USA)	EXOFRUT and Alberto Sweet	Mango	\$400,000
	EXOFRUT	Frozen fruit pulp	\$180,000
	MUSENDI	Frozen fried	\$480,000
	Onion Association of Manabí	Pearl onions	\$50,000
	AGRIEXCELL	Frozen fruit pulp	\$200,000
	Life Products	Frozen fried	\$170,000
Majekawa (USA)	EXOFRUT	Frozen fruit pulp	\$50,000
Doriva (USA)	Traditional Plantain Chips (Xavier Valencia)	Plantain chips	\$50,000
Marindus (Spain)	Villacreses (Plantain Republic)	Plantain chips	\$600,000
<b>Total</b>			<b>\$13,140,000</b>

Investment Attraction Agencies Financial Sustainability

APRI	Semi annual budget, 2013	Non-USAID funds	USAID funds	USAID support	Financial sustainability of APRI, FY2013
INVEC	\$145,047	\$145,047	\$0	0%	100.2%
Invest Manabí	\$65,000	\$65,000	\$0	0%	113%
<b>Total, Q1 FY2013</b>	<b>\$210,047</b>	<b>\$210,047</b>	<b>\$0</b>	<b>0%</b>	<b>107%</b>

## COMPONENT II: SECTOR DEVELOPMENT

PNII was tasked with developing the agribusiness and tourism sectors, with the goal of increasing jobs, incomes, and sales. During the first half of fiscal year 2013, readjustments in USAID funding levels and strategy led PNII to refocus its approach and design a set of activities to address biodiversity conservation in Ecuador through two projects in high biodiversity conservation areas.

The inclusion of biodiversity conservation offered PNII new opportunities to bring its experience in designing sustainable productive activities to bear on a sector that requires effective incentives for communities to be involved in and benefit from conservation.

PNII's central strategy in developing its agribusiness, tourism, and biodiversity activities was to promote and utilize local capacities, beginning with hiring specialized technical assistance, strengthening and integrating producer associations, and promoting the highest quality technological packages in the productive and associative processes. In each case, our approach strengthened business relationships between suppliers and the anchor firms, creating sustainable mechanisms for access to finance for production and stable business relations, factors that are indispensable in creating competitiveness in the regions.

Anchor firms participated not only as integrators of small value chains, but also as generators of knowledge and skills regionally. PNII operationalized the belief that proposals to improve competitiveness must be linked to the market and to the establishment of solid business relationships. PNII selected projects based on the business vision of

## Anchor Firm Approach

A focus of PNII in Sector Development was to consolidate its connections with large anchor firms in the private sector; especially those that have been identified as leaders in their sectors and who have supported us significantly in identifying the types of investment that would maximize impact. PNII developed relationships and alliances with private actors in order to jointly select sector projects that would meet short-term results targets and also have a lasting impact on sector competitiveness.

the value chain, linking all its interventions to market demands in order to assure their viability. Furthermore, PNII promoted strengthening local development agencies that were focusing on the identification, design, proposal evaluation, execution, and monitoring of each project, rather than undertaking these interventions directly.

As a result, the projects that were developed within the PNII Sector Development portfolio include:

- Support to the processed meat subsector in Imbabura
- Support to the cacao subsector in Esmeraldas
- Support to the corn subsector in Manabí
- Support to the potato subsector in Carchi
- Support to the garlic and onion sub-sectors in Loja
- Support to the tourism sector in Ecuador
- Production of Palo Santo oil for export and biodiversity conservation of the Tumbesian Dry Forest (see Biodiversity Conservation Section)

Three of PNII's projects attracted the interest of the GOE, leading the government to approve policies that will allow for their replication on a massive scale to generate sector impacts and benefit thousands of Ecuadorians. These high profile projects are the corn subsector project in Manabí, the cacao export project in Esmeraldas, and the Tourism Clubs. At the beginning of the third quarter of 2012, the Ministry of Agriculture (MAGAP) formally requested training from PNII staff to train its technicians in the projects' technical and institutional approaches and how the ADETS were involved in shaping their implementation in the regions. The project's impacts were presented to MAGAP by the beneficiary farmers themselves, whose leaders were invited to Quito by PNII to meet with MAGAP authorities.

Following the knowledge-sharing event, MAGAP developed two massive intervention plans to replicate the projects in Manabí and Esmeraldas. Both plans were approved by President Rafael Correa with a budget of \$24 million and were widely advertised during the political

campaign that preceded the presidential and provincial elections in February 2013.

Unfortunately, while MAGAP has the same end goals as PNII for producers in Manabí and Esmeraldas, it has not employed the same institutional approach. MAGAP disbursed grants to producers rather than using the revolving fund approach promoted by PNII; this approach creates dependency and state patronage, harming long-term sustainability. We believe this approach threatens PNII's achievements in strengthening producer organizations and the linkages between market actors, which the revolving fund mechanism had proven so effective in advancing.

However, although MAGAP's model is in our opinion detrimental to sustainability, it nonetheless benefits thousands of farmers and represents recognition on the part the GOE of the impact achieved through PNII's sector development activities.

## Support to the Agribusiness Sector

Institutional strengthening of local development actors and inclusion of small producers are central tenets of PNII's development model and effective mechanisms for sustainability. In all its projects, PNII has focused on strengthening linkages between producers and buyers, clarifying and formalizing rules of the game, identifying and overcoming bottlenecks at different levels of the value chain, providing incentives for innovation and upgrading, and strengthening local institutions to ensure project sustainability. PNII identified and supported a number of projects described below that fomented competitiveness and dynamism in selected sectors and created links between micro level work and policy changes that affect the entire sector.

Component II also created revolving funds in four ADETs (with the support of project local counterparts): ADPM, CorpoEsmeraldas, Ade Santo Domingo, and ADELOJA. The pilots initiated in 2011 and were extremely successful. PNII supported the technical and legal formalization of the funds as financing instruments managed by the ADETs. The project's training improved the technical and legal administration of the funds (which came from local public and private sources) and strengthened their capacity to identify and screen activities that have significant impact in the key sectors of the regions.

Meat processing plant



### Support to the Processed Meat Sub-sector

The objective of this project was to help small livestock farmers in the province of Imbabura move up the value chain by producing higher-value specialty meat cuts. The activity involved the association of small livestock farmers, the Development Corporation of Healthy Meat Production in the North of Ecuador (CODENOR), and the anchor firm Federer.

When the project initiated, CODENOR’s monthly sales ranged from \$2,000 to \$4,000, and none of the jobs at the company were formalized. Today, the plant obtains improved prices for higher value products and sales average \$25,000 a month. The company now has a permanent staff of seven. After 12 months of operation, the meat processing plant surpassed \$313,000 in sales. This has a significant indirect impact on the sales and employment of the network of small businesses that form CODENOR’s supply chain.

The steady increase in sales figures shown above demonstrates the success of PNII’s support to anchor firm CODENOR in addition to a high return on USAID’s investment, with a 21% investment leveraging 79% of the total cost of the project.

Final Results: Meat Sector Project (CODENOR)

PMP indicators	Project total	Contribution level
Domestic sales	\$313,494.54	
Jobs	7	
PNII investment	\$20,000.00	21%
CODENOR	\$32,000.00	79%
MAGAP	\$42,000.00	



Cacao beans and nibs

### Support to the Cacao Sub-Sector

The objectives of this activity were to 1) increase productivity of Ecuador's cacao crops by improving the production processes in the harvest and post-harvest seasons, 2) increase exports of cacao, and 3) reduce the undue influence of intermediaries. Our end goal for this activity was to contribute to producing a quality product and reduce commercial intermediation in order to provide cacao associations with direct access to markets. The project directly benefits the cacao associations of Aproca, Eloy Alfaro, and Fonsuam in the Province of Esmeraldas.

Productive Network worked in partnership with prefectures and anchor firms to create a revolving fund to facilitate financing to cacao farmers. PNII assisted in establishing the structure and operational system for the fund. The model provided a solution to the lack of viable alternatives from the existing financial sector in facilitating financing at the scale required for agribusiness sector development initiatives.

The revolving fund ensures that farmers access necessary inputs and training, leading to dramatic increases in yield and quality. As a result of its implementation, between 2012 and 2013, 787 jobs were created and sales of more than \$1.6 million dollars were generated. There was a 0% default rate, with repayment time averaging 60 days. The mechanism also greatly strengthened the associations' management, sustainability, production, and collective marketing. These results demonstrate the tremendous sectoral impact this model can have as it is replicated and scaled.

The revolving fund has awarded revolving loans worth \$190,000 to date. These resources continue to benefit an increasing number of association members with working capital, boosting volumes and quality. Thus far, revenue from domestic and exports sales have reached nearly \$1,685,810. As of project close, the revolving fund continues

to operate. Moreover, it now has evolved and established an organic certification plan for much of the province.

The table below presents the final results of the PNII's cacao sector development work in Esmeraldas. USAID's investment of \$130,160 leveraged \$502,000 from the provincial government, or 79% of the total cost of activities.

PMP Results: Esmeraldas Cacao Export Project

PMP indicators	Project total	Contribution level
Domestic sales	\$8,857,582.45	
Exports	\$782,772.70	
Jobs	1,254	
PNII investment	\$130,160.00	21%
Gob. Provincial de Esmeraldas	\$502,000.00	79%



### Support to the Yellow Corn Sub-sector

The objective of this activity was to demonstrate through a pilot program that the use of a high quality technical package could dramatically improve corn productivity in Ecuador. This pilot was implemented in the area of Paján in the Province of Manabí.

Corn productivity at the national level normally does not exceed two Metric Tons of corn per hectare (ha). However, by the end of the pilot project, productivity had risen to over 5.5 Metric Tons per ha. These dramatic results were achieved because the project, along with anchor firm Pronaca, introduced a technical package and technical assistance in an area where farmers were using recycled seeds and outdated agricultural practices. Given that corn is a short-cycle crop with a six-

### Revolving Funds: An Innovative Mechanism for Sustainable Agricultural Financing

The two revolving funds created under PNII in Manabí and Esmeraldas will continue functioning in the long term. They both received resources from the provincial governments and are being administered by their respective ADETs.

Upon evaluating the model, MAGAP committed \$45 million to implement large-scale replication of the revolving fund model developed by PNII, which will be used to further strengthen the cacao and corn sectors in Ecuador and vastly expand the number of small farmers reached.

month growth period and two annual harvests, results were achieved quickly when farmers applied the new agricultural methods. In addition, the price farmers now obtain per quintal (QQ) of corn increased from \$7.84 to \$13. Farmers traditionally sold their production to intermediaries paying predatory prices. As a result of the contract with Pronaca, farmers now obtain close to the official price of \$16 set by the national government. The \$3 difference exists to compensate Pronaca for the cost incurred for reducing the corn's humidity at its facilities.

Similar to the cacao project, PNII created a revolving fund that directly benefitted the association of producers (the Federation of Corn Growers). Productive Network and Pronaca provided technical assistance to set up the operational, technical, and legal instruments to manage this fund, which is being successfully operated by ADPM. The fund provides small farmers with access to agricultural inputs and technological assistance (in kind, not in cash).

Upon completing this pilot phase, the project's corn producers were fully integrated into Pronaca's supply chain, providing farmers with long-term access to new technologies and a high-paying buyer. The new production technologies transferred to farmers included certified seeds, fertilizers, environmentally friendly agrochemicals, and technical assistance. The package dramatically improved crop productivity and provided small farmers with better business opportunities in the future should they seek other buyers. This activity also concurrently developed the operational capacity of technicians and project managers from the ADET of Manabí, ensuring long-term sustainability.

Expected Results: MAGAP Replication of PNII Cacao Support Project

Ha	20,000
Jobs created	800
Current production, estimated base line (total QQ)	100,000
Estimated production Dec. 2013** (total QQ)	150,000
Valuation of estimated incremental production	\$7,954,545.45

\*0,4 Permanent jobs created per ha in management services taking into consideration 260 working days = 1 permanent job

\*\* Plot management increased productivity in at least 50% from the base line. This figure has been evaluated and proven in the field.

For corn, MAGAP created a national agricultural fund (the Fideicomiso Agrícola, or FICA) to replicate the financing model used in Manabí on a large scale through the national development. MAGAP provided an initial \$4 million to the fund, with the goal of supporting 7,561 ha of corn, generating 1,638 direct jobs and over \$10.6 million in sales.

MAGAP initiated its replication of PNII's corn subsector support project in Manabí, which in this first phase aims to support 821 ha of corn on farms of less than 3 ha each. PNII's preliminary analyses of this initiative show that it is more cost-effective than other initiatives implemented directly by MAGAP, with significant reductions in the costs of administration, logistics, technical assistance, crop promotion, and technology transfer. ADPM provided the technical leadership, demonstrating the agency's capacity to replicate and scale agricultural development projects after working with PNII. We estimate the following results will be achieved by MAGAP by the end of the August corn harvest:

Total ha project (Manabí)	821
Missing credit recovery (2012)	\$15,876.00
Productivity: quintals per ha	160
Productivity: TM per ha	7.27
Production cost per ha	\$1,060.61
Transport and logistics cost per ha	\$193.65
Total production and post-harvest costs	\$1,254.26
Sale price per QQ	\$7.84
Sale price per QQ	\$13.00
Earnings per QQ	\$5.16
Earnings per ha	\$825.74
Total work days	54,186
<b>Results indicators: Winter sowing 2013</b>	
Total production QQ	131,360
Total sales QQ	\$1,707,680
Permanent jobs created	226

*\*\*The present chart only analyzes Manabí Project results in order to demonstrate ADPM management in practice*

The tangible results of these efforts have motivated the Manabí Prefecture to continue financing the ADET, which is currently transitioning into a private entity that will be contracted by the local Autonomous Decentralized Governments (GADs, which include the prefecture and the municipal government) to implement development projects and attract investments to Manabí.

The following table shows the results PNII achieved over the life of project. It is worth noting that PNII's investments represented a mere

2% of the budget; through local and national counterparts, *PNII leveraged 98% of total resources over the life of project.*

Return on Investment, MAGAP Corn Project

Resources provided	\$4,000,000
Ha financed	7,561
Jobs created	1,638.31
Estimated production August 2013 (hectares)	1,209,830
Average price of production estimated per quintal	\$13
Value of estimated production (\$13 per QQ)	\$15,727,795

*\*Data estimated taking into consideration 160 QQ per ha as evaluated by MAGAP*

*\*\*# of jobs generated is calculated by taking 260 workdays = 1 permanent job*

PMP Results: MAGAP Corn Project (PRONACA)

PMP indicators	Project total	Contribution level
Domestic sales	\$22,800,000.00	
Jobs	3,945	
PNII investment	\$92,100.00	2%
Consejo Provincial de Manabí	\$420,500.00	98%
ADPM	\$93,831.00	
Pronaca	\$20,000.00	
MAGAP	\$4,000,000.00	

PNII presented these results to the highest authorities of the GOE, catalyzing a \$200-million annual investment in Ecuadorian corn, a process that is currently underway and being promoted as a national achievement by MAGAP.



### Support to the Potato Sub-sector

The objective of this Productive Network-supported activity was to improve production for the region's small potato farmers and to bring them into the supply chain of anchor firm PepsiCo-Fritolay. To do so, this activity provided technological support, specialized technical assistance, and the highest quality inputs to farmers in the community of Manuel J. Bastidas.

ADECARCHI was responsible for providing technical assistance, scheduling training sessions and field days, and ensuring that the product volumes were sufficient to reduce transport costs. PepsiCo designated a technician to collaborate with ADECARCHI in developing the monitoring plan and scheduling technical visits to project beneficiaries.

PNII provided training and technical support in the following areas: collection of soil samples and interpretation of soil analyses, application of the technology packages, harvest and post-harvest management, quality standards as defined by PepsiCo, awareness and sensitization to gender, and organizational strengthening.

The project generated positive results and a sound return on USAID's investment:

1. Productivity increased from the baseline of 15 QQ per ha to 23.4 QQ per ha, representing a 56% increase in productivity.
2. Production costs were lowered by 15.2% of the baseline value.
3. 40 Ha were installed among 5 Cantones of the region.
4. 14 associations benefited from the anchor firm linkage, and 12 new permanent jobs were created.

5. 3,730 person-days worked, averaging \$12 per day.
6. A unit price of \$15.20 per QQ was achieved and formalized in a purchasing agreement.
7. Sales of \$432,532,121 were achieved, generating revenue for smallholder farmers.
8. The intervention achieved a 67% female participation rate. The associations of El Tambo and San Pedro de Canchaguano reached the highest levels of female participation in the project.

The results achieved have been the primary motivation for PepsiCo to continue supporting the project in collaboration with ADECARCHI. PNII contributed 43% of the implementation budget for this project, with public and private actors contributing the remaining 53%.

Final Results: Potato Sector Support Project (PepsiCo)

PMP indicators	Project total	Contribution level
Domestic Sales	\$432,532.12	
Jobs	16	
PNII investment	\$35,055.00	43%
ADECARCHI	\$17,000.00	57%
Gobierno Provincial	\$1,600.00	
PepsiCo	\$23,300.00	
Beneficiaries	\$4,800.00	

Onion seedlings



### Support to the Onion and Garlic Sub-sectors

This activity improved the incomes of small farmers in the area of Zapotillo, in the Province of Loja, by integrating them in the agribusiness value chain of the company, Industria Lojana de Especerías (ILE) as suppliers of the garlic and onion demanded by this anchor firm. Our work with anchor firm ILE was also geared toward assisting this firm become more inclusive in terms of its suppliers, incorporating new producers that normally would not be involved in producing these crops. The activity benefitted 60 families in the Tronco Quemado agricultural association and other farmers in the area by creating 208 jobs and generating domestic sales of over \$1.9 million.

PNII's intervention generated technical and commercial knowledge for onion producers, whose incomes increased by 60% and production costs decreased by 40% with simple technological adaptations in its agricultural practices and better access to commercialization plans.

The following table shows that PNII successfully exceeded all of its targets for this activity, yielding an overall increase in community income, productivity, and local employment.

## Final Results: Garlic and Onion Sector Support Project

Indicator	Unit	Baseline Oct. 2012	Results	Impact percentage
Productivity	QQ/ha	442	706.6	60%
Total area under production, Tronco Quemado Association	Ha	78.5	132.57	69%
No. of producers	Producer	43	62	44%
Ha per producer	USD	1.83	2.52	38%
Average income per producer per year	USD/ producer	\$7,287.53	\$32,208.64	342%
Production cost	USD/QQ	\$14.22	\$8.54	-40%
Sales	USD		\$1,923,319.82	
Jobs created	Jobs		208	
Area where technology package was applied	Ha		132.57	
No. of producers	Producer		60	

At the close of this project, the Loja Chamber of Industry hosted a ceremony to publicly recognize PNII and USAID for their successful contributions to inclusive local development.

Following project close, the *Loja Public Development Company (Empresa Pública de Desarrollo Productivo y Agropecuario del Sur, or DEPROSUR)* took steps to replicate PNII's intervention model and promote productivity increases among agricultural communities throughout the province. To achieve this goal, DEPROSUR hired a team of technicians trained by PNII to provide technical assistance in the production of onions and other products. The technicians are currently training additional smallholder farmers with participation from ILE and other local industries that have assumed the role of purchasing agents.

### Summary of Agribusiness Sector Development Projects

The following tables summarize impact indicators achieved through PNII support for each of the sector development projects.

Project	PMP indicators	Objective	Project total, July 2013	PNII/counterpart contributions
Palo Santo, conservation of dry forest and sale of essential oil*	Domestic sales	\$120,000.00	\$1,508.20	
	Exports	\$52,000.00	\$367,400.00	
	Jobs	26	35.25	
	PNII investment	\$29,996.20	\$64,996.20	14%
	UTPL	\$37,895.00	\$245,990.00	86%
	ADITMAQ	\$43,300.00	\$84,548.00	
	Nature and culture		\$47,900.00	
Malvas	\$8,000.00	\$18,700.00		
Garlic and onion production with support of anchor firm ILE	Domestic sales	\$756,000.00	\$1,923,319.00	
	Jobs	246	208.00	
	PNII investment	\$69,848.88	\$69,848.88	35%
	ILE	\$89,230.00	\$126,731.04	65%
	Ecuauímica		\$2,500.00	
Cacao exports through the port of Esmeraldas	Domestic sales	\$464,750.00	\$8,857,582.45	
	Exports	\$380,250.00	\$782,772.70	
	Jobs	454	1,254	
	PNII investment	\$130,160.00	\$130,160.00	21%
	Gob. Provincial de Esmeraldas	\$130,000.00	\$502,000.00	79%
Corn production with support of anchor firm Pronaca	Domestic sales	\$490,000.00	\$16,027,795.20	
	Jobs	60	1,703.69	
	PNII investment	\$92,100.00	\$92,100.00	2%
	Consejo Provincial de Manabí	\$50,000.00	\$420,500.00	98%
	ADPM	\$93,831.00	\$93,831.00	
	Pronaca	\$20,000.00	\$20,000.00	
MAGAP	\$11,640.00	\$4,000,000.00		
Production of potatoes with support of anchor firm PepsiCo	Domestic sales	\$333,250.00	\$432,532.12	
	Jobs	51	16.00	
	PNII investment	\$35,055.00	\$35,055.00	43%
	ADECARCHI	\$17,000.00	\$17,000.00	57%
	Gobierno Provincial	\$1,600.00	\$1,600.00	
	PepsiCo	\$23,300.00	\$23,300.00	
Beneficiaries	\$4,800.00	\$4,800.00		
Improvement of meat production CODENOR	Domestic sales	\$480,000.00	\$313,494.54	
	Jobs	5	7.00	
	PNII investment	\$20,000.00	\$20,000.00	
	CODENOR	\$32,000.00	\$32,000.00	21%
	MAGAP	\$42,000.00	\$42,000.00	79%
Canola Andina	Domestic sales	\$660,555.00	\$9,661.68	
	PNII Investment	\$24,332.00	\$24,332.00	49%
	Canola Andina S.A. **	\$25,000.00	\$25,000.00	51%

\*The Palo Santo project is described in the Biodiversity Conservation section

\*\*estimated

#### Summary of Final Project Indicators, Productive Network 2013, Component II, Agribusiness

National sales	\$26,383,552.54
Exports	\$1,150,172.70
Jobs	4,993.84
Counterpart	\$1,708,400.04
PNII investment	\$887,921.00



## Support to the Tourism Sector

### Creation of Tourism Clubs

PNII's strategy for stimulating sector-level growth in Ecuador's tourism sector was based on the concept of *identifying and developing tourism product clubs*. Product clubs are associations of service providers that offer a variety of tourism packages integrating local communities, cultures, and sites to create a range of multi-dimensional experiences within a region or sector. Ecuador's national tourism law prioritizes these clubs as an important strategy for sector development; however, prior to PNII's intervention, tourism product clubs were largely conceptual and few, if any, existed in practice.

The benefits of tourism clubs include improved and more integrated products and services, broader promotion of target sectors, greater community involvement, and a higher standard of environmental management among the tour agencies that belong to each club. The agencies and service providers also benefit because they are able to distribute large costs among club members, enabling the scaled purchase of new equipment, promotional materials, and entry into promotional events.

After a thorough selection process whereby sectors were vetted for potential short-term impacts in sales and job creation, PNII identified three destination sectors that would form the basis of distinct product clubs: *Amazon lodges, Quito's historical center, and colonial haciendas surrounding Quito*.

Following the selection of these centers, PNII developed alliances with over three dozen Ecuadorian service providers within the tourism subsector—including tour operators, hotels, restaurants, Amazon lodges, haciendas, theaters, and historical center operators—and

integrated these entities into the three clubs. The selected providers have operations spanning the Cotopaxi, Imbabura, Napo, and Sucumbíos regions.

During the initial phase of the club development, PNII evaluated the quality of services provided by the different agencies and implemented a series of trainings designed to improve the products offered. Service providers received trainings in hospitality, gourmet cooking, safety, hygiene, guiding tours, and other tourism services, in addition to improved standards of environmental management. These trainings were not only provided to the club member agencies, but to local communities in the areas of operation. By training community members in skills such as gourmet cooking, jam processing, and artisan product development and incorporating these communities into the tours, PNII was able to generate local employment and add a cultural dimension to the packages being offered.

PNII also worked with club members to integrate their products and itineraries so that tourists could mix and match their vacations by combining packages from the broad range of products offered by the tourism clubs. A major component of this initiative was the development of standard rates, prices, commissions, and policies among all of the agencies within the clubs, a process that took months of negotiating and whose end results were published in a formal document establishing the financial guidelines for all club members.

### Consolidating and Formalizing the Tourism Product Clubs

As the tourism clubs developed their respective marketing materials and operations throughout the first year, it became evident that the clubs were often replicating each other's efforts and missing important collaborative opportunities. PNII consequently helped the clubs consolidate into a single entity under the name Unique Destination Ecuador. The project also guided the club's effort to obtain a formalized, legal status in order to achieve financial autonomy and sustainability prior to the closing of PNII.

In March 2013, nine months after the inception of the three tourism clubs, Unique Destination obtained formal approval and legal recognition from the Ministry of Tourism, granting the organization financial autonomy and marking the development of the first sector-specific agency ever created by PNII.

After the creation of Unique Destination, the corporation began developing policies to increase member participation and sales. One pivotal policy established requires all clients to purchase at least two different packages when booking a visit through Unique Destination. Therefore, every purchase benefits at least two member companies, and

the tour agencies have increased their collaboration across the regions by teaming together to offer a diverse range of combination packages, whereas previously they operated within isolated clubs.

The organizational restructuring had a deeply positive impact on the company's marketing and communications strategies. Unique Destination received an overwhelmingly positive response at a variety of international fairs and roadshows in the U.S., Canada, and Europe, where operators and wholesalers expressed great surprise to see Ecuador offering innovative tourism products with a diverse group of integrated organizations and complementary partners (such as PACARI Chocolate, RUNA Guayusa Tea, and Railways of Ecuador) all unified under a single Ecuadorian brand.

The corporation produced a new 2013 marketing plan, which has a budget of \$150,000 in administrative and promotional activities, giving priority to markets in North America, Europe, and Latin America. This plan is 75% funded by the contributions of 25 member companies and 25% from external cooperation sources, including a small contribution of \$20,000 from PNII. Sales of \$720,000 are projected for 2013.

### Metropolitan Touring Marketing Initiative

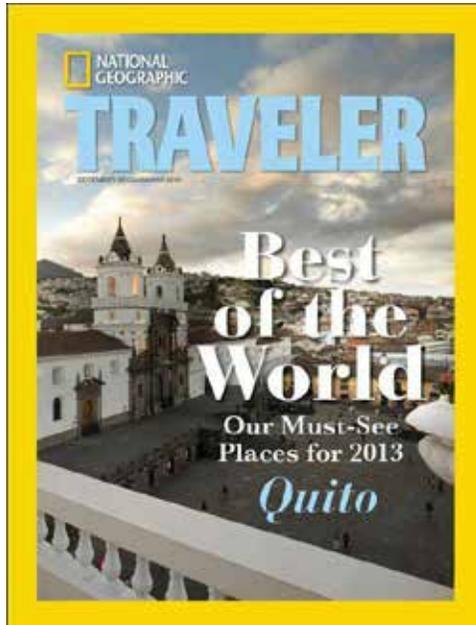
When the tourism clubs were developed at the start of the project, PNII launched a public relations campaign to promote the different packages offered by the clubs. The project approached Metropolitan Touring (MT), the biggest tour operator in Ecuador, and paid \$50,000 for inclusion in MT's 2011 annual marketing plan, with a focus on U.S., German, and British markets. This purchase entitled the clubs to a variety of promotional actions facilitated by MT, including 30 Familiarization Trips, 18 Press Trips, and coverage in several international publications, including News Weekly, Conde Nast, and Hemispheres, among others. These actions generated a total media value of \$1.9 million and reached more than 180,000 readers worldwide. The coverage also helped generate \$10 million in incremental sales at destinations supported by PNII and MT.

Indicators	Achieved through September 2012
PNII investment	\$50,000.00
Metropolitan Touring investment	\$293,000.00
National sales	\$7,192,084.87

During this period, Ecuador began to achieve great relevance on the global tourism stage, with several international publications showcasing Ecuador as a top destination. Through the support of PNII and MT (consistent with the co-financing of press trips), Ecuador won several awards and made the cover of Lonely Planet, National Geographic, and

Condé Nast, among others, receiving praise as one of the world's most important destinations for its landscapes, climates, and biodiversity.

Cover of the National Geographic issue featuring Quito as a travel destination



### Workforce Development through Mashpi Tourism

In addition to PNII's work with Unique Destination and MT, the Project provided short-term services to several individual tourism projects as part of PNII's workforce development initiative to generate 1,000 new tourism jobs. One of these projects was the Mashpi Jungle Lodge, a luxury hotel that had recently opened in the cloud forest outside Mindo and was struggling to find staff members who were trained in hospitality services.

Mashpi Jungle Lodge's logo



Working in collaboration with Mashpi, PNII conducted two comprehensive training programs for the local communities over four months. One training program centered on services required for the internal maintenance of the hotel, such as housekeeping, serving tables, and high-end cooking, while the other program focused on the development of guides and park guards, which the lodge had requested as part of its wildlife conservation initiative.

Indicators	Achieved through September 2012
PNII investment	\$23,000
Mashpi Jungle Lodge investment	\$21,000
Jobs created	42
National sales	\$114,033

### Local Tourism Development in Collaboration with ADET

Another individual tourism project that PNII supported was the development of a tourism circuit in the provinces of Esmeraldas and Sucumbíos. PNII helped develop this project at the request of the Esmeraldas ADET, with the goal of building upon an existing tourist attraction in the northern part of the province, which saw relatively few tourists compared to the coastal beach areas in the central and southern parts of Esmeraldas. This project was different from previous PNII tourism initiatives in that the target tourist group was Ecuadorians, rather than North Americans and Europeans.

At the start of the project, the only tourist attraction in Rio Verde Municipality was a seafood restaurant called Cevicangre, run by an association of 11 families and located 40 minutes from the city of Esmeraldas. The association attracted around 250 people weekly—mostly Ecuadorians—and as many as 3,000 during holiday weeks. Only about 5% of visitors would take advantage of the area’s other tourist options, such as river kayaking, whale watching, and visiting mangroves, as these products were relatively new and had not been properly promoted.

Through a partnership with the Prefecture of Esmeraldas, Municipality of Rio Verde, and Esmeraldas ADET, PNII helped launch a new tourism package branded as “The Cocoa Route” (Spanish: “La Ruta del Cacao”). The goal of this tourism package was to build on the local seafood attraction by developing a tourism circuit via river boat along the Rio Verde, with tours to the mangroves, surrounding communities, and local cacao plantations. The Vuelta Larga Crab Producer’s Association and San Vicente Association of Cocoa Producers both committed to participate in this initiative.

Representatives of the community involved in the Cacao Route on the donated kayaks



PNII supported this initiative over a period of 10 months, investing \$61,000 in infrastructure and in-kind donations of kayaks, life jackets, and a motor boat, while regional counterparts contributed an additional \$161,000. The project helped upgrade the initial Cevicangre restaurant attraction by installing improved bathrooms, showers, a ramp for wheelchair access, shade, and other infrastructure improvements, in addition to implementing signage along the route and developing itineraries that identify the timing and scope of all tours offered. The provincial government also supported the project by improving the local sewer system and suspension bridge, benefitting 250 people locally.

Through PNII's support, the Ruta del Cacao has created 30 new jobs, and local tourism sales have increased from \$35,000 to \$150,000 annually as of October 2012.

Indicators	Achieved through September 2012
PNII Investment	\$31,824.00
Provincial Council Investment	\$161,138.50
Jobs created	30
Domestic sales	\$95,000.00

## Performance against Indicators

The table below reflects PNII's progress against the performance indicators established for the project's work in the tourism sector.

Progress against Tourism Performance Management Indicators for FY2013

Component 2 indicators (Tourism)	Target for 2012	FY2013
2.6. Percent increase in sales among selected business/projects in the tourism segments	15%	30%
2.7. Number of jobs created by select businesses/projects in the tourism segments	500	360
2.8. Dollar value of financing generated for select businesses/projects in the tourism segments	\$500,000	\$6,500,000
2.9. Dollar value of new investment facilitated for the tourism sector	\$10 M	\$31.17 M

Results for Indicator 2.6: Increased Sales in the Tourism Sector:

Project	Objective	Outreach	Achieved FY2012
Mashpi	\$200,000.00	57.02%	\$114,033.45
Ruta del Cacao	\$35,000.00	86.86%	\$95,000.00
Metropolitan	\$4,000,000.00	179.8%	\$7,192,084.87
Haciendas	\$1,454,000.00	0.47%	\$61,681.33
	\$950,000.00	1.90%	\$106,353.59
Centro Histórico Amazonia	\$2,065,000.00	1.00%	\$158,926.24
<b>Total % Sales</b>	<b>\$8,504,000.00</b>	<b>22.36%</b>	<b>\$7,614,046.04</b>

Regarding jobs created (Indicator 2.7), PNII has created 47 jobs in Mashpi, 207 jobs through Unique Destination, and 20 jobs through the Cocoa Route.

PNII has met its sales indicators for tourism, the most significant being the generation of sales increases, with partner companies reporting an 8% increase in sales after PNII's intervention in 2013.

## Increasing Productive Sector Access to Finance

To meet productive sector financing targets for businesses in the tourism and agribusiness sectors, PNII implemented a three-tiered strategy of training financial service providers in value chain finance, providing demand-driven support to the Development Credit Authority (DCA) program as needed, and experimenting with an innovative financing approach called "Financial Platform".

## Value Chain Finance Training

The project disseminated a one-week training on value chain finance methodology, which was developed into a manual under the Productive Network I project. The idea behind this activity was to share this successful financing methodology with new financial institutions interested in entering the value chain finance field, such as members of the Red Financiera Rural, which early on demonstrated interest in accessing this tool. An international consultant paired with a local consultant (to ensure knowledge transfer) and designed and implemented this training based on the value chain finance manual developed under the Productive Network I project and the materials used in past trainings on this subject.

## Supporting USAID's DCA

PNII worked with USAID to provide demand-driven technical assistance to ensure efficient use of a DCA credit guarantee program with microfinance banks Credifé and ProCredit. Technical assistance included performance assessments, support to fine-tune value chain finance tools, and connecting the two banks to potential customers. The DCA program provided the banks with access to a U.S.-backed guarantee fund to expand loans to underserved markets.

## Financial Platform Pilot Project

PNII introduced a pilot in Ecuador titled, “Financial Platform,” based on CARANA’s successful experiences in Macedonia and West Africa using this methodology. The Financial Platform is a proven methodology to unite businesses interested in expanding their operations with financial service providers through targeted technical assistance. The pilot was built on the premise that most Ecuadorian companies in need of finance lack knowledge and skills in corporate finance, limiting their ability to produce high quality and bankable investment proposals. Banks, on the other hand, have a difficult time understanding the business practices of Small and Medium-sized Enterprises (SMEs). Providing banks and companies with access to a cadre of financial consultants who work with firms to develop business strategies and ultimately sound, comprehensive, and bankable financial proposals fills this gap. The financial consultants were contracted via a cost-share arrangement between PNII, a financial firm, and companies or associations interested in accessing finance and were paid on a performance basis (on the number of financial proposals approved by financial institutions).

The financial platform designed and implemented by PNII has been operated by two specialized consulting companies (FRMS and Grupo

Spurrier). Since the financial platform was launched at the beginning of 2011, a total of 25 productive sector projects were analyzed for their financing feasibility by two specialized consulting firms hired by PNII for this purpose. Of these 25 projects, the two firms obtained financing for three of these projects in the tourism and agribusiness sectors worth \$21.4 million.

Another key success has been the adoption of the financial platform model by one of the banks that worked with PNII, Banco RUMINAHUI. The bank is placing in the hands of one of the teams of financial platform operators 50 new projects in its portfolio, worth approximately \$50 million dollars.

In spite of our successes, we have been unable to institutionalize the platform's services within the Ecuadorian financial sector. This is in part due to the absence of specialized credit platforms in most of Ecuador's banks, which causes high transaction costs for creditors and difficulties of access to finance for businesses with good projects but without collateral. The absence of specialized credit platforms is attributed to various factors, including banks's own analysis and project structuring services, concentrating on large corporate clients. The financial platform does not necessarily fit well within this strategy. While banks have demonstrated interest in expanding this successful pilot program, they have been unable or unwilling to make the internal changes necessary to create the mechanisms and tools necessary to allow an expansion in credit services.

### Final PMP Results

Final results achieved by PNII under the access to finance subcomponent surpassed the project's established targets of \$10 million in financing to the agribusiness sector and \$2 million in financing for the tourism sector. These achievements are summarized in the tables below.

Indicator 2.4: Dollar value of financing made to the agribusiness sector

Project/activity	Amount
DCA and value chain methodology loans	\$10,671,820.00
Financial platform	\$1,400,000.00
FICA	\$4,000,000.00
FondoPyme	\$1,802,268.00
ADPM (corn, rice, cotton, beans, pepper)	\$500,000.00
Canola	\$4,250.00
Potato	\$4,835.00
Cacao export	\$130,000.00
<b>Total</b>	<b>\$18,383,173.00</b>

DCA and Value Chain Methodology Loans

Bank	Mechanism	Amount
DCA and value chain methodology loans	DCA	\$561,900.00
Financial platform	Value Chain Methodology	\$5,845,340.00
FICA	DCA	\$428,250.00
FondoPyme	Value Chain Methodology	\$3,836,330.00
<b>Total</b>		<b>\$10,671,820.00</b>

PNII Projects: Finance for Farmers

Project/activity	Amount
ADPM; Corn, Rice, Cotton, Beans, Pepper	\$500,000.00
Cacao Export	\$130,000.00
Potato	\$4,835.00
Canola	\$4,250.00
<b>Total</b>	<b>\$ 639,085.00</b>

Financial Platform: Agribusiness

Beneficiary	Consultant	Amount
Novopalm	FRMS	\$200,000.00
Palmeras del Ecuador	FRMS	\$1,200,000.00
<b>Total</b>		<b>\$1,400,000.00</b>

Indicator 2.8: Dollar value of financing generated for select business/projects in the tourism segments

Financial Platform: Tourism

Beneficiary	Consultant	Amount
Paseo de los Bosques		\$91,000.00
Fin Plat - Parque del Rio		\$1,500,000.00
Fin Plat - Cascadas Lodge		
Fin Plat - Cascadas Lodge		\$500,000.00
<b>Total</b>		<b>\$2,091,000.00</b>



## Biodiversity Conservation Projects

PNII conducted two biodiversity conservation projects in high-priority conservation areas of Ecuador. Both projects identified key threats to biodiversity and developed activities to address those threats and strengthen biodiversity conservation:

1. Conservation of the Dry Forest through sustainable harvest and commercialization of Palo Santo oil, Zapotillo Canton, Loja Province
2. Strengthening local government capacity to implement biodiversity conservation strategies in the Amazon through development of effective productive activities

Each project demonstrated ways that good environmental practices can support improved management of important biodiversity areas and provide economic benefits to the communities managing the land, thus directly addressing key threats to biodiversity. Both projects used a “bio-commerce” model to strengthen management practices of biodiversity conservation through providing economic incentives to the community land managers. The model also includes key actors at multiple levels to support and promote the improved management practices through community agreements, community financing, and the establishment of environmentally friendly, socially responsible products and strategies.

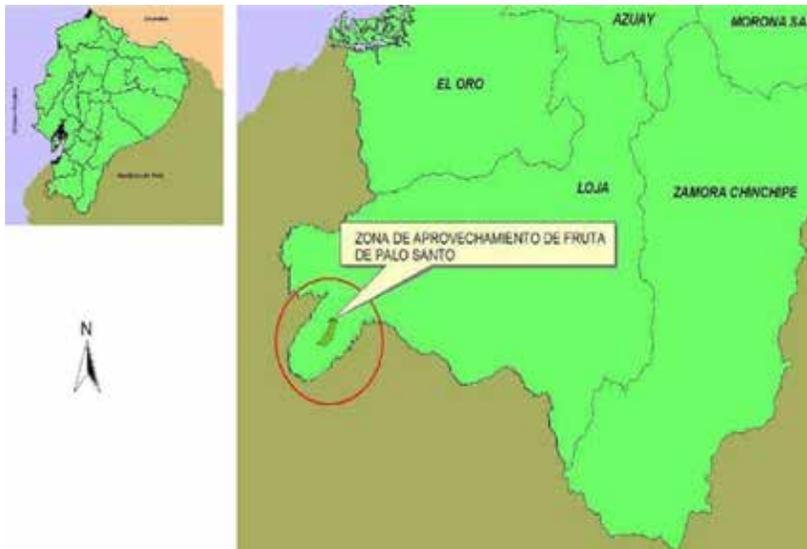
### Conservation of the Dry Forest

The project was implemented in Ecuador’s dry tropical forest located on the southern coast near the Peruvian border. The Dry Forest, also known as Tumbesian forest or the Coastal Dry Forest, is a unique habitat where plants and animals have evolved specific adaptations to

survive the absence of precipitation for prolonged periods of time. Dry Forests provide important ecological services including hydrological and climate regulation, barriers against desertification, and carbon storage. Ecuador's Dry Forest boasts high levels of endemic and rare bird species and is globally recognized as an Important Bird Area.

Only 5 to 10% of the original area of Dry Forest in Ecuador remains, most of it located in the provinces of Loja and El Oro. Some 97% of the world's Dry Forest ecosystems are in danger of extinction, making their protection a national and global conservation priority. PNII provided support to strengthen the biodiversity conservation of threatened Dry Forest in Zapotillo, a Canton in Loja, through the sustainable management and production of Palo Santo oil. One of the dominant species found in the Dry Tropical Forest zone is Palo Santo (*Bursera Graveolens*), a deciduous tree that reaches a height of 15 meters. The bark and branches of the tree produce a yellow resin with an intense scent. This tree has been used in Loja by local populations traditionally as an insect repellent. For generations, its dry branches were commonly collected from the forest floor by local people and burned in shaman rituals and religious ceremonies, giving the tree its name, "Holy Wood." Over time, the trees were increasingly cut down for these purposes.

Dry forest area for Palo Santo fruit collection. Map courtesy of Nature and Culture International.



The project was coordinated by ADE Loja, the Local Development Agency of Loja, in partnership with Nature and Culture International (NCI), an international conservation organization that has been active for more than a decade in the region and has established multiple important biodiversity reserves in the region, and the UTPL

## Essential Oil: Biodiversity Conservation and Community Empowerment

In the past, the communities of the southern region of Zapotillo would cut down the Palo Santo tree for its wood and bark. These parts of the tree would be sold at extremely low prices, generating a meager income while endangering the delicate biological balance of a region that is critical for its biodiversity and home to 1,260 endemic plant species, 151 endemic reptile/amphibian species, 55 endemic bird species, and 10 Important Bird Areas. To turn the tide, PNII, UTPL, NCI, and Aditmaq generated a sustainable solution for protecting the Palo Santo tree while increasing the living standards of surrounding communities. The team developed an innovative process for extracting fragrant oil from the Palo Santo fruits and secured an international buyer for this product, spreading awareness of the unique ecological value of the region and creating a secure alternative income source for the local communities. The Palo Santo harvesters are now aware of their role in protecting the forest's unique biodiversity as well as their capability for creating a better life for themselves and their children.

(Universidad Técnica Particular de Loja) or the Technical University of Loja. Other key partners and actors in the project included the Community of Malvas association, Bolívar Tello Cano; the local autonomous government of the Canton of Zapotillo (GAD Cantonal de Zapotillo); ADITMAQ (a private company commercializing the oil); Natura (a Brazilian company that purchases a percentage of the Palo Santo oil from the UTPL Laboratories), and PNII. Through these actors, PNII fostered linkages between government agencies, university researchers, and private companies to support improved management and conservation of this Dry Forest ecosystem.

### Project Approach

1. Scientific research by UTPL to develop and patent the process for extracting Palo Santo oil from the fruit rather than the bark
2. Strengthened commercialization and marketing of Palo Santo oil
3. Community conservation agreements that support Dry Forest conservation
4. Sustainability studies and agreements that define the optimum harvest levels for sustainability of the Palo Santo and the Dry Forest ecosystem
5. Effective administration of community conservation funds resulting in strengthened farmer association
6. Improved management of goats to strengthen forest biodiversity protection

In 2007, UTPL began to research alternative ways to extract the resin and found that by distilling the oil from the fruit of the tree, they were able to capture a product that had a far more powerful scent without

harming the trees. In the same year, the communities of Malvas, Chaquiro, Paletillas de Malvas y Totumos; NCI; UTPL; and Natura, in coordination with the Ministry of Environment of Ecuador (MAE), established an agreement for the sustainable harvest of the fruit of the Palo Santo tree to produce this essential oil. NCI organized the communities in the area to manage and sustainably harvest the Palo Santo fruit from a community-managed forest reserve in an area known as the former Hacienda Limones. They began to manage a sustainable use zone of approximately 3,000 ha within the 4,500 ha area known as Limones.<sup>†</sup>

In the following years, the feasibility of the oil providing an economic incentive for conservation became clear. The trees bear fruit in a three-week period in the months of April and May. Under a MAE-approved management plan developed by NCI, communities harvest and benefit directly from the sale of the processed fruit, making the protection of the forest a direct economic interest.

Association member collecting PaloSanto fruit with small cloth bags



<sup>†</sup> Boundary marking exercises by NCI and the community land managers have identified Limones as a reserve of some 4,500 ha which is being transferred to the Municipality of Zapotillo as a result of PNII.

NCI trained communities to harvest only 20% of the fruit of each tree and to harvest only one tree per ha. The communities organized into a cooperative and assigned collection groups, including both males and females. The amount to be collected was calibrated so that each person harvests no more than 20% of one tree per ha. Supervisors ensure that fruits are harvested without damaging the tree, and members that damage trees are banned from further collection. A limit of 5 kg of fruit per person is permitted each day. The collectors receive payment for their collection from the association.

NCI conducts studies annually to monitor and evaluate the impact of the Palo Santo harvest on the forest. MAE requires a new management plan based on these forest evaluations every year and bases the issuance of the permits for collection and transport of Palo Santo on these evaluations.

#### Phase I: Economic Development (2010–2012)

In 2010, PNII began supporting the project, in partnership with UTPL, NCI, Natura, MAE, ADE Loja, ADITMAQ, and the community organization, Bolívar Tello Cano. The roles of the partners are summarized in the table below.

Institution	Function
PNII	Technical advisor Economic support Monitoring and Evaluation (M&E) for the project
UTPL	Extraction of the essential oil from the Palo Santo fruit Certification of the extraction Management of the research and export permits Integrated business model Capacity building for marketing
NCI	Community organizing Development of the sustainable harvest plan and forest management Certification of the Palo Santo collection Forest conservation Integrated business model
Natura	Economic support to the project Purchase of the essential oil Development of perfumes, scents, and other products M&E
MAE	Research permits Revision, approval, and monitoring of the harvest plan Provision of guidebooks
Preasociación Bolívar Tello Cano	Community organization and fruit collection Organization of harvest in Malvas Forest conservation Capacity building at local level
ADE Loja	Coordination of the project Integrated business model Project logistics Community capacity building
ADITMAQ	Purchase and commercialization of the essential oil Marketing and search for buyers M&E

PNII worked with partners to establish clear rules and procedures in determining profit sharing among the actors, as detailed in the table below.

Profit Distribution of Palo Santo Project by Project Partners

Palo Santo project partner	Profit sharing	Use of funds
UTPL	12.5%	Patent licensing and research and development of Palo Santo products (Funds administered by ADE Loja)
Forest Conservation Fund	12.5%	Conservation of the Palo Santo forest (Fund administered by ADE Loja and implemented in partnership with NCI)
Malvas Community Saving Bank	35%	Community entrepreneurship and productive activities (Funds transferred to the Community Savings Bank, activities conducted under the guidance of ADE Loja)
ADITMAQ Ltd.	25.6%	Market linkages
Taxes (income and labor)	14.4%	Paid by ADITMAQ

PNII focused on strengthening business plans and commercial development, including the establishment of a “biocommerce” brand. The project developed a number of other products that can be produced by the community from the essential oil and the Palo Santo forest such as honey and candles. PNII support also focused on promoting conservation in marketing of the products of the Dry Forest. The project developed the brand and image to accompany Palo Santo products, which positions them as sustainably harvested and produced and allows them to obtain a premium price for sustainability.

The Kichwa name “IKARA” and a description of the product as “essential Palo Santo oil—obtained from fruit” will be on every label. IKARA means “magic song; transmission of power, energy, and knowledge of the spirit of the Amazon (intended to refer to Mother Nature), of the water, and the Earth through sacred objects via the elyachac (sorcerer, healer, shaman) to enhance the skills and well-being of those who receive it.”

The “Blue Bee Business – Biocommerce Ecuador” seal was designed to represent the products. On the back of the seal is an explanation: bees are very social animals; they respect and guard nature; they are careful with their resources and work together for the sustainability and protection of the environment. These are all characteristics that encompass the concept of “biocommerce” represented by the seal below.

Seals for Biocommerce (left) and Palo Santo<sup>†</sup> (right)



The following table highlights the project's achievements over Phases I and II of the project. Significant contributions by project counterparts demonstrate the sustainability of the business model.

Cost-Sharing: Palo Santo Biodiversity Project

PMP indicators	Project total in July 2013	PNII and counterpart contributions
Domestic sales	\$1,508	
Exports	\$367,400	
Jobs	35.25	14%
PNII investment	\$64,996	
UTPL	\$245,990	86%
ADITMAQ	\$84,548	
NCI	\$47,900	
Malvas	\$18,700	

#### Phase II: Biodiversity Conversation of Dry Forest (2012–2013)

In 2012, PNII refocused its projects on biodiversity conservation, in line with USAID's new strategy. With PNII support under this new focus, NCI conducted studies of forest health and found that its natural regeneration was endangered by the widespread presence of goats grazing in the reserves. Each of the 80 families in the four communities has an average of 100 goats. As a result, more than 8,000 goats were foraging daily in the forest.

PNII therefore established a pilot project to produce hydroponic feed, which aims to enable families to pen their goats and reduce free grazing in the forest while improving milk and cheese production and its commercialization.

<sup>†</sup> There was an effort to translate the name Palo Santo into English on the label for export, but the project has since reverted to using the Spanish name for the tree to ensure the label correctly identifies the product.

*Result 1: Reduced Grazing in Ecologically Sensitive Areas through Hydroponic Fodder Production*

Community members in the target communities of Malvas, Chaquiro, Totumos, Paetillas, and Cabeza de Toro were already engaged in small-scale production of goat milk products, cheese, and manjar (goat milk caramel candy), among others. But milk production levels were too low to achieve significant income. PNII worked with ADE Loja and NCI to pilot hydroponic production of fodder using corn seedlings. This solution would not only increase the quality and quantity of milk production, but would also enable farmers to pen their goats rather than release them indiscriminately in the forest to forage on Palo Santo seedlings.

Families report that milk production increased by 10% and that the quality of the milk has improved. The milk produced by the goats on the hydroponic feed has a much higher fat content that makes the milk easier to process and improves the quality, productivity, and richness of the cheese and other products. Processing requires less of the improved milk to produce the same quantities of products, and the products were of higher quality.

PNII arranged for a goat milk processing facility in Zapotillo, CABRALAC, to obtain technical assistance from AdeLoja and ECOLAC, a national-level dairy facility that works with UTPL in research and development. CABRALAC established an agreement with ADE Loja and UTPL to purchase the milk from Malvas, Cabeza de Toro, and the other communities in the Palo Santo Valley with assistance from ECOLAC.

Goats eating hydroponic fodder in pens



Productive Network' Biodiversity activities focused on the protection of a 4,500 ha reserve in an area known as the Palo Santo valley in the municipality of Zapotillo, Province of Loja. Due to particular historic and environmental conditions, the Palo Santo valley has a high concentration of Palo Santo trees in the endemic mixed forest in a part of the country with the largest intact area of Tropical Dry Forest ecosystem found on Ecuador's southern coast in the provinces of Loja, El Oro, and Manabí.

The project supported community stakeholders seeking to protect this biodiversity hotspot and work with local authorities to declare the area a Municipal Reserve. Zapotillo's pioneering conservation efforts gained the attention of seven other municipalities, which soon joined forces with the project and petitioned UNESCO to declare more than 500,000 ha (1.23 million acres) of Ecuador's Dry Forest a globally recognized Biosphere Reserve. The biosphere includes a total of 17 municipal reserves, 9 Important Bird Areas, and archeological sites as well as critical habitat for endemic species of the threatened Tumbesian forest like that of the Palo Santo Valley.

PNII provided accounting and administrative capacity building to CABRALAC to help create a more sustainable business. Microfinancing arrangements were made to cover basic business improvements with the Banco De Fomento. ADE Loja helped broker a strategic alliance between ECOLAC and CABRALAC that will continue past the project end. ADE Loja will continue to oversee that relationship and provide support to CABRALAC.

#### *Result 2: Formation of a Biosphere Reserve*

##### *A. Municipal Reserve*

The communities and the local government came together to declare the area now known as the Palo Santo Valley, originally part of the old Limones Hacienda, the Municipal Reserve of Limones. The objectives of such a declaration were two-fold: (1) to protect the Palo Santo forest for biodiversity conservation and (2) to avoid the emergence of illegal private claims on the land that had historically been managed and protected by the communities living there.

PNII provided coordination and guidance for the communities to work with NCI and ADE Loja to push the process forward.

The Municipality of Zapotillo made a formal request to the Subsecretariat of Lands in April 2013 to donate land within the former Limones Hacienda. Approval for the transfer was granted verbally in June. The transfer process should be complete in August 2013.

##### *B. Biosphere Reserve*

In the process of making the request for the recognition of the Municipal Reserve of Limones, five municipalities joined the efforts to put forward a larger reserve that would link two existing Dry Forest

reserves and create the Dry Forest Biosphere Reserve. The request was accepted in July 2013 and should be formalized in October 2013.

The Biosphere Reserve will be comprised of three key areas: La Ceiba, Limones, and Cazaderos-Mangahurco in Zapotillo, with nucleus zones in a total of eight municipalities as recognized by the municipal ordinances and state statutes for protected areas and reserves. The eight municipalities include Macara, Zapotillo, Pindal, Puyango, Celica, Sozoranga, Paltas, and Calvas.

La Ceiba and Limones and surrounding areas come to a total of approximately 15,000 ha (including the existing 10,200 ha La Ceiba declared by NCI in 2000 and the newly declared 4,500 ha Limones reserve presented by NCI in June 2013 as a result of this PNII project). Other nucleus zones of the newly proposed reserve include parts of the Catamayo River Canyon reserve of 22,600 ha (Cantons of Macará y Celica) and Los Guayacanes (Canton of Zapotillo) reserve of 43,100 ha.

The proposed Biosphere Reserve comprises a system of existing protected areas both private and public and recognized by the state. The area of the Biosphere Reserve of Dry Forests of southern Ecuador reaches a total of some 500,000 ha.

### *Result 3: Zoning Agreements*

Comprehensive use and zoning agreements were developed under PNII to provide clear understanding of the commitments, rights, and responsibilities of the community members in managing the sustainable harvest of the Palo Santo fruit and protecting the forest reserves. The conservation and use zones of the Limones reserve are clearly defined, and NCI will continue to work closely with the communities to ensure that they adhere to these agreements. The agreements are also an integral part of the business plan for the branding and marketing of the Palo Santo oil as part of PNII's strategy for ensuring a sustainable biocommerce business model.

### *Result 4: Community Conservation Funds*

PNII strengthened community capacity for improved accounting and administration of the conservation funds collected as a portion of the sale of Palo Santo oil. These funds will be used by the community association to support conservation activities, which may include micro-financing to expand hydroponic goat fodder production, support of forest guards, support for fencing and corrals, zoning and protection of regeneration areas, micro-financing for the support of goat milk products and other products that support the improved management and protection of the forest reserve, and conservation education within

the community, among other possibilities to be determined by the community association in partnership with NCI.

*Result 5: Improved Commercialization and Marketing of Palo Santo Oil*

PNII's creation of the brand, Blue Bee Business, and strategy of marketing not just the oil but the conservation of the forest, combined with the Organic Certification (Ecocert), makes the community a major stakeholder in the business and has greatly improved the ability to market Palo Santo oil and products at a premium. The relationship between project partners has been strengthened as a result of the PNII support through clearer definition of the roles, responsibilities, and profit sharing. The involvement of a transport union contracted to securely transport Palo Santo fruits to the Loja processing center will improve efficiency and reduce cost. The transport union also carries the certificate of transport issued by the MAE, allowing only certain quantities of the product to be transported and contributing to good oversight and management of the sustainable harvest process.

*Result 6: Sustainability Studies*

MAE requires an annual management plan for the harvest of Palo Santo fruit. NCI therefore conducts sustainability studies to evaluate the impact of Palo Santo harvest, which have been built into the business model under PNII and are part of the annual process for valuating and improving harvest practices. The sustainability studies carried out by NCI will continue beyond project close. This ensures that as new findings and observations of the harvest impact arise, NCI is able to help the community address threats and seek opportunities for strengthening conservation of the reserve through sustainable harvest of the fruit.

*Result 7: Production of Candles and Incense*

These product lines were introduced as an additional source of income generation among the communities involved in the management and sustainable use of the Palo Santo Reserve. The community association members have learned how to create the products and have a solid business plan with potential buyers and access to the materials they need to continue to produce these product lines. Community members will continue to receive technical support from ADE Loja once the project ends.

### Biodiversity Indicators: Final Results

Indicators	Target	Direct	Indirect/projected
Beneficiaries	600 people	600 people	20 communities living within the Biosphere Reserve
Ha under improved management as a result of PNII support	14,500 ha	Nucleus Zones of 56,510 ha under municipal protection and part of the new Biosphere Reserve	500,000 ha area of the new Biosphere Reserve for the Dry Forests of the southern Ecuador

### Strengthening Local Government Capacity to Implement Biodiversity Conservation Strategies in the Amazon

PNII supported the biodiversity conservation of one Ecuador's largest, most species-rich, biodiverse, and threatened forest landscapes located in the province of Pastaza in the western mid-section of Ecuador, bordering Peru. PNII guided the local government through the creation of an independent Provincial Development Agency (Corporación de Desarrollo Provincial de Pastaza or Corpopastaza) to strengthen, identify, and promote productive activities that support biodiversity conservation. Corpopastaza promotes biodiversity conservation through networks that include indigenous communities, national and international universities, donor agencies, and companies that can ensure fair, environmentally sustainable, and commercially viable trade in the province.

PNII supported activities that helped Corpopastaza define concrete projects to implement the local Government of Pastaza's Biodiversity Conservation Strategy. Selected projects were aligned with Corpopastaza's vision for the province, which will create alternatives to deforestation for agricultural expansion and provide indigenous communities with income while strengthening biodiversity conservation.

#### Approach

1. Study and appraisal of potential centers for scientific investigation in the interior (accessible only by air) that can support biodiversity conservation in Pastaza
2. Business plans, feasibility studies, and value chains analysis for five sustainably-produced natural resource-based products in Pastaza

## Introduction

The province of Pastaza, stretching from the foothills of the Andes across the Ecuadorian Amazon to Peru, is the largest province in Ecuador and possesses a wealth of biodiversity. It is named after the Pastaza River that flows into the Amazon River basin. The province has one of the most varied terrains of the Amazon and some of the richest areas in the world in terms of biodiversity. Some 85% of the province is currently considered under protected status, amounting to around 25,101 square km, including Llanganates National Park, Yasuní Biosphere Reserve (40% of which is located in Pastaza), Protector forests of Habitagua, Maravía, Yawa Jee, Arutam, and CEPLOA (See Pastaza Provincial Plan 2011). However, weak or non-existent enforcement of the protection of these reserves is a threat to the conservation status of them and a problem that the provincial government wishes to address.

The province's development plan prioritizes biodiversity conservation in its strategy. The Prefecture of Pastaza (local government) has formally declared<sup>†</sup> its intention of maintaining 85% of its provincial area as formally protected. With a population of less than 85,000 people and a population density of about 7 people per square mile (3/km<sup>2</sup>), this appears at face value to be attainable. Much of the Amazon basin and many of the Important Bird Areas (IBAs) correspond with protected areas that are legally recognized and managed by community and local governments for their conservation. However, these protected areas have been superimposed on indigenous lands. Pastaza is home to seven different indigenous peoples (nacionalidades): the Achuar, Andoa, Kichwa, Shiwiar, Shuar, Waorani, and Zápara. The territories of these seven indigenous peoples cover about 26% of Ecuador's mainland area and store almost 80% of the biomass carbon in the Ecuadorian Amazon.

The province requires innovative approaches for conservation to balance local indigenous community interests and local economic benefits with biodiversity conservation while offering tools for greater local control over resources. Project interventions focused on developing institutional relationships and partnerships while engaging indigenous communities at the local level in the design of productive conservation initiatives. PNII helped coordinate a network of actors through a series of workshops and technical meetings and bolstered the technical and institutional development of CorpoPastaza through the two projects.

As a result of PNII support, CorpoPastaza is developing long-term initiatives with key conservation and development institutions that previously were not able to effectively engage directly with the

<sup>†</sup> Plan de Desarrollo y Plan de Ordenamiento Territorial de la Provincia de Pastaza al Año 2025, or Pastaza Development Plan, 2011

Government of Pastaza, including NCI, which has an Amazon office in Macás and a strong track record for innovative community-based conservation approaches; Universidad San Francisco de Quito (USFQ), which runs the Tiputini Biological Research Station in the Yasuní and has strong interest in conservation of the area; the German Technical Development Corporation (GIZ), which has committed large resources to institutional support for biodiversity conservation in Pastaza; and World Wildlife Fund, which has conservation activities and agreements with both the provincial Government of Pastaza and the State University of Amazonia (Universidad Estatal Amazónica or UEA), one of the members of Corpopastaza. The National Autonomous Institute for Agricultural and Animal Husbandry Research or Instituto Nacional Autónomo de Investigaciones Agropecuarias, and the Peruvian Amazon Research Institute also each have activities either in the province or with the UEA that can now be coordinated through Corpopastaza.

The role that Corpopastaza can play now in coordinating international and national assistance fundamentally changes the way that the local government will engage with different actors, allowing the local government greater control in determining how outside assistance will support the provincial conservation strategy.

#### [Project I: Centers for Scientific Investigation](#)

Corpopastaza led this project under PNII guidance and technical support. The first step was to conduct initial surveys of potential research station locations and identify ways that the research stations could benefit communities.

These research stations have the potential to provide the kind of scientific evidence of high biodiversity levels that the province needs to push forward its conservation strategy.

One important finding was that much more intensive community engagement must take place before any installations can be made, and that it should be clear that the research stations will not be a significant source of revenue for the communities unless long-term use agreements can be arranged by Corpopastaza with international and national institutions. This information was also shared by USFQ's Biological research Station at Tiputini, which the Corpopastaza visited earlier this year. USFQ is committed to engaging with Corpopastaza to support their efforts in establishing these important research stations.

PNII's support helped ensure that the relationships and baseline data exist for Corpopastaza to advise the government on how to proceed with the establishment of effective centers for scientific investigation, a key objective of the Government of Pastaza's Conservation Strategy. Corpopastaza will design and implement the appropriate interventions

based on these recommendations. As a result of PNII's support, these stations will provide improved management and conservation of biodiversity in each intervention area.

With PNII's support, Corpopastaza hired an exceptionally qualified American biologist, Chris Canaday, M.A., who has been working in the region for over 25 years, and well-published American botanist, David Neill, PhD., who likewise has over 25 years of experience in the region and who is currently on faculty and head of research at UEA.

Neill used a methodology for the diagnostic analysis of forest biodiversity known as Rapid Appraisal, similar to the methodologies used by The Nature Conservancy, Conservation International, the Field Museum of Chicago, and other conservation research organizations, as described by Sobrevila et al (1992).<sup>†</sup> Rapid appraisals can assess regions for potential parks or "rapid inventory" purposes and tend to focus on ecological evidence.

Canaday developed a separate framework based on his research in the Yasuní that used key species of birds as indicators of biodiversity levels.<sup>‡</sup> Identification of the presence of bird species to indicate levels of biodiversity is a widely accepted methodology in conservation planning. Because birds are discriminating and can fly to the places with the best food and the least disturbance, they are the best indicators of biodiversity on the planet. Field tested and identified IBAs are strong indicators of high levels of biodiversity and correspondingly healthy ecosystems and are used to define priority areas for conservation. There are very large sections of the Ecuadorian Amazon that have been designated as IBAs, some of which are protected areas.

Canaday's previous work in the Yasuní had identified particular species that could be found at different distances from areas of high biodiversity in a similar part of the Amazon. Statistical sampling using Discriminate Analysis indicates, for example, that insectivores (a class of birds) are the most sensitive to human disturbance. The number of species of this group is registered under comparable conditions (number of hours, time of observation, climate, altitude, etc.). The result is an excellent indicator of the level of human impact, and the key variable was noise generated by humans, whether from hunting, the oil industry, settlements, or farming.

Canaday developed the following simple framework for species analysis at each proposed site that provided indication of biodiversity richness.

† Sobrevila, C., P. Cristfani, A. Grossman, S. Keel. 1992. Evaluación Ecológica Rápida: Un Manual para Usuarios de América Latina y el Caribe. (Rapid Ecological Evaluation: A User Manual for Latin America and the Caribbean.) The Nature Conservancy, Science Program for Latin America, Arlington, VA, USA. 241 pp.

‡ Canaday, Christopher and Jiovanny Rivadeneyra, 2001. Initial effects of a petroleum operation on Amazonian birds: terrestrial insectivores retreat. *Biodiversity & Conservation* 10:567-595. <http://link.springer.com/article/10.1023%2FA%3A1016651827287>

Sensitive bird groups at site	Curaray	Kapirna	Suraka	Kapawi	Pakayaku
Ant thrush, Ant Pittas (Gralarias, Tororofoés, Formicarios)	0	3	2	1	1
Macaws (Guacamayos, Pyrilia)	1	2	3	2	0
Curassow, Hoatzin (Pavas, Paujiles)	(feather)	0	4	1	0
Other indicators of Primary Forest	0	4	0	0	1
<b>Total</b>	<b>1</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>2</b>

With this simple scheme based on observation at each site, Canaday was able to rate the levels of biodiversity in the five proposed research stations. The higher the number of indicator species, the more intact the ecosystem.

Both Neill and Canaday highlighted the importance of local indigenous knowledge in their analyses. They gathered brief histories of the resident community at each site, making note of the origin of each group and their interaction with the forest. Working with local indigenous guides, they identified plant and animal species and assessed levels of human intervention, which is critical for identification of suitable research stations. Some of the sites with very little human impact were extremely suitable for biological research, other sites indicated high levels of human intervention on the forest and were more suitable for other areas of research.

These were the criteria used for prioritizing the proposed research sites:

- Presence of intact ecosystems with all, or almost all, of the original species present and very low level of human impact evident
- High level of physical security for potential researchers and their equipment
- Accessible by reliable modes of transportation (the more pristine and unique the area, the more justifiable may be high costs of transportation)
- Cultural integrity of the surrounding communities (especially indigenous knowledge of the forest biodiversity)
- Openness of the communities to researchers (whether foreign or domestic) coming to study them, their land, and practices
- The existence of motivation within the community toward protecting and cultivating knowledge of their cultural heritage; an interest in alternative and sustainable uses of their natural resources

## Proposed Research Sites

Name	Indigenous nations	Biodiversity level	Suitability for research station	Possible research topics
San Jose de Curaray	Kichwa and Waorani	Low	Not in identified site	History of area; study of alternative income generation, permaculture application, commercialization of plant products, and installation of ecological sanitation as water contamination is a severe problem
Kapima	Shiwiari	High	Yes	Medicinal plants, sustainable production of non-timber products, plant and animal biodiversity inventories, ethnography, ethnolinguistics, ethnobotany, history, ceramics, gradients of impact from hunting, ecological sanitation techniques
Suraka	Zápara	High (priority)	Yes	Study of giant river otter; macaws, monkeys; inventories of flora and fauna; study of traditional practices, ethnolinguistics, ethnography, ethnobotany, medicinal plants, and ecological sanitation techniques
Kapawi	Achuar	Medium (mainly due to noise of the lodge)	Yes	Studies to minimize impact of the hotel on ecology; study of non-timber forest products, sustainable ecotourism themes, ecological sanitation, alternative energy sources, ecology, taxonomy, pink dolphin, howler monkeys, ethnography, ethnobotany, ethnolinguistics, ceramics, and impact of wood extraction on birds
Pakayaku	Kichwa	Low	Not in identified site	History of the area; study of alternative income generation, permaculture application, commercialization of plant products, ecological sanitation

## Project 2: Business plans, feasibility studies, and value chains identified

The project evaluated commercial potential of plant-based products in Pastaza using ecological, social, and economic criteria. Corpopastaza determined that the best approach was to work with plants and products already identified and in common use. The project assessed 188 species, from which 5 products were ultimately determined to have potential. The prioritization process involved a large amount of research as well as validation through workshops with invited experts. These products would help make biocommerce an integral part of the province's biodiversity conservation plan.<sup>†</sup> Eight products were initially

<sup>†</sup> The Province's conservation strategy was a key factor for the location of biocommerce activities. The conservation strategy has three use zones. The first is the intensified use zone (yellow), where most of the province's urban areas and roads are located. The second is the province's transition zone, where roads end (orange). The transition zone is essentially a buffer zone that the government wishes to see protected from further degradation. Finally there is the conservation and sustainable use zone, which covers 85% of the province (green). The intention of Corpopastaza is to promote the development of

identified as having potential market value: Chonta, Achiote, Sangre de Drago, Guayusa, Hierba Luisa, Canela, Vainilla, and Gengibre. All are naturally occurring products found in specific locations in Pastaza. All products have been analyzed in terms of sustainable yields, that is, that they can be harvested in a way that will have minimal impact on forest biodiversity and will provide the basis for conservation areas or reserves of surrounding forest ecosystems.

These studies also analyzed the market demand for these products and determined that three (Guayusa, Vanilla, and Ginger) of the eight products had existing value chains and robust market demand. Another three did not have existing market demand without significant investment (Sangre de Drago, Achiote, and Canela) and the remaining two had potential market demand but no existing value chain development in the province. These analyses showed that five of the eight products can be sustainably produced and have a potential market. However, Achiote, Canela, and Sangre de Drago were found to have lower long-term productive potential with the criteria used by Corpopastaza, and due to the significant investment required for the development of products and a value chain, they were not selected.

Feasibility studies were conducted for the products. They were classified into three product lines—edible products, cosmetic products, and pharmaceutical products—and were analyzed through another set of criteria to weigh the results so that a feasibility matrix could indicate the most favorable product lines (see table below).

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sustainable biocommerce activities in the intensified use and transition zones as a way to build sustainable incomes and alternatives to extensive agriculture. The proposed Centers for Scientific Investigation are located in the green zone and are only accessible by air or river.

## Feasibility Matrix for Favorable Product Lines

Products	Comestibles	Cosmetics	Pharmaceutical	Weighted Value
N.C: Aloysia triphylla; N. COMÚN: Hierba Luisa	Infusión, rehydrating drink, dried product, flavoring	18 Essential oil, cream, extract	9 Extract	3 30
N.C: Zingiber officinale; N. COMÚN: Jengibre; N. ACHUAR: Ajei	Flavoring, preserves, condiment.	9 Essential oil, cream, extract	9 Syrups, Extracts, Infusions	9 27
N.C: Vainilla sp; N.COMUN: Vainilla	Flavoring, food additive	9 Essential oil, jabones, extractos, perfumería	12 Extract, capsules	6 27
N.C. I.: Guayusa; N. COMÚN: Guayusa	Stimulant, rehydrating drink	9 Face masks, creams	6 Energy supplements	6 21
N.C.: Croton lechleri; N. COMÚN: Sangre de Drago	N/A	0 Creams, soaps, extracts,	9 Creams, soaps, extracts,	9 18
N.C.: Bactris gasipaes; N. COMÚN: Chonta	Flour, coffee, pulp, fat supplement	12 Essential oil, dry extract	6 N/A	0 18
N.C: Ocotea quixos; N.COMÚN: Canela	Flavoring	3 Essential oil, creams, extract	9 Syrup additive	3 15
N.C.: Bixa Orellana; N. ACHUR: Ipiak N. COMUN: Achote	Color	3 Color	3 Fungicide	3 9

Ultimately five products were selected from these eight for the first phase of this project development by Corpopastaza: hierba luisa (lemongrass), gengibre (ginger), vainilla (vanilla), guayusa (a caffeinated tea-like leafy plant), and chonta (a multi-use native palm).

The final values assigned to each product, after applying the criteria, were weighted against projected cost flows, potential biological impacts, and evidence of potential value of production. The results indicated, as in the following summary table produced by Corpopastaza for one of its validation workshops, that three of the five plants could offer indigenous communities a high value product with significant revenues and high potential for supporting biodiversity conservation.

Products	Feasibility	Observation
Lemongrass	No	Negative cash flow, real and projected
Chonta palm	No	Negative cash flow, real and projected
Vanilla	Yes	Highly profitable
Guayusa	Yes	Highly profitable
Ginger	Yes	Highly profitable

Each of the plants meeting all social and ecological criteria was analyzed for potential products that could be developed or potential

relationships that could be formed with companies already marketing products derived from these plants. For example:

1. Guayusa is being produced for international export by a company called Runa. As an energy drink or tea, the caffeine in Guayusa combines with a naturally occurring compound also found in dark chocolate (L-theanine) to provide a calm focused energy. It also has powerful antioxidants, three times the level found in green tea. Runa has been mixing the Guayusa with other products like vanilla and citrus for additional flavor. As a result of PNII support, Runa is now looking at the feasibility of combining these value-added products in Ecuador before export to produce more income benefits for indigenous producers.
2. Flora Sana is producing body lotions from ginger and Palo Santo and may be linked to the PNII Palo Santo producers.
3. Productos Chankuap is producing creams and lotions from ginger, hierba luisa, vanilla, curcuma, and other plants. As a result of PNII support, Chankuap is working to transfer knowledge and experience to Corpopastaza.

Each plant was evaluated examining market demand and then using rigorous financial analysis and cost projection to determine marketable products worth the investment. Five plans are now fully developed and Corpopastaza only needs to confirm investment strategies and advance business plans for the commercialization of the three high priority biocommerce products in the Province.

## Results

### *Centers for Scientific Investigation*

PNII's support was too limited to demonstrate improved management or direct economic benefits within the four months of implementation time it had to support the development of Corpopastaza. However, within that time, PNII has supported the development of concrete plans for activities under the direction of Corpopastaza that will result in direct benefits to communities in the following Research Stations:

Location of Research Station	Indigenous nationality	Number of communities	Number of people	Territory
San José de Curaray, Curaray	Kichwa and Waorani	--	2,383	7,662 km <sup>2</sup>
Kapirna, Río Corrientes	Shiwar	8	698	89,377 ha
Suraka, Montalvo	Zaparo	27	200	54,250 ha
Kapawi, Montalvo	Achuar	28	1,959	708,630 ha
Pakayaku, Sarayaku	Kichwa	--	1,500	2,797 km <sup>2</sup>
<b>Total</b>		<b>63</b>	<b>2,857</b>	<b>852,257 ha</b>

Source: Pastaza Development Plan, 2011

A total of 63 communities (approximately 2,857 people) are projected to indirectly benefit from the creation of centers for scientific investigation, and as much as 852,257 ha of biologically significant areas will be under improved management as a result of PNII support in the post-project period. These numbers do not include San Jose de Curaray (Curaray) and Pakayaku (Sarayaku) due to the low level of community engagement at the locations visited in these administrative joint parishes to date. However, because the Government of Pastaza has committed resources in its annual budget to developing research centers in each of the joint parishes of the province, Corpopastaza will be tasked with defining appropriate areas within Curaray and Sarayacu for these research centers. As Corpopastaza continues to explore these areas, the number of ha under improved management and number of communities benefitting directly from this intervention is likely to grow. A conservative projection of direct beneficiaries of the project is projected to be closer to three persons per community or 189 people. Priorities identified by Corpopastaza are the inclusion of the areas of Waorani, Andoa, or Shuar territory in the research stations for Curaray and Sarayaku.

#### *Biocommerce Value Chains*

PNII's support of biocommerce value chains likewise has not yielded direct benefits for communities but is projected to benefit communities producing guayusa, vanilla, and ginger in the immediate future as well as lemongrass and chonta palm over the longer term through Corpopastaza. The table below gives an indication of the potential maximum numbers of beneficiaries from the value chain production.

Product	Location of production center	Indigenous nationalities	Families	People	Ha under improved management
Guayusa	San Jacinto, Madre Tierra	Kichwa, Shuar, Achuar, Zaparo	300	1,500	544.77 ha (Protection Forest Jawa Jee)
Ginger	Veracruz	Kichwa, Shuar, Mestizo	275	1,375	Watersheds
Vanilla	Veracruz, El Triunfo, and Canelos	Kichwa, Shuar, Mestizo	875	4,375	Watersheds
Lemongrass	Fátima, Diez de Agosto	Kichwa, Mestizo	380	1,900	Watersheds
Chonta palm	Santa Clara and parishes of San José, El Triunfo, Teniente Ortíz, and the Cantón of Arajuno	Kichwa, Shuar, Mestizo	1100	5,500	3174.34 ha (Protection Forest Abitagua I) 3326.72 ha (Ceploa)
<b>Total</b>			<b>2,930</b>	<b>14,650</b>	<b>7046 ha</b>

Source: Pastaza Development Plan, 2011

Actual numbers of beneficiaries are likely to be a maximum of 2,930 families. A reasonable estimate of direct beneficiaries assumes that only one member of each family is employed through these enterprises,

therefore direct beneficiaries from the productive biocommerce value chains are projected to be 2,930 people. PNII's support for development of sustainable biocommerce value chains is projected to improve the management of at least 7,046 ha of protected areas in Pastaza through support to projects that will provide economic incentives to communities for biodiversity conservation. These projects will amplify production of native plants, as identified above, that can be harvested and managed sustainably by local communities for their benefit.

#### *Biodiversity Indicators*

Indicator	Target	Actual	Projected
Beneficiaries (people)	2,250	--	3119
Ha under improved management as a result of PNII support	7,000 ha	--	859,303 ha

#### *Biodiversity Lessons Learned*

##### *Lesson 1: Conserve biodiversity through sustainable, market-led production of natural resource-based products*

In Zapotillo, sustainably produced Palo Santo oil offers a profitable alternative to local livelihood practices that are endangering the very resources upon which communities rely, tackling one of the root causes of environmental degradation. Using a market-led approach was critical to ensuring communities had a profitable outlet for sustainably produced products, an area where previous environmental projects had struggled both in Ecuador and worldwide. Project partners established purchasing agreements with buyers Natura and ADITMAQ and obtained a premium price for the sustainably harvested essential oil.

In Pastaza, PNII partnered with indigenous communities, universities, and private sector companies to identify sustainably produced, naturally-occurring forest products with identified markets, laying the groundwork for connecting these communities with buyers committed to sourcing sustainably. The economic benefits from exporting these products provide communities with direct incentives to conserve the rainforest.

##### *Lesson 2: Strong institutions are needed to uphold biodiversity conservation plans*

In both the Palo Santo and the Pastaza projects, PNII's approach of coordinating actors with common interests in economic development and conservation demonstrated how important institutional relationships are to the success of projects. In Zapotillo, ADE Loja plays a lead coordination role, provides technical assistance to build farmer's production capacity, and links communities with buyers of essential oil and goat milk products; UTPL conducts ongoing research

and development into Palo Santo products; the community sustainably manages the Palo Santo forest, harvests the fruit, and works in the university lab in oil extraction; NCI oversees forest management plans, conducts annual forest evaluations, and leads efforts to declare forest reserves; MAE issues annual harvesting permits based on NCI's forest evaluations; ADITMAQ, Natura, and ECOLAC provide a secure market for Palo Santo and goat milk products as well as technology transfer; and the local government supports ongoing development planning and declaration of reserves.

In Pastaza, PNII's support for the creation of Corpopastaza has facilitated engagement with a set of actors who previously could not get access to the Government of Pastaza. For example, international assistance from France, The Netherlands, and Germany; regional conservation organizations; and domestic and international universities are now able to reach out to the Corpopastaza to express interest and support in the provinces conservation and development needs. Corpopastaza is able to coordinate these interests. This means that through Corpopastaza, the Government of Pastaza is engaging more effectively with new actors. This engagement has also significantly strengthened the province's capacity for long-term planning, coordination of international assistance and research programs, and the overall strengthening of biodiversity conservation initiatives in the province.

*Lesson 3: Integrate biodiversity conservation into regional planning and development policies*

Productive Network capitalized on Ecuador's broader, political agenda to decentralize economic development efforts through building the capacity of regional economic development agencies in Loja and Pastaza and throughout the country. These agencies are responsible for guiding and implementing development strategies in their provinces. As public-private entities tasked with convening and representing the interests of diverse stakeholders, ADE Loja and ADE Pastaza are empowered to make policy recommendations that mainstream conservation and sustainable use of biodiversity into provincial strategies, policies, plans, and programs.

With support from project staff, ADE Loja worked closely with NCI to build the institutional capacity of the local government to effectively design and implement policies that integrate biodiversity conservation. Recognizing the economic value of conserving the Palo Santo forest, the municipality of Zapotillo declared the area a municipal reserve. All local products made from Palo Santo are now produced under brands promoting them as beneficial to sustainable local development.

In Pastaza, The Yasuní Biosphere Reserve has been opened to oil exploration. From this oil field and others across the province, which

the central government wishes to open in the coming months, huge percentages of revenues are expected to flow to the Government of Pastaza. Corpopastaza is well-positioned to advise the provincial government in directing those revenues toward projects that can support conservation and strengthen economic incentives of conservation for local indigenous communities. Ongoing technical support will be needed for the Corpopastaza to continue to develop the expertise, skills, and confidence to coordinate and direct sustainable productive activities that can support biodiversity conservation in the province in the face of the threat that oil exploration poses. CEDET is well positioned to continue to provide technical support to Corpopastaza as part of the network of 14 agencies involved in PNII. Corpopastaza and its network of partners have the potential to undertake major initiatives in the province in ways that can directly benefit local communities and strengthen biodiversity conservation.

## COMPONENT III: ECONOMIC POLICY

The objective of this component was to significantly improve the business enabling environment—specifically those areas of the business environment that can support other project work in regional agency development, agribusiness, tourism, and investment promotion—by providing strategic support to both public and private sector stakeholders to promote adoption of market policies and institutions that generate employment and growth.

PNII focused on supporting policy initiatives framed around specific sub-sector or regional impacts and built on international best practices in economic development. The strategy for this component was to contribute to effective design and implementation of a carefully-selected group of economic policies that can contribute significantly to Ecuador's improved competitiveness and specifically those could contribute to improved regional economic development processes, investment attraction, and dynamic support to the agribusiness and tourism sectors.

We measured our progress toward improving the business enabling environment using three indicators:

*3.1 Number of policy initiatives adopted by GOE and supported by PNII*

*3.2. Number of policy initiatives adopted by CEDET and supported by PNII*

*3.3 Number of policy initiatives implemented by GOE and supported by PNII*

“Adoption” refers to the incorporation of policy proposals into a legal documents that direct future development of public policies or that are at least are part of initiatives supported by the GOE with the understanding that they will become law in the future. “Implementation” on the other hand, is the practical application of these legal documents, so that the policies adopted become reality toward addressing Ecuador’s economic development. Perhaps in another context this separation of indicators would not have been necessary, but given that in Ecuador laws are frequently enacted and then later repealed or simply never implemented, USAID suggested that we incorporate this distinction in our performance measurements for this component of the project.

## Approach

Within the context of PNII, economic policy reform was defined as improvement of economic policy or regulatory frameworks consistent with the objectives of the project, including legislative or regulatory changes, policy proposals, and designing strategic actions required to ensure policy implementation. Criteria used in selecting policies to be addressed included:

- Cost-benefit of each specific action
- Ability to impact investment and employment
- Impact on gender
- Number of affected persons and businesses
- Fund leveraging possibilities
- Contribution to improve the national business environment based on a regional approach
- Ability to make a significant impact on tourism or agribusiness sector development
- Limiting negative environmental impact
- Ability to complete and implement the policy action within a one-year time frame

Active preparation and participation of the ADETs was promoted in economic policy reform to support their role as intermediaries mobilizing financial resources from GOE Ministries in line with the thrust toward decentralization and the provincial governments’ agendas and productive development initiatives.

PNII’s approach was to strengthen the ADETs’ capacity to efficiently manage decentralized funds so that these would eventually become a sustainable source of operational resources for ADETs. Financial

### Executive Decree No. 544

In November 2011, the President of Ecuador issued a decree authorizing programs to transfer public resources to private sector actors, which had previously been prohibited. PNII worked with the MCPEC to develop the regulations guiding the implementation of this decree.

*Article No. 1: Ministries, national secretaries, and other public sector institutions can carry out direct transfers of public resources in favor of natural or legal persons, exclusively for the implementation of investment programs or projects that directly benefit the community.*

sustainability would in turn help ADETs fulfill their role in promoting economic development in their regions.

Ideas for economic policy reform were presented by PNII to the representatives of CEDET, the Ministry for the Coordination of Production, Employment, and Competitiveness (MCPEC), and USAID to make a joint determination on the policy opportunities according to the established criteria. Final selection of the policy areas to be targeted was made by the GOE and the local autonomous governments. The project then developed implementation plans for each policy area chosen, including a timeline of execution and socio-economic benchmarks to be achieved.

Due to budget constraints, USAID/Ecuador instructed PNII to phase out its economic policy work in 2012. PNII therefore committed minimal financial resources to economic policy work in FY 2012 and FY 2013, and focused on overseeing and supporting the implementation of the policies adopted in FY 2011.

### Final PMP Results

PNII surpassed its goals for Component 3 for all three indicators. The policy initiatives adopted by GOE (Indicator 3.1), policy initiatives adopted by CEDET (Indicator 3.2), and policy initiatives implemented by GOE (Indicator 3.2), are summarized below.

## Policies Adopted by the National Government

<b>Policy 1</b>	Establishment of mechanism enabling the implementation of public policies through private sector actors (agenciamiento) and the inclusion of this mechanism in the Código Orgánico de la Producción, Comercio e Inversiones, or Production Code.
<b>Policy 2</b>	Establishment of a mechanism that allows public resources for productive development to be transferred to private actors in the form of a subsidy, which was also successfully inserted into the Production Code. These resources will not be bound by Ecuador's public procurement procedures.
<b>Policy 3</b>	Redesign of the FONDEPYME Program of the Ministry of Industry and Productivity (MIPRO) in order to transform it from a single instrument that was virtually paralyzed from an operational point of view into a blanket trust fund structure. This new trust fund structure paves the way for an array of specialized decentralized programs and instruments to be efficiently and effectively developed under its aegis.
<b>Policy 4</b>	Design and implementation of a new ministerial financial support program for the development of Micro, Small, and Medium-sized Enterprises (MSMEs) and decentralized productive development called Produce Ecuador, or Ecuador Produces, a program within the largest fund FONDEPYME.
<b>Policy 5</b>	Creation of a new ministerial program to create regional business development centers, since re-named Innovacentros by the GOE, which will allow local productive agents, in particular the ADETs, to access the infrastructure, equipment, and operational funds they need to support productive activities in their area.
<b>Policy 6</b>	Approval by the Intersectoral Ministerial Production Committee of a series of rules regulating the selection, contracting, and evaluation processes for agents and agencies involved in productive development. The basic principles of these rules should serve as a model to define similar regulatory mechanisms for the GADs.
<b>Policy 7</b>	National plan adopting environmental standards and methodologies to produce and industrialize biofuels in Ecuador under MCPEC.
<b>Policy 8</b>	Assistance to the MCPEC to decentralize the program EmprendeEcuador.
<b>Policy 9</b>	Implement a training program with national accreditation for regional operators, in collaboration with the MCPEC.
<b>Policy 10</b>	Regulatory framework to support the development of production and transfer know-how to the regions.
<b>Policy 11</b>	Establishment of an Agricultural Fund at the national level to finance agricultural production.
<b>Policy 12</b>	Standard rule of accreditation/certification for operators of agencies of those issued by the Ecuadorian Accreditation Agency.
<b>Policy 13</b>	Design of a system of M&E of the process of "agency management" at the national and regional levels for the MCPEC's flagship programs.
<b>Policy 14</b>	Design of a mechanism to decentralize public programs in the productive sector.

## Policies Adopted by CEDET

<b>Policy 1</b>	With technical and coaching support from PNII, CEDET developed a proposal to the MCPEC in FY 2011 giving it the capacity and funding to implement the MCPEC's decentralized programs (EmprendeEcuador, CreEcuador, InnovaEcuador). In FY 2012, this policy was adopted by the MCPEC, which entered into a service agreement with CEDET to transfer skills to the ADETs to manage the EmprendeEcuador program in as many regions as expressed interest. CEDET consultants have trained the ADETs of Santo Domingo, Guayas, Chimborazo, Loja, Carchi, and Imbabura in all the operational mechanisms of the EmprendeEcuador program so that they can receive the subsidy from the MCPEC to manage these programs in line with decentralization.
<b>Policy 2</b>	Adoption of a new policy, in collaboration with MCPEC, that contributes to improving the enabling environment for productive development.
<b>Policy 3</b>	Piloting of regional development policies in Quito.
<b>Policy 4</b>	Piloting of regional development policies in El Oro.
<b>Policy 5</b>	Piloting of regional development policies in Manabí.
<b>Policy 6</b>	Piloting of regional development policies in Imbabura.
<b>Policy 7</b>	Piloting of regional development policies in Napo.
<b>Policy 8</b>	Piloting of regional development policies in Esmeraldas.
<b>Policy 9</b>	Joint CEDET-CADERS initiative (Agricultural Competitiveness and Sustainable Rural Development Project within MAGAP) to design a network of collection centers for agricultural products worth \$500,000.

## Policies Implemented by Local and Regional Governments

<b>Policy 1</b>	Redesign of the FONDEPYME Program of the MIPRO in order to transform it from a single instrument, which was virtually paralyzed from an operational point of view, into a blanket trust fund structure. This new trust fund structure paves the way for an array of specialized decentralized programs and instruments to be efficiently and effectively developed under its aegis.
<b>Policy 2</b>	Design and implementation of a new ministerial financial support program for the development of MSMEs and decentralized productive development called Produce Ecuador, or Ecuador Produces, a program within the largest fund FONDEPYME.
<b>Policy 3</b>	Assistance to the MCPEC to decentralize the program <i>EmprendeEcuador</i> .
<b>Policy 4</b>	Establishment of an Agricultural Fund at the national level to finance agricultural production.
<b>Policy 5</b>	Establishment of revolving fund for productive development in Esmeraldas.
<b>Policy 6</b>	Establishment of revolving fund for productive development in Manabí.
<b>Policy 7</b>	Establishment of revolving fund for productive development in Carchí.
<b>Policy 8</b>	Decentralization of Conquito Program.
<b>Policy 9</b>	Decentralization of Napo Program.
<b>Policy 10</b>	Decentralization of El Oro Program.
<b>Policy 11</b>	Implementation by the Ministry of Heritage of the <i>Emprende Patrimonio</i> Program, which models the <i>Emprende Ecuador</i> Program, whose design PNII supported at the request the MCPEC.
<b>Policy 12</b>	Joint CEDET-CADERS initiative (Agricultural Competitiveness and Sustainable Rural Development Project within MAGAP) to design a network of collection centers for agricultural products worth \$500,000.
<b>Policy 13</b>	Development of a training program on institutional development with PNII support.

## COMPONENT IV: CROSS-CUTTING ISSUES

### Gender

PNII applied a gender lens to its activities by ensuring that the specific needs of women were considered in the design and implementation all project components. Project staff maintained gender as a consideration in making hiring decisions, selecting partner organizations, and designing training activities. Over the life of the project, a gender lens was also applied to data collection and evaluation, primarily of Component 2 and 3 activities. PNII additionally took steps to incorporate the private sector into the national dialogue on gender in Ecuador.

However, despite the GOE's interest in applying a gender perspective to its economic policy work, budget considerations and USAID mission priorities required PNII to phase out its work related to gender starting at year three of our contract.

#### Incorporating a Gender Lens into Data Collection and Project Implementation in Productive Sector and Biodiversity

PNII launched its gender initiative through a comprehensive analysis of gender considerations within the project's target economic sub-sectors, tourism and agribusiness.

The project additionally required all contract work to be reviewed by an in-house gender expert to ensure that gender needs were adequately

addressed in scopes of work for consultants, sub-contracts, and other policy and sector activities.

To improve the application of this lens to programming, PNII identified an external expert who conducted an in-house training for all project staff on how to address gender more proactively.

Gender was also an important concept in the agency-building trainings, so that ADETs were clear that gender considerations should be actively integrated into productive sector policy development and implementation.

To incorporate a gender lens to our productive sector work in agribusiness and tourism, PNII hired the services of a local specialist in agribusiness, environment, and gender. This consultant spent six months learning about our activities in tourism and agribusiness by reviewing our productive sector scopes of work, conducting site visits to new activities, and interviewing staff and consultants involved in the project. She also conducted a series of regional and national training sessions for project staff, consultants, and partners on how to view productive sector projects through a gender lens and how to incorporate gender considerations into agricultural and tourism work in Ecuador.

All of PNII's agribusiness activities have incorporated mechanisms to address gender considerations and enjoyed the active involvement of women in the implementation of projects and training plans. We estimate that about 30% of the cultivation work under our agribusiness projects was executed by women. Apart from this, PNII actively encouraged female participation in decision-making processes involving production and marketing. Three important projects should be noted where female management has been integral to technical implementation:

[Industrialization of Palo Santo in Zapotillo](#). In this project, women played a pivotal role in the development of new commercial ventures for their community. This decision-making process was virtually led by women, who successfully developed and marketed products with the goal of generating revenue to strengthen the Malvas community bank. As part of the rosewood forest protection initiative, community members developed rosewood oil-based products with commercial value, such as candles and mosquito repellent, a process that was implemented almost exclusively by women.

[Corn production in Manabí](#). The second case is corn production in Manabí, which managed to involve 10% of women leaders and create a new partnership of Manabí women with support from ADPM. It has been interesting to see that the decision of commercialization and sale of the product falls under the responsibility of the women of the

community, not of men who are integrated more in the productive phase. The basic reason for this is that in the rural areas where corn is grown, the woman is the homemaker and is responsible for the food required for subsistence of their family and their pets, so when it comes to selling, or collecting, women make prioritized decisions.

[CODENOR Association](#). In the case of the project to support the CODENOR Association, it is relevant to mention that 48% of its partners were women; therefore women in the community have made many of the implementation decisions for this project.

Because PNII has identified management roles as a relevant factor in female development and success, it is fitting to highlight the following:

1. In the tourism sector, the concept of gender has different dimensions as compared to any other sector, and in this sector the number of women is much greater than men, by a ratio of 60 to 40 percent. In this context, there were several actions PNII took with regard to the theme of gender.
2. In the Cocoa Route project, the biggest impact that the project has had is the empowerment of women in the community over their business and having them trained in business management. Thus, they can achieve a better management of the business so that, in the short term, their personal income increases and their level of preparation is better.
3. Within the tourist product clubs, we highlight the leadership of some of the managers of lodges and tour operators who have been key participants helping the clubs to generate dynamism and grow rapidly. A clear example of this is the presidential leadership the Haciendas Club had. The manager of Hacienda Chorlavi now coordinates the club. Through her leadership, the plans and actions that the club should take have been done quickly and professionally.
4. Ensuring the application of a gender lens has been as much a focus of the biodiversity projects as it was of the economic development projects, since women are protagonists in the protection of the environment, and a deep understanding of the roles of men and women in biodiversity conservation was necessary to ensure the success of activities.

While the Pastaza project did not focus exclusively on gender, gender plays a central role in the practices of indigenous land managers supported by the project. PNII supported two activities in the Amazon Biodiversity Conservation project.

The [evaluation of five communities for the establishment of research stations](#) to help strengthen indigenous knowledge of the forest and forest products and assessment of the suitability of the locations for further research on forest biodiversity, mammals, birds, insects, plant inventories, ethnobotanical knowledge, linguistics, ceramics, ethnography, medicinal plant knowledge, and more. Researchers evaluating the location observed that women and men have different knowledge about medicinal plants. The different indigenous groups have specific gender roles. Women are important participants in meetings because of their traditional ecological knowledge of medicinal plants and indigenous names and uses. As CorpoPastaza continues with its implementation of these projects after PNII support has ended, we anticipate that gender analysis will be incorporated into the full feasibility studies for the research stations, particularly as one of their key consultants is a female Shuar Shaman who focuses on medicinal plant used by women in the Amazon.

The second activity in the [Amazon Biodiversity Conservation project](#) was the identification of viable value chains for native plants in specific locations throughout Pastaza that could be developed in situ with community members, mostly women. From a total of over 300 potential products, five products were identified according to a set of ecological, social, economic, and gender criteria. The role of women in developing these products is critical, as many are traditionally collected by women, and women are the ones who have safeguarded the knowledge about medicinal plants. When these projects are developed, gender and the role of women will be regarded as a key element of the value chain.

At least 50% of the representatives of indigenous nations who participated in the workshops to assess viable value chains were women, as was often the president of the association.

In the Palo Santo oil project, 77 of the 185 people trained were women and 108 were men.

### [Incorporating a Gender Lens into Economic Policy Work](#)

In an effort to incorporate a gender perspective to our economic development policy work, we contracted the services of an international consultant to assist the project in reviewing productive sector economic policies of the GOE and how these could be improved to have more of a development impact on women and to assist our GOE and regional partners in the integration of gender considerations when developing new regional and national economic policies.

The consultant, a former labor minister of Chile, visited Ecuador in November 2011 and met with representatives of both the MCPEC and the MIPRO to assess how these ministries incorporated gender into their productive sector policies. Her finding was that neither ministry, in spite of being led by women, had intentionally considered gender while developing their “emblematic” productive sector programs, such as CreEcuador, InnovaEcuador, EmpreendeEcuador, FONDEPYME, or the MIPRO’s new initiative to support InnovaCenters. Representatives of both ministries recognized that they needed to include a gender perspective in new policy design and requested assistance from PNII and its consultant to better incorporate the subject of gender into its productive sector policies. In the case of the MIPRO, MIPRO staff developed a list of possible actions to improve their inclusion of a “gender lens” into their ministry’s policy programs, including the development of an entrepreneurship program specifically targeting female entrepreneurs.

The international gender policy consultant also participated in the final, national training that PNII and the MCPEC hosted to technically accredit operators of national productive development programs. Forty-six representatives of eight of Ecuador’s prefectures and the association of prefectures (CONGOPE) attended a two-day training session on the subjects of gender in economic policy development and innovative financial services for value chains. The training was held in Quito on November 22 and 23, 2011, and was directed toward members of the provinces’ regional economic development agencies, who would serve as operators of productive sector programs of the national government in the future. In addition to the international gender policy consultant, a former Executive of Citibank in Peru also led these training sessions. Participants received a broad overview of how different countries implement gender perspectives into their economic policy planning and learned about specific ways that they could do the same. They also developed a list of specific actions they would take back to their prefectures and supervisors on how they would incorporate a gender perspective into their economic development policymaking at a regional level.

### Changing the National Dialogue on Gender and Incorporating the Private Sector

At the suggestion of the Chief of Party (COP), PNII began one activity in an effort to address the direction of the national dialogue on gender in the country. At the moment, discussions on gender were primarily led by international donors and specific actors within the GOE whose responsibilities included gender. The private sector, which other than the GOE, is Ecuador’s largest employer of women in the country, is largely absent from these conversations. Over the course of FY 2011, PNII staff collected a number of examples of how the

private sector, mostly when led by women, is concretely improving the situation of women within their companies, either through leadership or social programs, actions which have a positive impact on their enterprises' bottom line.

Given the private sector's largely unrecognized involvement in gender issues, PNII set out to convene female leaders of Ecuador's private sector to discuss this issue. A committee was formed with 17 women representatives from various industries, such as agriculture, extractive sector, pharmaceutical sector, financial sector, and tourism, among others. The common denominator was their sensitivity to the issue of gender and involvement in the design and leadership in programs and activities linked to the promotion of women in enterprise development within their respective industries.

The goal of bringing these women together was to gain their commitment to assist in the design and implementation of an event that would highlight the participation of Ecuador's private sector in promoting improved leadership opportunities and outcomes for women.

On May 17, 2012, more than 100 members of the Ecuadorian private sector attended the event held in Quito, sponsored by the project of PNII and USAID, GIZ, and the World Bank (WB), with the purpose of recognizing the contribution of the private sector in the promotion of gender issues in the development of production. In this event, four members of the Ecuadorian private sector (representing the wood processing, flowers, Andean grains, and frozen vegetable sectors) spoke of their innovations efforts to protect the female workforce and provide leadership development opportunities for women within their respective industries.

Several Ecuadorian companies received public recognition, but the company Roma Verde, S.A., of the group of farms Rosas & Rosas (one of the flower growers that provides roses for the Memorial Day ceremony at Arlington National Cemetery) received the 2012 award for its commitment to the development of women through corporate policies and social responsibility, the same actions that have led to positive results for the development of women and the economic interests of the company. Finally, the event culminated with the official announcement of the formation of the first Ecuadorian organization of female executive leaders, which now has 74 members.

The main goals set by this committee with the intention to institutionalize the women's group were the following:

- Share with others the important role played by Ecuadorian women in the area of economic development, especially through the leadership of women in the private sector.

- Emphasize the existing potential to achieve better results in the field of economic and social development to increase women's participation in leadership positions.
- Increase public awareness of the important experiences that have emerged in the country in terms of women's leadership in the areas of economy and business development, increasing their potential in the areas of politics, academics, and the private sector.

Also, with the purpose of exposing the PNII experience in the creation of a network of business leaders, PNII's Chief of Staff had a space for participation in the seminar, "From Entrepreneur to Businesswoman: Business in Heels," organized by Mujer Emprende, an organization of Fulbright alumni financed by the United States Department of State.

This entity organized the aforementioned seminar, which was held at USFQ on March 7 and 8, 2013. During the event, the issue of female entrepreneurship was addressed along with its importance and potential for the development of the country. The purpose of this event was to motivate, guide, and empower Ecuadorian female entrepreneurs to develop strategies and design a way to expand their businesses.

The idea behind the intervention of PNII in this seminar was to demonstrate how networking positively impacts female entrepreneurship; various studies carried out by academia and independent researchers thus argue it. Similarly, there are special cases in Latin America (e.g., Comunidad Mujer in Chile) that constitute evidence favorable to the hypothesis.

Based on this scenario, we shared what our project (PNII) has done in this regard and the opportunity that this represents for women entrepreneurs and businesses that wanted to join this initiative.

The network of women business leaders created by PNII, with the support of GIZ, the WB, and UN Women in May 2012, was raised as the possible institutional space that could link this new group of women entrepreneurs and businesswomen attending the mentioned seminar.

Finally, on March 26, 2013, at the offices of PNII, a new meeting of the network of women business leaders took place. In this space, in which 17 women participated, they exchanged views on how to have a clear structure and a calendar of activities to keep the network alive. As a result of this meeting, they came to the following agreements:

- It is necessary to delimit the scope of action of the network to issues concerning being women and entrepreneurs.
- The network will work in areas of both reflection and action.

The first activity that engaged the participation of the network was the forum, “The Cost of Violence to Women in Business,” organized by the GIZ, PNII, the Chamber of Commerce of Quito (CCQ), and IDB, and took place in the auditorium of the CCQ on April 9, 2013.

An Interim Committee was established to lead the actions of the network until it has a formal structure.

## Communications

PNII’s communications work this year was divided into two primary activities: 1) developing tools to disseminate information related to project activities, and 2) disseminating information on project activities. After securing a number of national and regional media spots, our work focused on improving the communications skills of project partners and maximizing the impact of communications materials that we developed with them. Our goal was to help partners develop practical communications strategies that highlighted their impact at the regional level and reached a larger segment of their target audiences.

Another internal challenge was working with the project’s Component Managers to shape project messages and develop agendas for events in ways that maximized our impact to target audiences.

The primary goal of this work was to disseminate, in written media, radio, and television, information about activities or specific events that the project was implementing. In each of our dissemination activities, we draw attention to the support of the U.S. Government and taxpayers and the participation of officials from the project as well as from USAID or the U.S. Embassy as a whole. These efforts aimed to increase understanding among our target audiences of the objectives of PNII and the U.S. Government through its support to Ecuador.

It must be noted that PNII did not have the support of a communications specialist since February 2012, hence various specific communicational activities were assumed by the Chief of Staff. Added to this, there were budgetary restrictions of this project that in one way or another led to less media coverage, press releases, and other related activities. Nevertheless, during the last semester of the project, a specialized firm was hired to design and implement a Media Plan to organize, run, and oversee the closing event of our project.

### Internal Communications

*Includes: Web page, periodic reports (monthly, Semi-Annual Reports (SARs), Annual)*

During the first semester of the project's life, PNII designed a new institutional identity and applied it to all of its administrative and communications materials (business cards, email signatures, letterhead, envelopes, etc.) The identity included a slogan, "Innovation in Development," that underscored the project's added value to development efforts in the country.

Once the institutional identity was developed, the Communications Manager developed a branding implementation strategy to ensure compliance with the USAID branding rules, in addition to a communications strategy that outlined the communications and public relations activities per component and how these would be implemented. This strategy was approved by USAID and presented to USAID and the U.S. Embassy Quito's Public Affairs Section to ensure a smooth coordination with USAID and the U.S. Embassy.

Our website has been perhaps our primary dissemination tool, and additionally we used presentations to reach USAID and technical staff from other USAID projects.

Last, we have issued periodic reports to communicate internally with the home office, USAID, and our main partners. Weekly reports on activities and results were delivered until August 2012, whereupon they were replaced by monthly reports per a Task Order Modification. PNII's Semi SARs have been our most relevant tool to describe project activities and the cumulative results obtained.

## External Communications

*Includes: Media coverage, events (PR, institutional economics training), media value (matrix and total value)*

The project's Communications Manager worked as a "behind-the-scenes" technical support to the CEDET and the regional partners (ADETs and APRI) in their communications work as a capacity-building measure. Technical support activities included the development of communications plans, workshops, manuals, brochures, and web pages.

Support provided to CEDET/ADETs included the following:

- Support to CRECER, Riobamba's ADET, in planning for the presentation of Riobamba's Competitiveness plan.
- Support to CONQUITO to develop this ADET's communications plan.
- Providing coordination support to the CEDET-led workshop titled, "Presenting the Cooperation Model of the PNII Project with

CEDET, ADETs, and APRIs,” which took place on February 3, 2011, in Quito.

- Supporting ADETs in coordinating the media surrounding the project COP visits to CORPOESMERALDAS and ADE Santo Domingo.
- Coordinating the project visit to CORPOAMBATO and the meeting with the Prefect of Ambato to outline possible areas for support.
- Another dissemination tool we used to spread project messages was the publication of the manual titled, “Information on the Legal Feasibility of Implementing Agencies for Innovation.” This publication was used as a primer for the training program for ADETs and other business development services operators that PNII organized in conjunction with Ecuador’s MCPEC. This manual was since shared with hundreds of national and regional actors, in an effort to improve their understanding of the agency development process underway in Ecuador.
- In a push to increase public knowledge about the role of the ADETs, PNII developed communications strategies together with staff of CORPOESMERALDAS and ADECARCHI, including design and production of communications materials and construction of websites for both.
- Provided help to the ADET from Bolívar, CODECOB, in developing communications materials and coordinating logistics for visitors from Cali’s ADET to ADETs in the provinces of Bolívar, Pichincha, Tungurahua, and Guayas.
- PNII also helped the ADET from El Oro develop its communications strategy.
- We also provided technical assistance to support the ADETs and APRIs to form and disseminate their project messages. When the agencies had a story to tell, they worked with PNII’s Communications Manager to develop the appropriate communications tool and strategies for its dissemination, such as in the project’s weekly bulletin to USAID, on our website, into a press release, or into project brochures.

Given that communication is essential to attracting investment, PNII continued its strong support to the APRIs in developing impactful communications tools and strategies. PNII helped re-design websites in all APRIs and built their capacity to develop communications materials and make different media work together effectively (such as print and internet).

Support to APRI included the following:

- Technical assistance support to Invest Manabí in the development of their communications materials for investment promotion (website, brochures, business cards).
- Logistics and media support surrounding the signature of memorandums of understanding between PNII and Invest Manabí and INVEC.
- Revision of the communication strategy and communications materials developed by INVEC and provision of feedback.
- Technical support in the improvement of investment agency websites (Invest in Quito, INVEC).
- Helped to develop a communications strategy for Invest in Quito by setting up a media tour for the agency's supervisor, creating communications materials, and helping to design and implement a website that would go live immediately before the event to commemorate this agency's results, to be held in October 2011 with PNII support.
- In addition to assisting with website development, PNII completed its technical assistance to INVEC to finalize its press folder. Assisted this agency in developing written handouts that could be used during investment promotion visits.
- Also facilitated a training by a local communications firm for Invest Manabí staff to learn how to manage its website and upload information, a critical communications (and investment promotion) tool. As part of PNII's effort to support Invest Manabí's sustainability strategy, their staff is now capable of updating their website without external assistance.

PNII also developed professional grade travel brochures that were an important achievement that served as a crucial sales tool for the tourism clubs as they implemented newly developed sales and marketing plans. PNII helped fund production of the brochures, which were disseminated at project events, industry fairs, farm trips, and used by local tour operators.

#### Media Outreach

The primary goal of this work is to disseminate, in written media, radio, and television, information about activities or specific events that the project implemented. In each of our dissemination activities, we draw attention to the support of the U.S. government and taxpayers, and the participation of officials from the project, as well as from USAID or the U.S. Embassy as a whole.

PNII facilitated several appearances in different media outlets throughout the life of the project, between TV, radio, print media, and web. PNII appeared in the media 166 times.

The project's 166 media appearances between October 2010 and August 2013 had an equivalent advertising value of \$407,035.18.

Of the 166 media appearances, 85 were in print media, 33 were online media, 22 were on television, and 26 were on the radio.

### Events

Over the life of PNII, the project coordinated a number of technical and public relations events for training purposes or to disseminate information about the project's activities. Toward the end of the project, events focused on building sustainability and disseminating information about the project's results.

In terms of sustainability, in February, March, and April 2013, COP Enrique Román directed a seminar on Institutional Economics and Development to prepare partners and counterparts for the continuation of their post-PNII work through a discussion of what institutions mean as a key success factor to development.

Toward the end of the project, there were two exceptional public relation events that are worth mentioning in more detail: the PNII close out event and an event held in Manta organized by the APRIM.

The PNII close out event took place in the evening of July 18, 2013. Three hundred seventeen guests, of which 142 were women, registered at the event that took place at the Marriott Hotel in Quito. During the event, a video projecting PNII's main accomplishments was shown. After that, our COP, two Project's key beneficiaries, and the President of CARANA Corporation spoke at the event. The formal event was closed with the enthusiastic participation of the U.S. Ambassador. The project's beneficiaries and partners were there to congratulate PNII staff for the results attained.

On Tuesday July 23, 2013, the APRIM and Manabí's local authorities (Prefect and Mayor of Manta) held an event to officially thank the Ambassador of the United States for the support provided by USAID's PNII Project to the APRIM. Key local stakeholders from the public and private sector as well as international investors attended the event.

### Communication as an Education Tool

Project documents developed during the project were shared with thousands of participants of project-supported events and also at technical conferences, such as the seminar on Institutional Economics and Development that was carried out under the leadership of PNII's Director and held in Quito between February and April 2013.

PNII also shared the results of its economic development and biodiversity conservation work with the academia. In June, July, and August 2013, our COP was invited to participate in academic events at the Universidad Andina Simón Bolívar, the Catholic University Santiago de Guayaquil, the Universidad del Azuay, the IDE Business School, and at the USFQ. Students and professors from these universities were impressed by the results attained by PNII.

In addition, copies of project documents have been shared to complement trainings for representatives of ADETs, CEDET, investment attraction agencies, provincial and municipal governments, and GOE Ministries.

